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(165048 / 165050)

TABLE OF CONTENTS

ANNEXES – Annexes can be found in a separate document

ABBREVIATIONS AND ACRONYMS

AA	Association agreement
AAP	Annual Action Programme
AD/AF	Action Document/Action Fiche
ADS	Armenian Development Strategy
ANDPME	National Agency for SME Development
BAS	Business Advisory Services
BiH	Bosnia and Herzegovina
BINOVA	Business Innovation and Investment Support in the Una Sana Canton
BMZ	German Federal Ministry for Economic Cooperation and Development
BSO	Business Support Organisation
BSP	Budget support programme
CBM	Confidence Building Measures
CEFTA	Central European Free Trade Area
CEN	European Committee for Standardization
CERD	Regional Centre for Economic and Rural Development
CFCD	Central Finance and Contracting Department
CFCU	Central Finance and Contracting Unit
CIP	Competitiveness and Innovation Framework Programme
CoC	Chamber of Commerce
COSME	EU programme for the Competitiveness of Small and Medium-sized Enterprises
CSP	Country (indicative) Strategy Paper
DAS	Development Agency of Serbia
DCFTA	Deep and Comprehensive Free Trade Area
DEVCO	DG International Cooperation and Development
DG GROW	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
DoA	Description of the Action
DPG	Development Partners Group
EaP	Eastern Partnership
EBRD	European Bank for Reconstruction and Development
EEN	Enterprise Europe Network
EFSE	European Fund for South-East Europe
EFTA	European Free Trade Association
EGP	Enterprise Growth Programme
EIB	European Investment Bank
EIF	European Investment Fund
EIF	Enterprise Incubator Foundation (Armenia)
ENEF	Enterprise Expansion Fund
ENI	European Neighbourhood Instrument
ENIF	Enterprise Innovation Fund
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood Policy Instrument
EQ	Evaluation Questions
ERRADA	Egyptian Regulatory Reform and Development Activity
ESRA	Economic Stimulation of Rural Areas in Moldova
EU	European Union
EUD	European Union Delegation
FDI	Foreign Direct Investment
FEMIP	Facility for Euro-Mediterranean Investment and Partnership
FEZ	Free Economic Zones
FP7	Seventh Framework Programme for Research and Technological Development
GGF	Green for Growth Fund
GGF TAF	Green for Growth Fund Technical Assistance Facility
GiZ	Gesellschaft für Internationale Zusammenarbeit
GoIEC	General Organisation for Exports and Imports Control
H2020	The EU Framework Programme for Research and Innovation
HQ	Headquarters
IFC	International Finance Corporation
IFI	International Financing Institution
IISP	Integrated Innovation Support Programme
IPA	Instrument for Pre-Accession

IPO	Intellectual Property Office
IPR	Intellectual Property Rights
IR	Inception Report
IRP	Interregional Programme (ENI)
ISCED	International Standard Classification of Education
ISG	Inter-Service Steering Group
ISP	Indicative Strategy Paper
KfW	Kreditanstalt für Wiederaufbau
LFM	Log-frame Matrix
MB	Multi-Beneficiary
MIPD	Multi-annual Indicative Planning Document
MSME	Micro, Small and Medium-sized Enterprise
MS	Member State
NAD	Needs of the Republic of Serbia for International Assistance 2011-2013
NARD	National Agency for Regional Development
NDS	National Development Strategy
NGCI	Next Generation Competitiveness Initiative
NGO	Non-Governmental Organisation
NIF	Neighbourhood Investment Facility
ODA	Official Development Assistance
OECD	Organisation for Economic Development
OP	Operational Programme
OVI	Objectively Verifiable Indicator
PAR	Public Administration Reform
PF	Project Fiche
PNMàN	Programme National de Mise à Niveau (National Development Programme)
PRDP	Pilot regional development project
PSD	Private Sector Development
R&D	Research and Development
RCOP	Regional Competitiveness Operational Programme
RDA	Regional Development Agency
RDS	Regional Development Strategy
REEPWB	Regional Energy Efficiency Programme for the Western Balkans
ROM	Results Oriented Monitoring
RSEDP	Regional Socio-economic Development Programme
SASME	Support to Agriculture SMEs
SBA	Small Business Act
SBS	Small Business Support Programme
SEECEL	South East European Centre for Entrepreneurial Learning
SIDA	Swedish International Development Agency
SIEPA	Serbia Investment and Export Promotion Agency
SIGMA	Support for Improvement in Governance and Management
SME	Small and Medium Sized Enterprise
SPD	Sector Programming Document
SSF	Single Support Framework
TAIB	Transition Assistance and Institution Building
TAIEX	Technical Assistance and Information Exchange
TAM	Turn around management
TDMEP	Trade & Domestic Market Enhancement Programme
TNA	Training Needs Assessment
ToR	Terms of Reference
UfM	Union for the Mediterranean
WB	World Bank
WB EDIF	Western Balkans Enterprise Development and Innovation Fund
WeBSEFF	Western Balkans Sustainable Energy Finance Facility
WEP	Women Entrepreneurship Platform

EXECUTIVE SUMMARY

1. Evaluation findings
PSD/Competitiveness programmes in three regions and eleven countries have been subjected to evaluation. The findings are divided over 30 judgment criteria formulated for a total of 20 evaluation questions. It is important to note that the intensity of the evaluation has varied over countries. In each of the ENI Regions, two countries were selected for in-depth evaluation; in these countries, four to five sample projects were taken into consideration. For the IPA region, the approach was slightly different: all country programmes were scrutinised, but individual projects were sampled in only two countries.

1.1 Relevance

1.1.1 Findings
EU programmes and interventions in the PSD/Competitiveness sector are reasonably in line with the needs of the countries, whether expressed formally in strategies or indicated less formally by other sources. Throughout the years, there has been consistency in terms of programme objectives, at both the regional and the national levels.

There is a steady evolution in the quality of project designs, showing a steep learning curve on the part of the programmers.

Regional projects tend to be less explicit in their results and objectives than the national ones. They appear to reflect more the policy needs of the Commission than the (explicit) needs expressed by the countries in the region. What is lacking is a clear distinction of needs to be tackled through country programmes, and which ones through the multi-country programme.

No concrete evidence exists about the frequency and format of information exchange between programmers at Commission HQ and EUDs. National and regional projects do not negatively affect each other. Concrete, out-right examples of overlaps/doublings were not found. A problem often mentioned in the field is that implementers of regional projects are foot-loose, not attached to any of the countries in the region. Their contributions are therefore perceived to have more of an academic than a practical nature.

There is a strong need for better communication and exchange of information between regional and national programmers within the EC services.

1.1.2 Main conclusions
Relevance of EU assistance is high in general terms when measured against relevant national priorities and needs. This statement is particularly true when it comes to the individual countries' national programmes, whereas the EU's regional assistance seems to be reflecting the wider priorities of the EU rather than the individual needs of countries.

While consultation mechanisms are exercised with the countries affected by regional (multi-country) programming, this is still, however, predominantly dealt with at a Commission level. Country needs are addressed in EU regional programmes and interventions although it seems that at times these needs are perceived better at the Commission HQ than in country strategies.

Some of the designed regional interventions enjoy limited support from the beneficiaries at the national level. This statement implies that ownership is at stake.

There is a clear positive evolution in the quality of project designs at all levels, in all regions, indicating continuous (and effective) work within the Commission Services to iron out weaknesses. The formulation of measurable indicators (and eventually the establishment of adequate systems for their monitoring) is historically a point of concern. As opposed to earlier years, programming under the 2014-2020 financial perspective has strongly gained in quality in this respect.

1.2 Efficiency

1.2.1 *Findings*
Overall, in all countries, in all regions, the evaluators are satisfied with the efficiency of project implementation. Where problems occurred, the contractor and the beneficiary were capable to jointly find solutions.

There is scarce evidence of inter-project exchanges; project teams had difficulty recognising policy objectives that are not directly connected with the project they are implementing. Hence they invest insufficient time and effort in cross-fertilising and mutually leveraging project activities, results and effects. The same applies to interactions among project or programme beneficiaries. More effort is needed to fine-tune multi-beneficiary projects with those under national programmes.

Regional, inter-regional (ENI) and national programmes rarely exhibit synergies, at least as far as mutual leveraging effects are concerned. The best element of regional programmes consists in its financial instruments. Thanks to the scale of operations, they manage to attract the necessary public and private capital to finance large investments, and are among those showing the most efficient approaches.

1.2.2 Main conclusions

Experts working in individual projects use their own judgment regarding the need to communicate and coordinate with other projects, whether financed by the EU or by other donors. The occurrence of such cooperation is not of high quality and shows some deficiencies. Although the current practice seems reasonably sufficient, there is room for measures to improve synergies potentially offered by complementarity.

Not any evidence was found regarding interactions and/or capitalisation on synergies among project or programme beneficiaries. The main issue is the compartmentalisation of public institutions, externally and even internally. This situation is especially extant in the two ENI regions; IPA countries have benefited from more intensive institution and capacity building support and are well underway to solve this problem.

The PSD/Competitiveness sector as defined by the Commission combines actions in the field of approximation, public administration reform, legislative adaptation, foreign trade, DCFTA, business environment, and in the view of the beneficiaries, this disparate set of sub-sectors is difficult to capture under one overarching PSD/Competitiveness sector. Rather, beneficiaries prefer to perceive PSD/Competitiveness as all actions directly benefitting the business sector.

Given the great needs in the countries, the EU programmes per definition cannot be adequate to achieve all strategic objectives. It was found that – in particular in the ENI East and the IPA region – programming as of 2014 is much more realistic in this respect.

Indicators included in older programmes (2010-2013) in most cases lacked the “smartness” to allow for appropriate monitoring. Apart from the ROM system, which can only address part of the interventions, no other national or regional monitoring systems were found for that period, not even at the EUDs. Measures have been taken and reportedly, better indicators for tracking SME/Competitiveness performance at country level were developed. Still, no locally-based monitoring systems were encountered, which may or may not be attributed to the fact that evaluators happened to overlook any documents and interviewees able to report on this.

1.3 Effectiveness

1.3.3 *Findings*

Information obtained from the surveys shows that positive results related to the business environment are achieved, brought about by interventions by the EU as well as other donors. The study of national-level sample projects confirms this. Regional projects also seem to have been moderately successful but fail to report on the details of these successes.

In relation to the overall needs in the regions, the budgets of regional projects (not counting the blending instruments) are relatively small and thus their attractiveness in terms of direct benefits is generally perceived as low by local stakeholders.

Although arguably all sample projects in the IPA region in one way or another affect the countries’ developments towards EU membership, the majority of them do not have this as an explicit objective. Only IPR projects and a project on e-business have a direct relationship with the acquis, and they are successful.

1.3.2 Main conclusions

PSD/Competitiveness programmes within the three instruments are largely effective, although the active support to interventions given by the national authorities is still inadequate. The EU can do only so much to resolve the vast sector shortcomings in the three regions.

Despite the vast amounts spent on improved access to finance, the reporting by IFIs in publicly available documents is – with one or two exceptions – insufficient to measure wider results and impact, which undermines the justification for continued financing of these operations.

Of all relevant aspects of the business environment, the programmes show positive outcomes for entrepreneurial learning opportunities, regulatory and institutional framework for SME policy making, availability of support services for SMEs. Innovation support to SMEs is also a successful sub-area but the number and size of projects is rather small to bring about wider impact.

At the level of instruments, neither ENI East nor ENI South explicitly or implicitly address the aspect of the green economy. IPA does slightly better. This was to be expected for the 2010-2013 programming years, but the lack of this aspect in 2014 and 2015 projects is a concern.

It would appear that the EU is (too) lenient in enforcing conditions related to beneficiary country involvement. The good practice of budget support programmes, where beneficiary contributions and mandatory results are described in detail in a performance matrix, could also be deployed in other delivery methods. It happens too often that results are not fully achieved because beneficiary countries do not, or cannot, live up to expectations.

1.4 Impact

1.4.1 *Findings*

In general, projects tend to deliver, in physical terms, what they promise. It is difficult to measure how these deliverables contribute to a better business environment. Many of the sample projects that are either completed or well underway fail to provide hard facts on achievements.

Where results are generated, their sustainability is often uncertain due to lack of dedicated follow-up on the part of beneficiaries. The latter has several causes, of which institutional/Human Resources weaknesses and/or lack of financial sustainability beyond the period of external funding emerge as the most frequent.

Only two types of projects have the potential to truly change business performance: the ones that provide dedicated business advice (such as BAS, EGP) and those that provide business finance. They have the advantage that they allow for measuring of indicators of business performance over time, since the project implementer has a relatively long-term professional relationship with each company assisted.

Although some projects provide clear data on improvement of MSME performance, the causal linkage between project activities and MSME performance are less obvious. Most other projects only provide some vague, partial and/or physical realisation-related indicators, which do not allow assessing performance in relation to impacts generated. The evaluators were informed that there are efforts underway to respond to these challenges.

The SME Survey has delivered evidence that the positive impact of EU support correlates with the size of the firm; the smaller the respondent, the less positive effects are reported. The same survey indicates that EU (financial) assistance does not play a decisive role in boosting environmentally friendly technologies and products. It may be wise to more explicitly include these topics in concrete projects, and develop a system of monitoring and reporting that meets the requirements of the Commission.

Gender equality features as a standard paragraph in the project fiches but no data can be retrieved concerning real implementation. Projects are gender neutral and no relevant gender-related concerns are reported.

1.4.4 Main conclusions

Numbers of SMEs that have concretely benefited from direct, non-financialo support are hard to come by. Importantly, the majority of projects in parallel focused on the development of systems and structures for service provision to SMEs, which potentially would lead to impact. Expected results directly related to access to services, as stated in project designs, are most of the times indeed realised or likely to be realised, but impact varies according to capacities and (absence of) policies in the sample countries.

Relevant sample projects have generated hundreds of millions of EUROs of direct financial support to SMEs. This is judged a great success and it is likely that the impact of these financial instruments is considerable. It may be considered less positive that all countries studied (with the exception perhaps of

Serbia and Turkey) have come to rely on these external sources of finance for their businesses and hence, do not invest much energy in establishing their own financing schemes.

With the sources of information that are made available, only a tentative judgment can be given regarding improved performance of assisted SMEs in terms of growth of jobs, growth in turnover, growth in international trade.

The SME survey carried out as part of this evaluation shows that around one third of responding SMEs report an increase in their annual turnover thanks to EU support.

The same survey leads to the conclusion that positive effects are predominantly experienced by medium-sized enterprises. This confirms the practice of IFIs aiming their (financial) assistance to the already best performing companies, which typically are not micro enterprises. The question is justified how to better channel financial instruments to beneficiaries most in need of support,

There is no evidence that any of the sample projects has led to the introduction of environmentally friendly (green) technologies. If the results of the SME survey may be considered indicative, such environmental effects were also hardly achieved at the level of the instruments.

Gender equality is covered by standard paragraphs in the strategic documents for the ENI and IPA instruments, and also in the majority of design documents. Only a small minority of the sample projects invest effort into this issue, and provide gender-specific reports. The maximum that can be concluded is that instruments and projects succeed in maintaining gender neutrality.

1.5. Sustainability

1.5.1 *Findings*

The sustainability of newly created institutions depends in most cases on further donors' involvement which allows them to continue their activities. Overall, the institutions supported through the sample projects face lack of financial resources and lack of decision-makers' involvement. The development and retention of individuals capable of effectively furthering the activities of the institutions appears a strong influential factor.

SMEs benefitting from support are generally not monitored beyond the lifetime of the project. Yet, although not quantified, there is evidence that many SMEs do develop in technical and economic terms as a result of the support services they benefitted from. In addition, positive sustainability prospects were identified in the case of business infrastructure projects.

Sustainability of effects of regional programmes depends on the type of activities carried out and, particularly, on the link with the national governments and their ownership of activities and results, which in turn influences their replication at national level. Many regional programmes deploying financial instruments are in themselves sustainable as revolving funds. Other regional programmes tend to face financial sustainability challenges and developing an exit strategy in such cases is advisable.

Several projects analysed have either multiplied their effects or the necessary preconditions are in place for them to do so in the future. The leveraging potential is directly conditioned by the sustainability of effects in itself. National projects targeting SMEs supported either with grants or business support services are rarely multiplied but the latter have a higher multiplication effect through the further funds which are often raised. At regional level, such financial projects have clear leveraging effect.

Overall, the most important lessons to be learnt at policy level for improving sustainability, impact and their prospects are:

- Strong correlation between EU-projects and national strategies –the latter building upon the former- helps ensure ownership by national governments.
- For financial instruments, a mechanism for monitoring the effects and their sustainability beyond the intervention itself (e.g. loan, BSB) at beneficiary level is badly needed.
- Regional programmes gain in sustainability when they have adequate governance systems, including national presence (as in the case of EBRD). Adequate mechanisms should be designed also in the case of this type of projects for monitoring sustainability of effects.
- Increased attention needs to be paid to capacity building at individual level and its capitalisation at institutional level.

- The sustainability of interventions and their effect positively correlates with the involvement of local experts and BSOs in the PSD process and thus their partnership at strategic level and contribution at intervention level needs to be ensured.

In the context of PSD, support to R&D and Innovation is at the crossroads between supply and demand of technology and requires specific support frameworks and actions, as well as targeted indicators. Awarding a significant degree of autonomy to R&D and/or innovation specific interventions from wider programmes/projects, if combined with effective co-ordination, collaboration and mutually leveraging with other PSD/Competitiveness interventions, may be the most cost-effective way to provide sustained R&D and Innovation support. In the ENI South region, it was highlighted during field meetings that innovation does not take place because it is not stimulated by the EU – the focus is more on respecting rules, which is difficult already, not to do something outside the box. It was thus suggested that some incentives should be developed from the policy level in future programming.

Programmes and projects involving financial instruments, particularly when mixed with targeted technical assistance, demonstrate a high degree of ownership of the results of EU interventions. Sustainability is brought about by annual expansions of the funds available. There is a need for local systems to gradually take over the donor role. For other types of projects, lack of (securing) financial resources after EU interventions are completed is a key hurdle in many cases.

1.5.2 Main conclusions

The sustainability of effects of newly created institutions depends in most cases on further EU involvement allowing them to continue their activities, even on a non-formalised basis. An element with strong potential to contribute to sustainability of project effects is the development and retention of individuals capable of effectively furthering the activities of the institutions.

Regional programmes such as EFSE deploying financial instruments targeting MSMEs and providing complementary technical assistance are in themselves sustainable as revolving funds and sustain a high likelihood of key project effects lasting and leveraging/multiplying in the mid- and long-term.

There is in general a slow pace of adoption, by relevant authorities, of primary and secondary legislation, institutional and administrative provisions as conditions for technical and financial sustainability of the institutions, tools and services created by EU projects: Administrative and legislative processes are many times too complex and slow to efficiently conciliate with programmes' and projects' limited time-frames and resources, and it is not uncommon that multiple political, economic and social interests hamper timely action.

On ownership of R&D and innovation activities, there is little concrete evidence, although the designs of relevant sample projects all include actions to enhance the involvement of institutions at the meso and macro level, which would lead to strengthened ownership.

1.6 Coherence

1.6.1 *Findings*

The sample projects evaluated do not contain activities aimed at participation of SMEs in the FP7 and the CIP programmes. All countries as a rule include in their national programmes an item called "Support for participation in Union Programmes". The field work has given some evidence of the existence of operational links with the CIP/COSME programme. Most IPA countries have national information points (now on COSME and H2020) but unfortunately, they do not have statistical material to quantify the importance of the programmes for the national private sector.

As far as PSD/Competitiveness support is concerned, the three instruments heavily leans on the principles of the Small Business Act. Reference is made to either the complete Act, or specific dimensions, in all strategic and programming documents. Nearly no concrete action, project, intervention is designed that does not actively support the strengthening of one or more of the SBA dimensions. EU support to advancing the SBA is spread over a high number of SBA dimensions; SBA dimension 9 (SMEs in a green economy) is relatively under-represented in the overall context of EU support to advancing the SBA.

The programming documents related to the IPA instrument, regional and for the countries, contain the obligatory chapter on EU visibility. In implementation, vast differences were noted between individual projects. Without any exception, all credit line and other SME financing projects lack effective visibility measures.The problem is also in the system. Each project separately is obliged to carry out its own visibility measures, while in actual fact the team of experts was hired for different, specialised services. They cannot be expected to be also visibility experts. Even when visibility measures are carried out dutifully, the overall effect on “EU visibility” is confusing. For example, each project produces its own website, with its own lay-out and functionality, but often without direct links to other EU-funded projects. It was found on several occasions that websites of projects already completed years ago, were still on-line. This is not the best advertisement. On a moderately positive note, it can be said that compliance with applicable rules is normally observed, but actual contribution to enhance the visibility of EU aid may in many cases not have been a major concern.

The most obvious innovation in EU aid delivery is that of financial instruments and especially that of blending of grants and loans. Furthermore, it is observed that as of 2014, programming in several countries is geared towards simplified implementation, through complete transfer of financial, management and implementation responsibilities to accredited national, but mostly international, institutions. Finally, it is acknowledged that what is an innovation in aid delivery in one country, has already become standard procedure in another. Both the Commission Services and the national authorities appear to be constantly searching for new and better mechanisms, which is deemed a good sign.

1.6.2 Main conclusions

Almost all countries enjoy considerable financial support for their entry tickets for the participation to European programmes. It was found during the field visits that the establishment of national infrastructures (contact points, etc.) for H2020 and COSME, which was a precondition for the agreements with the programmes, has at least boosted the operational links with them.

The vast majority of EU interventions to PSD/Competitiveness in the three regions targets fields related to advancing compliance with the SBA. Regional programmes particularly focus on dimensions 6, 7 and 10, with an emphasis on access to finance. National interventions in one way or another target all SBA dimensions. A clear exception is dimension 9 (SMEs in a green economy) for which few to no interventions have been found.

1.7 EU added value

1.7.1 *Findings*

To a large degree, complementarity and non-contradiction with national or regional programming are ensured at both regional and national programming, in relation to both national- and other donor-funded PSD/Competitiveness support interventions.

There are strong indications that if the support to PSD/Competitiveness provided by the EU would be withdrawn, the gap could not and would not be filled by other donors. There are countries where the EU is by far the strongest donor in PSD/Competitiveness support, and many donors are either lightly, or even not at all, present in regional terms. Furthermore, in themes such as the SBA, no one but the EU would be appropriately positioned to provide the necessary support.

Most if not all the beneficiary countries lack the budgets to provide the kind of support that the EU is providing, at national level and even more so at the regional level.

From an objective point of view, it is EU support that keeps the wheels turning in the PSD/Competitiveness sector. In relation to other donors, the EU tends to be more institutional and deal less with direct actions towards the SMEs themselves. In the IPA region, the EU is perceived as working better in, for example, institutional strengthening or policy support. Both types of interventions are necessary and useful for the ultimate purpose of fostering private sector development and competitiveness in the target countries;

The EU is clearly the major donor when it comes to regional intervention, particularly in the IPA region, which comes as a natural consequence of the proximity of this region to the EU and the specific purpose of IPA support. Hence, the EU seems irreplaceable at this level.

Finally, EU interventions in which IFIs are leading implementers tend to be well structured, efficiently managed and very effective. Their relevance to improve financing of MSMEs is unquestionable. No other type of donor-funded intervention (including from the EU) would likely be able to provide the same level of results and impacts.

1.7.2 *Main conclusions*

National and regional programming under all three instruments duly exhibit complementarity and non-contradiction in the field of PSD/Competitiveness support interventions. The question is whether this is by design, or by coincidence, since it was concluded that the cooperation and communication between programmers at regional and national levels was found to be less systematic than claimed by EU internal programming instructions.

2. Main Recommendations

PSD/Competitiveness encompasses many sub-sectors (e.g. SME development, public administration reform, trade regulations, etc.) which are managed by different parts of the government administration. Whether it lends itself to a fully-fledged sector-wide approach is a question that cannot be easily answered. Yet, compartmentalisation of policies is inherent to the public administration in IPA and ENI countries; communication and cooperation among ministries and public agencies on policy making are not yet at an adequate level. The establishment of a Regional Cooperation Council in the Western Balkans, and Platforms and Panels under the regional programme may be a good way to achieve common policies at the regional level, but does little to further the integrity of PSD/Competitiveness related policies at the country level. Therefore, whether this is called a sector-wide approach or not, it would be advisable to establish, jointly with the national authorities, PSD/Competitiveness councils consisting of high-level representatives of all ministries possibly related to the sector. They would design policy to be implemented both with national funds and donor funds.

The evaluators recommend a more stringent enforcement of the conditionality of beneficiary involvement during and after an EU-funded intervention. This would require, in the first place, more prominently including it in financing agreements and following that, in individual project or action fiches, along the lines as followed for budget support programmes. The ultimate sanction in those programmes is that tranches of EU financial support are withheld and this should also become practice in non-budget support. Project fiches/action fiches/action documents should contain a section on “inescapable” obligations of the recipient country, with clear description of sanctions, such as discontinuation of projects, temporisation of programming for future periods and even financial sanctions. The existing ROM system can be used for this without much change; ROM experts should be given the possibility to include proposed sanctions in their reports.

It is recommended that ENI programming become more focused on all those interventions that have direct tangible effects on individual businesses. Legal, regulatory and fiscal modernisation are perhaps just as important but it could be maintained that in the ENI regions (without accession factors) this is mainly a task of the national authorities. Rapid effects can be “scored” by concentrating on the business sector and their immediate environment (BSOs, private consultants).

It is recommended to investigate how the existing financial instruments can be “opened up” to micro enterprises with a need for micro loans. EFSE does something in this field, but the around one quarter of micro loans goes to private households for housing needs. ENI South has no comparable arrangement.

Based on the findings in this evaluation, the recommendation on cross-cutting issues is self-evident. Environment, climate change and gender equality are issues high on the EU’s agenda but do not always find their way to implementation. Two alternatives are recommended, that do not mutually exclude each other.

The first one is to design, for each programming year and for each individual country, at least one project dealing with PSD/Competitiveness environmental issues, one with PSD/Competitiveness Climate Change issues and one project dedicated to women entrepreneurship or another aspect of gender equality. There are reasons to think that the best solution could be to have such projects at the regional level.

The second alternative is to enforce the mainstreaming of cross-cutting issues in EU interventions, by introducing the institution of “environment, climate change and equal opportunities audits”, to be performed by an internal unit or external independent institution on all programming and procurement documents. This audit should also produce cross-cutting indicators to be used throughout implementation.

Assuming that – as reported by DG NEAR – indicator systems for PSD/Competitiveness have substantially improved, it is recommended to thoroughly embed them in the roles of national authorities. The NIPAC system in IPA countries already provides for this, or so it is assumed. Such clear responsibilities are not yet attributed to national coordinating institutions in ENI countries. In line with recommendation R05, such monitoring (its quality, its frequency, its substance) should be made an obligatory condition in all financing agreements, with sanctions attached to it.

As regards access to finance, it is recommended that the Commission undertake regular studies that inform these interventions, in terms of the needs for money, broken down for countries, types and sizes of funding instruments, priority sectors, types and sizes of individual companies most in need of external funding, repartition over (in-country) regions. This will have many positive effects, one of them being that regional funds (NIF, WB EDIF) are properly allocated to individual countries according to real needs.

It is recommended to ensure that in each country, networks of partner banks of IFIs are integrated, so that each micro, small and medium-sized entrepreneur (who typically does business with one bank in her/his village) has access to all instruments, not only to those that happen to be agreed with her/his bank.

It is recommended to separate 80% of the visibility budget from individual projects (20% is needed for a few direct project-related visibility actions) and organise visibility per country, where it counts most. This applies not only for PSD/Competitiveness, but for all sectors. A professional organisation in the country should be hired, that makes standard website designs for all projects, maintains them and – very importantly – ensures links between them. The organisation will produce standard designs and formats of brochures, leaflets, training materials, press releases, to be used by all projects. It will establish and keep up-to-date address lists for distribution of visibility materials. It will organise press conferences, TV and radio interviews for the individual projects, based on its contacts with the media. One other task is to ensure that all technical reports (insofar as not confidential) are uploaded to one database, preferably regional. The experience of the evaluators is that many technical reports are distributed over limited number of persons/institutions, and are not easily available to other contractors. This leads to repetition of the same studies, the same TNAs, the same training programmes and the same presentations. Important savings can be made.

SYNTHÈSE

1. Résultats de l'évaluation

Les programmes de Développement du secteur privé et de la compétitivité mis en place dans trois régions et onze pays ont fait l'objet d'une évaluation. Les résultats sont fractionnés en 30 critères d'appréciation, pour un total de 20 questions d'évaluation. Il est important de souligner que l'intensité de l'évaluation variait selon les pays. Dans chacune des régions de l'IEVP (Instrument européen de voisinage et de partenariat/ENI), deux pays ont été sélectionnés pour une évaluation approfondie ; dans ces pays, un échantillon de quatre à cinq projets a été pris en compte. Pour la région de l'IAP (Instrument d'Aide de Préadhésion/IPA), l'approche était légèrement différente : les programmes de tous les pays ont été analysés, mais des projets individuels ont été sélectionnés dans deux pays uniquement.

1.1 Pertinence

1.1.1 Résultats

Les programmes et interventions de l'UE dans le domaine du développement du secteur privé et de la compétitivité sont conformes aux besoins des pays, tels qu'exprimés formellement dans des Stratégies, ou indiqués de façon moins formelle dans d'autres sources. Au fil des années, les objectifs des programmes se sont montrés cohérents, autant à l'échelle locale qu'au niveau national.

La qualité des projets élaborés est en évolution constante, révélant une courbe d'apprentissage en forte progression chez les responsables de programmes. Cependant, il existe toujours des cas où les résultats des indicateurs sont formulés comme des outputs quantifiés, tandis que les indicateurs d'impact sont soit absents, soit une répétition des indicateurs d'output.

Les projets régionaux sont généralement moins explicites dans leurs résultats et leurs objectifs que les projets nationaux. Ils reflètent plutôt les besoins politiques de la Commissions que les besoins explicitement exprimés par les pays de la région. Ce qui fait défaut, c'est une distinction claire entre les besoins qui doivent être traités au travers de projets nationaux, et ceux qui doivent l'être au travers de programmes multinationaux.

Il n'y a aucune attestation concrète de la fréquence ou du moyen employé pour l'échange d'information entre les responsables de programmes au siège de la Commission et ceux des Délégations de l'Union Européenne (DUE). Les projets nationaux et régionaux ne se nuisent pas réciproquement. Aucun exemple concret, direct, de double emploi ou d'empiètement n'a pu être identifié. Le fait que les responsables de la mise en œuvre de projets régionaux soient sans attache, n'étant affectés à aucun pays de la région, est souvent évoqué comme un problème. Leurs contributions sont perçues en conséquence, comme ayant un intérêt théorique plus que pratique.

Il y a grand besoin d'améliorer la communication et l'échange d'informations entre les responsables de programmes au niveau régional et au niveau national, au sein des services de la Commission Européenne.

1.1.2 Conclusions principales

L'aide de l'Union Européenne apparaît, de façon générale, comme ajustée quand elle est rapportée aux priorités et besoins nationaux. Cette conclusion est particulièrement vraie en ce qui concerne les programmes nationaux de pays spécifiques, tandis que l'aide régionale de l'UE semble refléter davantage les priorités de l'UE que les besoins spécifiques des pays. Alors que les mécanismes de consultation s'exercent avec les pays concernés par la programmation régionale (multi-pays), ces questions sont encore traitées, pour l'essentiel, au niveau de la Commission. Les besoins des pays sont traités dans les programmes et interventions régionaux de l'UE, même s'il semble parfois que ces besoins soient mieux perçus au siège de la Commission que dans les stratégies nationales. Certaines des interventions régionales prévues reçoivent un soutien limité de la part des bénéficiaires à l'échelle nationale. Cette conclusion implique qu'il s'agit bien d'une question d'appropriation.

La qualité au niveau de la conception des projets présente une évolution clairement positive à tous les niveaux et dans toutes les régions, ce qui indique un travail continu (et efficace), au sein des services de la Commission, pour combler les lacunes. La formulation d'indicateurs mesurables (et, à l'avenir, l'établissement de systèmes de surveillance adéquats) est habituellement un sujet de préoccupation. Contrairement aux années précédentes, la programmation dans le cadre financier pluriannuel (perspective financière) 2014-2020 a grandement gagné en qualité sur cet aspect.

1.2 Efficacité

1.2.1 Résultats

De façon générale, dans tous les pays et toutes les régions, les évaluateurs se déclarent satisfaits de l'efficacité dans la mise en œuvre des projets. Partout où des problèmes sont survenus, les deux parties se sont révélées capables de trouver conjointement des solutions.

On note assez peu de communication inter-projets ; les équipes dédiées à chaque projet éprouvaient des difficultés à reconnaître les objectifs politiques qui n'étaient pas directement liés aux projets qu'elles mettaient en œuvre. C'est pourquoi elles investissent trop peu de temps et d'efforts dans le développement d'émulation réciproque et l'enrichissement mutuel de leurs activités, de leurs résultats et des effets obtenus. Il en va de même pour les interactions entre les bénéficiaires de projets ou de programmes. Un effort supplémentaire est requis pour articuler les projets ayant des bénéficiaires multiples aux projets répondant à des programmes nationaux.

Les programmes régionaux, interrégionaux (IEVP) et nationaux font rarement preuve de synergie, en tout cas pour ce qui concerne les effets d'entraînement mutuel. Les instruments financiers constituent le meilleur aspect des programmes régionaux. Grâce à l'échelle à laquelle ont lieu les opérations, ces projets parviennent à attirer le capital public et privé requis pour financer de gros investissements, et font partie des projets qui déploient les approches les plus efficaces.

1.2.2 Conclusions principales

Les experts qui travaillent sur des projets individuels se fient à leur propre jugement, en ce qui concerne les besoins de communication et de coordination avec d'autres projets, qu'ils soient financés par l'UE ou par d'autres sources. Ce type de coopération n'est pas de grande qualité et connaît quelques défaillances. Bien que la pratique courante paraisse raisonnablement satisfaisante, une amélioration des synergies permises par la complémentarité est possible.

Entre les bénéficiaires de projets ou de programmes, il semble n'y avoir aucune interaction ou capitalisation sur les synergies. Le problème principal demeure la compartimentalisation des institutions publiques, les unes à l'égard des autres, voire en interne. La situation est particulièrement résiliente dans les deux régions de l'IEVP ; les pays de l'IAP ont, quant à eux, bénéficié d'un intense soutien pour le développement de leurs compétences et de leurs institutions, et sont bien engagés dans la résolution du problème.

L'axe Développement du secteur privé et de la compétitivité, tel qu'il est défini par la Commission, concerne les actions effectuées dans le domaine de l'approximation, de la réforme de l'administration publique, de l'adaptation législative, du commerce international, des accords de libre-échange complets et approfondis (ALECA/*DCFTA*), de l'environnement des affaires. De l'avis des bénéficiaires, ce panel de sous-secteurs disparates est difficile à rassembler sous l'égide d'un axe unique « Développement du secteur privé et de la compétitivité ». Les bénéficiaires préfèreraient comprendre sous le nom de Développement du secteur privé et de la compétitivité toutes les actions bénéficiant directement aux entreprises.

Etant donnés les besoins importants des pays concernés, les programmes de l'UE ne peuvent, par définition, satisfaire à la réalisation de tous les objectifs stratégiques. Il apparaît – en particulier dans l'IEVP Est et la région de l'IAP – que la programmation depuis 2014 a été bien plus réaliste à cet égard.

Aux indicateurs inclus dans les anciens programmes (2010-2013) faisait défaut l'« intelligence » permettant la supervision appropriée. A l'exception du système de suivi axé sur les résultats (*Results Oriented Monitoring*/ROM), qui ne concerne qu'une partie des interventions, il semble n'exister aucun autre système de suivi national ou régional, pas même au niveau des Délégations de l'UE. Des mesures ont été prises, et certaines sources rapportent que de meilleurs indicateurs de suivi de la performance des PME et de la Compétitivité au niveau national ont été développés. Pourtant, il semble n'exister aucun système local de suivi, ce qui pourrait être attribué au fait que les évaluateurs auraient négligé les documents et les personnes interrogées en position de témoigner de l'existence de tels systèmes.

1.3 Efficacité

1.3.1 Résultats

Les informations rassemblées au moyen d'enquêtes d'opinion montrent que l'on obtient des résultats positifs en ce qui concerne l'environnement économique. Ces résultats peuvent d'ailleurs être la conséquence d'interventions de l'UE ou d'interventions émanant d'autres sources de financement.

L'étude des projets d'échelle nationale sélectionnés le confirme. Les projets régionaux semblent également avoir permis de relatifs succès, mais le détail n'en est pas connu.

Par rapport aux besoins généraux dans les régions, les budgets des projets régionaux (hors Mixage /*Blending instrument*) sont relativement bas. Pour cette raison, leur attractivité en termes de bénéfices directs est généralement perçue comme faible par les acteurs locaux.

Bien que tous les projets sélectionnés dans la région de l'IAP affectent sans doute, d'une manière ou d'une autre, la perspective de l'intégration à l'UE, la majorité d'entre eux ne présentent pas l'adhésion comme un objectif explicite. Seuls les projets concernant les droits sur la propriété intellectuelle ainsi qu'un projet consacré à l'e-business sont en relation directe avec l'acquis communautaire. Ces projets ont d'ailleurs rencontré le succès.

1.3.2 Conclusions principales

Les programmes de développement du secteur privé et de la compétitivité au sein des trois instruments sont très efficaces, même si le soutien des autorités nationales reste inadapté. C'est tout ce que l'UE peut faire pour résoudre les sérieuses lacunes que connaissent ces trois régions dans ce domaine.

En dépit des montants importants dépensés pour améliorer l'accès aux financements, les documents publics fournis par les institutions internationales de financement (*IFI*) présentent des données insuffisantes – à une ou deux exceptions près – pour évaluer leurs résultats et leur impact sur une portée plus large, ce qui amoindrit d'autant le bien-fondé qu'il y aurait à continuer de financer ces opérations.

Parmi tous les aspects de l'environnement économique, les programmes ont des résultats positifs sur les possibilités d'apprentissage d'entreprenariat, le cadre réglementaire et institutionnel pour la mise en place d'une politique concernant les PME, la disponibilité de services de soutien pour les PME. Le soutien à l'innovation des PME est également un secteur qui fonctionne, mais les projets sont trop peu nombreux et de trop petite envergure pour que l'on puisse observer un impact de plus grande portée.

Au niveau des instruments, ni l'IEVP Est ni l'IEVP Sud ne traitent explicitement ou implicitement de la question de l'économie verte. L'IAP fait légèrement mieux sur ce point. Ceci était à attendre de la programmation 2010-2013, mais l'absence de cet aspect en 2014 et 2015 constitue un motif d'inquiétude.

Il semble que l'UE soit (trop) laxiste quant à la mise en vigueur des conditions relatives à l'implication du pays bénéficiaire. On pourrait également reprendre, dans d'autres méthodes de livraison de l'aide la bonne pratique des programmes de soutien budgétaire, où les contributions des bénéficiaires et les résultats attendus sont décrits dans le détail suivant une matrice de performance. Il arrive trop fréquemment que les résultats ne soient pas complètement atteints car les pays bénéficiaires ne répondent pas, ou ne peuvent pas répondre, aux attentes.

1.4 Impact

1.4.1 Résultats

En général, les projets ont tendance à livrer, en termes de réalisation physique, ce qu'ils promettent. Il est difficile d'estimer comment ces livrables participent de l'amélioration de l'environnement économique. Au sein de l'échantillon, plusieurs des projets achevés ou bien engagés échouent à fournir des données fiables concernant les réalisations.

Quand les projets obtiennent des résultats, leur viabilité est souvent incertaine, en raison d'un manque de suivi de la part des bénéficiaires. Ce manque de suivi s'explique par plusieurs causes. Parmi les causes les plus fréquentes, on retrouve les faiblesses institutionnelles ou au niveau des ressources humaines, et/ou le manque de viabilité financière au-delà de la période de financement externe.

Seuls deux types de projets ont le potentiel de réellement influencer les performances des entreprises : ceux qui fournissent des conseils (tels que les Services de conseils aux entreprises (BAS/*Business Advisory Services*) ou le Programme de croissance des entreprises (EGP/*Entreprise Growth Programme*)) et ceux qui fournissent des financements aux entreprises. Ils ont l'avantage de permettre l'évaluation de la performance des entreprises sur la durée, puisque l'organisme qui met en place le projet entretient une relation professionnelle de long terme avec chacune des entreprises aidées.

Bien que certains projets fournissent des données claires concernant l'amélioration de la performance des TPE et PME, le lien causal entre les activités du projet et la performance des TPE-PME est moins évident. La plupart des autres projets fournissent seulement des indicateurs vagues, partiels et/ou se concentrant sur les réalisations physiques, ce qui ne permet pas d'évaluer la performance en relation avec les effets engendrés. Les évaluateurs sont informés que des efforts sont en cours pour répondre à ces défis.

L'enquête menée auprès des PME a montré que l'effet positif du soutien de l'UE dépend de la taille de l'entreprise ; plus l'entreprise concernée est petite, plus les effets rapportés sont faibles. La même enquête indique que l'aide (financière) de l'UE ne joue pas un rôle décisif dans la promotion de technologies et de produits écologiques. Il serait bon d'inclure plus explicitement ces questions dans les projets concrets, et de développer un système de suivi et de signalement qui soit conforme aux exigences de la Commission.

La notion d'égalité des sexes figure dans les documents du projet sous forme d'un paragraphe standard, mais aucune donnée n'a pu mettre en évidence une mise en œuvre effective. Les projets respectent la neutralité de genre, et aucune inquiétude concernant les questions de genre n'a été rapportée.

1.4.2 Conclusions principales

Il est difficile de trouver les chiffres concernant le nombre de PME ayant concrètement bénéficié d'un soutien direct, non-financier. Il est important de noter que la majorité des projets développés se sont concentrés en parallèle sur le développement des systèmes et structures pour fournir des services aux PME, ce qui devrait avoir un effet positif. La plupart du temps, les résultats directement liés à l'accès aux services et prévus dès la conception du projet, sont en effet atteints, ou proches de l'être, mais l'effet varie selon les capacités et les politiques (ou l'absence de politiques) menées dans les pays de l'échantillon.

Les projets sélectionnés ont charrié des centaines de millions d'euros d'aide financière directe aux PME. Ceci est considéré comme un grand succès, et il est probable que l'impact de ces instruments financiers est considérable. On peut considérer comme moins positif le fait que tous les pays étudiés (à l'exception de la Serbie et de la Turquie) ont fini par se reposer sur ces sources de financement externe pour le développement de leurs entreprises, et, par-là, ne dépensent pas beaucoup d'énergie à établir leurs propres mécanismes de financement.

Au moyen des sources d'information disponibles, on ne peut donner qu'un jugement hypothétique sur l'amélioration de la performance des PME aidées en termes de croissance de l'emploi, du chiffre d'affaire, du commerce international.

L'enquête menée sur les PME dans le cadre de cette évaluation montre qu'environ un tiers des PME ayant répondu font état d'une augmentation de leur chiffre d'affaire annuel due au soutien de l'UE.

La même étude conduit à la conclusion suivante : les effets positifs se rencontrent principalement dans les entreprises de taille moyenne. Ce qui confirme la pratique des institutions de financement internationales, qui dirigent leur aide (financière) vers les entreprises montrant déjà les meilleures performances, qui ne sont d'ordinaire pas des micro-entreprises. La question de savoir comment mieux acheminer les instruments financiers vers les bénéficiaires qui en ont le plus besoin, mérite d'être posée.

Rien ne prouve qu'aucun des projets de l'échantillon ait mené à l'introduction de technologies écoresponsables (vertes). Si les résultats de l'enquête menée sur les PME peuvent être considérés comme fiables, ces effets environnementaux ont également été à peine obtenus au niveau des instruments.

L'égalité des sexes est traitée dans des paragraphes standardisés dans les documents stratégiques pour l'IEVP et l'IAP, et également dans la majorité des documents de conception. Seule une petite minorité des projets sélectionnés fournissent des efforts dans ce domaine, en remettant des rapports spécifiques. On peut en conclure que ces projets et instruments parviennent au mieux à maintenir la neutralité de genre.

1.5 Viabilité

1.5.1 Résultats

La viabilité des institutions nouvellement créées dépend, dans la plupart des cas, de l'implication ultérieur des financeurs, qui leur permet de continuer leurs activités. En général, les institutions soutenues dans les projets de l'échantillon, font face à un manque de ressources financières et à une insuffisante implication des décisionnaires. Former les individus capables de pérenniser efficacement les activités des institutions, et savoir les retenir, semble un facteur important.

Les PME qui reçoivent une aide ne sont généralement pas suivies au-delà de la durée du projet. Toutefois, il semble – bien que cela n'ait pu être mesuré – que de nombreuses PME se développent au plan technique et économique grâce aux services d'assistance dont elles ont bénéficié. En outre, on anticipe des perspectives positives et durables dans le cas de projets concernant l'infrastructure des entreprises.

La persistance des effets des programmes régionaux dépend du type d'activités menées et, en particulier, du lien avec les gouvernements nationaux et leur appropriation des activités et résultats, ce qui favorise en retour une réplication au niveau national. De nombreux programmes régionaux déployant des instruments financiers sont en eux-mêmes viables en ceci qu'ils fonctionnent comme des fonds de crédits rotatifs. D'autres programmes régionaux ont tendance à faire face à des problèmes de viabilité financière, et il est conseillé, pour de telles situations, de développer une stratégie d'accès à l'indépendance.

Dans plusieurs projets analysés, soit les effets ont été démultipliés, soit les conditions nécessaires ont été mises en place pour une démultiplication des effets à l'avenir. L'effet de levier potentiel est directement conditionné par la viabilité des effets. Les projets nationaux ciblant des PME au moyen de subventions ou par la mise en place de services d'aide aux entreprises, ont rarement connu une démultiplication de leurs effets, mais ces derniers ont un effet de démultiplication plus élevé par l'intermédiaire de levées de fonds additionnels. Au niveau régional, les projets de financement présentent clairement un effet de levier.

D'une façon générale, voici les leçons les plus importantes à retenir en ce qui concerne l'amélioration de la viabilité, de l'impact et des perspectives :

- une forte corrélation entre les projets de l'UE et les stratégies nationales – ces dernières s'érigeant sur la base des premiers – aide à garantir l'appropriation par les gouvernements nationaux ;
- dans le cas des instruments financiers, il est grand besoin de mettre en place un mécanisme de suivi des effets et de leur viabilité au-delà de la durée de l'intervention elle-même (par exemple un prêt ou un programme de soutien budgétaire);
- les programmes régionaux gagnent en viabilité quand ils jouissent de systèmes de gouvernance appropriés, incluant une présence nationale (comme dans le cas de la BERD). Il faudrait également concevoir les mécanismes appropriés pour le cas de ce type de projets pour réaliser le suivi de la viabilité des effets.
- Il faudrait faire plus attention au développement des compétences au niveau individuel et à leur capitalisation au niveau institutionnel.
- La viabilité des interventions et de leurs effets est corrélée à l'engagement, dans le processus de développement du secteur privé, des experts locaux et des organisations de soutien aux entreprises. Ainsi, il faut s'assurer de leur partenariat au niveau stratégique et de leur contribution au niveau opérationnel.

Dans le contexte du développement du secteur privé, l'aide à la Recherche, au Développement et à l'Innovation est à la croisée de l'offre et de la demande en matière des technologies. Elle exige des dispositifs de soutien et des actions spécifiques, ainsi que des indicateurs ciblés. Conférer, dans le cadre de programmes ou de projets de plus grande portée, une autonomie importante à la recherche et développement et/ou aux interventions spécifiquement consacrées à l'innovation, semble être le moyen le plus rentable de garantir la viabilité pour la recherche, le développement et le soutien à l'innovation, à condition que cela soit accompagné d'une coordination et d'une collaboration efficaces avec d'autres interventions dans le cadre du Développement du secteur privé et de la compétitivité, dans un esprit d'enrichissement mutuel.

Dans la région de l'IEVP Sud, les rencontres de terrain ont montré que l'innovation est inexistante parce que non stimulée par l'UE. L'action de l'UE se concentre en effet davantage sur le respect des règles, ce qui est déjà en soi assez difficile, que sur leur transgression. Il a donc été suggéré le développement de certaines incitations au niveau politique dans la programmation future.

Les programmes et projets impliquant des instruments financiers font l'objet d'une bonne appropriation des résultats des interventions de l'UE, surtout quand ils vont de pair avec une aide technique ciblée. La viabilité est renforcée par les extensions annuelles de fonds disponibles. Il faudrait que les systèmes locaux puissent progressivement endosser le rôle de financeurs. Pour d'autres types de projets, l'absence de garantie des ressources financières après la réalisation des interventions de l'UE, est un obstacle clé dans de nombreux cas.

1.5.2 Conclusions principales

La viabilité des effets des institutions nouvellement créées dépend, dans la plupart des cas, d'une prolongation de l'implication de l'UE leur permettant de continuer leurs activités, même sur une base informelle. Former des personnes capables de pérenniser efficacement les activités des institutions et savoir retenir ces mêmes personnes sont des éléments qui participent fortement de la viabilité des effets des projets.

Les programmes régionaux comme le fonds européen pour l'Europe du Sud-Est, qui déploient des instruments financiers ciblant les TPE-PME et fournissant une aide technique complémentaire sont en eux-mêmes viables, parce qu'ils fonctionnent comme des fonds à crédits rotatifs. En outre, ils sont hautement susceptibles de fournir des résultats cruciaux, à la fois durables et induisant un effet de levier/ de démultiplication, à moyen et long terme.

On note en général la lenteur du rythme d'adoption, par les autorités concernées, de la législation primaire et secondaire, et des dispositions institutionnelles et administratives, conditions de la viabilité technique et financière des institutions, outils et services créés par les projets de l'UE : les processus administratifs et législatifs sont souvent trop complexes et trop lents pour être conciliés de façon efficace avec le calendrier et les ressources des programmes et projets, et il n'est pas rare que des intérêts politiques, sociaux et économiques empêchent la prise les mesures au moment opportun.

On dispose de peu de données concernant l'appropriation des activités de recherche, de développement et d'innovation, même si les projets sélectionnés incluaient tous, dès leur conception, des actions prévisionnelles pour améliorer l'implication des institutions au niveau intermédiaire et au niveau global, avec le but de renforcer l'appropriation.

1.6 Cohérence

1.6.1 Résultats

Les projets sélectionnés et évalués ne prévoient aucune activité visant la participation des PME au 7ème Programme-cadre pour la recherche et le développement technologique (FP7) et aux Programmes pour la compétitivité et l'innovation (PCI/CIP). Une règle exige que les pays introduisent dans leurs programmes nationaux une rubrique appelée « Soutien à la participation aux programmes de l'Union ». D'après des retours du terrain, il semble qu'existent des liens opérationnels avec le programme pour la compétitivité et l'innovation et le programme pour la compétitivité des PME (COSME). La plupart des pays de l'IAP disposent de points d'information nationaux (sur le COSME et sur le Programme-cadre de l'UE pour la Recherche et l'Innovation (H2020), mais malheureusement, ne proposent aucune donnée statistique pour quantifier l'importance des programmes pour le secteur privé national.

Dans le domaine de l'aide au développement du secteur privé et de la compétitivité, les trois instruments reposent pour l'essentiel sur les principes du *Small Business Act*. Les documents de programmations ou stratégiques font tous référence ou bien à cette loi dans son ensemble, ou bien à certaines de ses dimensions spécifiques. La quasi-totalité des actions concrètes, projets, interventions promeuvent le renforcement d'un ou plusieurs principes du *Small Business Act*. Le soutien de l'UE à la promotion du *Small Business Act* se répartit entre différents principes de celui-ci ; le 9ème de ces principes (les PME dans l'économie verte) est relativement sous-représenté dans le contexte général du soutien de l'UE à la promotion du *Small Business Act*.

Les documents de programmation de l'IAP, tant à l'échelle régionale qu'à l'échelle des pays concernés, contiennent systématiquement un chapitre sur la visibilité de l'UE. Au moment du passage à la mise en œuvre, on a noté de grandes différences entre les projets. A toutes les lignes de crédit et à tous les autres projets de financement des PME – sans exception, faisaient défaut des mesures efficaces en faveur de la visibilité. Le problème vient également du système. Chaque projet était contraint de prendre séparément des mesures en faveur de sa propre visibilité, alors qu'en fait l'équipe d'experts était recrutée pour des services spécialisés différents. On ne peut pas attendre d'eux qu'ils soient également experts en matière de visibilité. Même quand les mesures en faveur de la visibilité étaient consciencieusement menées, l'effet général sur la « visibilité de l'UE » est incertain. Par exemple, chaque projet réalise son propre site Web, avec sa propre architecture et ses propres fonctionnalités, mais souvent sans y faire figurer de liens directs vers les autres projets financés par l'UE. En plusieurs occasions, on a découvert que les sites de projets réalisés depuis années étaient toujours en ligne. Ceci ne constitue pas la meilleure des publicités. On peut dire que la conformité aux règles en vigueur est habituellement respectée, mais que la contribution à l'amélioration de la visibilité de l'aide européenne semble n'avoir pas été, dans de nombreux cas, une préoccupation majeure.

L'innovation la plus manifeste en matière d'aide européenne est l'innovation en matière d'instruments financiers, et particulièrement ceux qui combinent subventions et prêts. En outre, depuis 2014, on note que la programmation dans plusieurs pays s'oriente vers une mise en œuvre simplifiée, par le biais du transfert intégral des responsabilités financières, managériales et de mise en œuvre aux institutions nationales, mais surtout internationales, compétentes. Pour finir, il est admis que ce qui peut, dans un pays, constituer une innovation dans les mécanismes d'aide, peut apparaître comme la procédure standard dans un autre. Les services de la Commission et les autorités nationales semblent toutes deux en recherche constante de nouveaux mécanismes, plus efficaces, ce qui est plutôt bon signe.

1.6.2 Conclusions principales

La plupart des pays bénéficient d'un soutien financier considérable au moment d'intégrer les programmes européens. Les visites de terrain ont permis de montrer que la mise en place, en vue des plans Horizon 2020 et COSME, d'infrastructures nationales (Points de contact nationaux, etc.), ce qui constituait une condition préalable à tout accord programmes, avait, au minimum, stimulé les liens opérationnels avec eux.

La majeure partie des interventions de l'UE en faveur du développement du secteur privé et de la compétitivité dans les trois régions visent des domaines concernés par la mise en conformité progressive avec le *Small Business Act*. Les programmes régionaux mettent particulièrement l'accent sur les principes 6, 7 et 10, en insistant sur l'accès aux financements. Les interventions nationales visent, d'une façon ou d'une autre, les 10 principes du *Small Business Act*. Une exception nette : le principe 9 (les PME dans une économie verte), qui n'a fait l'objet d'aucune intervention, ou de très peu.

1.7 Valeur ajoutée de l'UE

1.7.1 Résultats

La complémentarité et la non-contradiction entre programmes nationaux et régionaux étaient assurées dans une large mesure, à la fois au niveau de la programmation régionale et au niveau national, par rapport aux interventions d'aide au développement du secteur privé et à la compétitivité financées au niveau national ou par d'autres sources.

Il apparaît hautement probable que si l'aide au développement du secteur privé et à la compétitivité fournie par l'UE devait être retirée, la différence ne pourrait pas être comblée par d'autres sources de financement. Dans certains pays, l'UE est de loin la source de financement principale de l'aide au développement du secteur privé et de la compétitivité, et de nombreuses sources de financement ne sont pas présentes, ou le sont très peu, au niveau régional. De plus, en des domaines comme le *Small Business Act*, seule l'UE est en position d'apporter l'aide requise.

Les budgets permettant de fournir le type d'aide qu'apporte l'UE, au niveau national et à plus forte raison au niveau régional, font défaut à la plupart des pays bénéficiaires, sinon à tous. Objectivement, c'est l'aide de l'UE qui, dans le domaine du développement du secteur privé et de la compétitivité, permet à la machine de continuer à tourner. Par rapport à d'autres sources de financement, l'UE a tendance à se concentrer plus sur les aspects institutionnels et à engager moins d'actions directes en direction des PME elles-mêmes. Dans la région de l'IAP, l'UE est perçue comme plus efficace dans le renforcement des institutions ou dans le soutien aux politiques. Les deux types d'interventions sont nécessaires à la poursuite de l'objectif suprême, qui est d'encourager le développement du secteur privé et la compétitivité dans les pays-cibles.

L'UE est clairement la source de financement principale au niveau des interventions régionales, en particulier dans la région de l'IAP, ce qui s'explique par la proximité géographique avec l'UE de cette région et par l'objectif spécifique de l'aide fournie par l'IAP. L'UE semble donc irremplaçable sur ce point.

Enfin, les interventions de l'UE, dans la mise en œuvre desquelles les institutions de financement internationales (IFI) jouent le rôle de chefs de file, sont généralement bien structurées, gérées de façon efficiente et très efficaces. Leur importance pour améliorer le financement des TPE-PME ne saurait être remise en question. Aucun autre type d'intervention financée par des subventions (y compris fournies par l'UE) ne semble pouvoir obtenir des résultats et un impact d'une ampleur comparable.

1.7.2 Conclusions principales

Les programmations nationale et régionale, dans le cadre des trois instruments, font preuve de complémentarité et de compatibilité dans le domaine des interventions d'aide au développement du secteur privé et à la compétitivité. La question se pose de savoir si cette collaboration est planifiée ou si elle est le fait du hasard, sachant que la coopération et la communication entre les responsables de programmes au niveau régional et au niveau national se sont révélées moins systématiques que ne le voulaient les instructions internes à l'UE.

2. RECOMMANDATIONS PRINCIPALES

Le développement du secteur privé et la compétitivité englobe plusieurs sous-secteurs (par exemple le développement des PME, la réforme de l'administration publique, les réglementations commerciales), administrés par différents services gouvernementaux. C'est une question difficile, que de savoir si le développement du secteur privé et de la compétitivité se prête à une approche sectorielle à part entière. Pourtant, la compartimentalisation des politiques publiques est la norme dans l'administration publique des pays de l'IAP et de l'IEVP ; la communication et la coopération dans le processus décisionnel entre ministères et agences publiques n'a pas encore atteint le degré de développement approprié. La mise en place d'un Conseil de coopération régionale dans les Balkans occidentaux, et de Plateformes et Panels dans le cadre d'un programme régional, peut être un bon moyen de mettre en œuvre des politiques communes au niveau régional, mais n'a que peu d'effet en ce qui concerne le renforcement de la cohérence des politiques liées au développement du secteur privé et à la compétitivité au niveau national. C'est pourquoi, que l'on qualifie cela d'approche sectorielle ou non, il serait souhaitable d'établir, en collaboration avec les autorités nationales, des Conseils du développement du secteur privé et de la compétitivité, réunissant des représentants de tous les ministères potentiellement impliqués dans ce secteur. Ces conseils concevraient des politiques à mettre en œuvre à la fois sur fonds publics et sur la base de donations.

Les évaluateurs recommandent une application plus stricte des conditions d'implication du bénéficiaire pendant et après l'intervention de l'UE. Ce qui supposerait d'abord d'inclure ces conditions dans les accords de financement, et, ensuite, dans les projets individuels et les fiches d'action suivant les principes accordés aux programmes de soutien budgétaire. La sanction la plus grave dans le cadre de ces programmes est le retrait de certaines tranches de l'aide financière de l'UE, et c'est également ce qui devrait être mis en pratique en cas d'aide non-budgétaire. Les fiches de projets/fiches d'action/documents d'action devraient comporter une section sur les obligations « inéludables » du pays bénéficiaire, avec une description claire des sanctions encourues, comme l'interruption des projets, le gel de la programmation, et même des sanctions financières. Le système ROM actuellement existant peut-être utilisé à cette fin, sans grand changement. Les experts ROM devraient avoir la possibilité de faire figurer dans leurs rapports les sanctions encourues.

Il serait souhaitable que le programme IEVP (ENI) se concentre davantage sur toutes les interventions qui ont des effets directs, tangibles, sur les entreprises. La modernisation légale, réglementaire et fiscale est peut-être d'une importance équivalente, mais on pourrait arguer que, dans les régions de l'IEVP (où n'existe pas de facteurs d'adhésion à l'UE), c'est là essentiellement la mission des autorités nationales. On pourrait obtenir des effets rapides en se focalisant sur le secteur des affaires et leur environnement immédiat (organisations d'aide aux entreprises, consultants privés).

Il serait souhaitable d'enquêter pour savoir comment les instruments financiers existant pourraient être élargis aux micro-entreprises ayant besoin de micro-crédits. Le Fonds européen pour l'Europe du Sud-Est a une action dans ce domaine, mais environ un quart des micro-crédits sont consentis à des ménages privés, en vue de satisfaire à des besoins domestiques. Il n'existe aucun dispositif comparable pour la région de l'IEVP Sud.

Sur la base des résultats de cette évaluation, la recommandation au sujet des questions transversales va de soi. L'environnement, le changement climatique, l'égalité des sexes sont des questions prioritaires dans l'ordre du jour de l'UE, mais ne parviennent pas toujours a se mettent en œuvre dans les plans et programmes. Deux options sont conseillées, qui ne sont pas mutuellement exclusives.

La première consiste à prévoir, pour chaque année de programmation et dans chaque pays, au moins un projet centré sur les questions environnementales en rapport avec le développement du secteur privé et de la compétitivité, un projet centré sur la question du changement climatique en rapport avec le développement du secteur privé et de la compétitivité, et un projet dédié à l'entreprenariat féminin ou à tout autre aspect de l'égalité des sexes. Certaines raisons portent à croire qu'il vaudrait mieux que de tels projets soient menés au niveau régional.

La deuxième option consiste à consolider l'intégration des questions transversales dans les interventions de l'UE, en introduisant des « audits pour l'environnement, le changement climatique et l'égalité des chances », réalisés par une unité spécifique ou par une institution extérieure indépendantes sur tous les programmes et tous les documents portant sur le marché public. Cet audit aurait également pour tâche de réaliser des indicateurs transversaux à utiliser tout au long de la mise en œuvre du programme.

Si l’on suppose que les indicateurs de développement du secteur privé et de la compétitivité se sont améliorés de façon conséquente – comme cela a été rapporté par la Direction générale du voisinage et des négociations d’élargissement (DG NEAR) –, il est conseillé d’intégrer minutieusement ces indicateurs dans les rôles des autorités nationales.

Le système de coordination nationale de l’IAP (NIPAC), mis en place dans les pays de l’IAP, fournit déjà une telle intégration, ou du moins est-ce supposé. Les institutions de coordination nationale dans les pays de l’IEVP ne jouissent pas de responsabilités aussi clairement établies. En conformité avec la recommandation R05, ce suivi (avec sa qualité, sa fréquence, sa substance) devrait devenir une condition préalable aux accords de financement, assorti d’un système de sanctions.

Quant à l’accès aux financements, il serait souhaitable que la Commission prenne en charge des études régulières nous renseignant sur ces interventions, quant aux besoins financiers, répartis selon le pays, le type et la taille des outils de financement, les secteurs prioritaires, le type et la taille des entreprises les plus demandeuses de financements externes, et leur situation géographique dans le pays. Ces études auront de nombreux effets positifs, permettant entre autres une allocation précise des fonds régionaux (NIF, WIB EDIF) aux pays, adaptée aux véritables besoins.

Il est conseillé de s’assurer que, dans chaque pays, des réseaux de banques partenaires des institutions de financement internationales soient partie prenante, de sorte que chaque entrepreneur de TPE ou de PME (qui, d’ordinaire, fait des affaires avec une seule banque, située dans sa commune) ait accès à tous les instruments, et non simplement à ceux que propose sa banque.

Il est conseillé de consacrer 80% du budget destiné à la visibilité pour organiser la visibilité dans chaque pays, là où elle compte le plus, et de conserver le reste pour la visibilité des projets individuels (20% sont requis pour quelques actions de visibilité directement liées aux projets). Ce principe ne vaut pas uniquement pour le développement du secteur privé et de la compétitivité, mais dans tous les domaines. Il convient également de faire appel à un organisme professionnel du pays pour concevoir des sites Web standardisés pour tous les projets, les mettre à jour, et assurer leur interconnexion. L’entreprise réalisera les modèles standard et les formats pour les prospectus, dépliants, supports de formation, dossiers de presse, à utiliser sur les différents projets. Elle créera et mettra à jour des listes d’adresses pour la distribution des matériaux de visibilité. Elle organisera les conférences de presse, les interviews radio et télévision portant sur les projets individuels, en s’aidant de ses contacts avec les médias. Une autre de ses tâches sera de s’assurer que tous les rapports techniques (sauf confidentiels) soient téléchargés sur une base de données, de préférence régionale. De l’expérience des évaluateurs, de nombreux rapports techniques se retrouvent entre les mains d’un nombre limité de personnes ou d’institutions, et sont difficiles d’accès pour les autres participants. Cet état de fait entraîne la reproduction des mêmes études, des mêmes évolutions des besoins en matière de formation, les programmes de formation et les mêmes présentations. D’importantes économies sont à faire en ce domaine.

1. OBJECTIVES OF THE EVALUATION

The overall objective of the assignment is to shed light on results of past interventions of the EU in support of SME development in the regions concerned as well as to judge whether the new approach developed for supporting competitiveness is well suited and reflected in new programming. It will also provide inputs for the Mid-term review of the Union's instruments for financing external actions (IPA II and ENI) to be finalised by December 2017. It will do so through an ex post mixed thematic evaluation on SME competitiveness, including some remarkable practices of budget support on PSD/Competitiveness in the neighbourhood regions. Recommendations should be delivered for actions to improve the performance of the programmes in the 2018-2020 programming period.

There are two specific objectives. The first is to provide a judgment on the performance of the PSD/Competitiveness programmes and projects along the lines of the DAC-criteria relevance, efficiency, effectiveness, impact and sustainability, complemented by the criteria coherence and EU added value. All criteria are to be analysed at the programming level and at the implementation level.

The second specific objective is to provide relevant operational recommendations concerning (a) future programming of EU assistance, (b) cooperation with other actors, (c) key policy priorities within PSD/competitiveness and its sub-sectors, (d) cross-cutting issues, such as environment and climate change and equal opportunities, (e) areas that do not require the involvement of EU assistance because they are sufficiently covered by other donors, (f) improvement of the monitoring and evaluation frameworks, (g) possibilities for strengthening thematic support on PSD/competitiveness through DG NEAR centres of expertise. In view of the high complexity of the assignment, work being carried out towards this second objective has tried as much as possible to contribute to enriching the findings of the first objective, taking into account the very different national socio-political, economic and institutional contexts.

2. CONTEXT AND SCOPE OF THE EVALUATION

2.1 DEFINING PRIVATE SECTOR DEVELOPMENT

Private Sector Development is a very wide concept. It was decided to focus the evaluation on areas that directly support SMEs and intermediary organisations, while keeping in mind the differences between macro, meso and micro interventions. This has resulted in the selection of the following intervention areas:

Access to finance – financial instruments	Research and Development and Innovation
Access to finance – Technical Assistance	Intellectual, industrial, commercial property rights
Improving business environment (including regulatory guillotine and reliable banking system)	Trade enhancement, WTO, DCFTA, internationalisation of SMEs
Non-financial support to SMEs	Support to increasing investment flows
Support to intermediary institutions	Cluster development
Support to (hard) business infrastructure	Support to social entrepreneurship

No other intervention areas were included in the evaluation.

2.2 METHODOLOGY

In line with the ToR and the Inception Report, the evaluation was divided over (1) a desk phase; (2) a field phase; and (3) a synthesis and reporting phase. Their contents were described in administrative reports and will not be repeated here. It is however important to note that the evaluators have added some features to the approach. In the first place, two surveys were carried out, one among SMEs and one among relevant institutions. The results are laid down in two separate reports (Annex 7.6 and Annex 7.7) and are integrated in this final report.

Secondly, the field phase was enriched with focus group sessions. It was envisaged to hold one focus group session in each country on the topics of “consistency” and “EU value added”. Typical members of such focus groups were EUD, Ministry in charge of PSD/Competitiveness/SME, local representatives of international institutions, BSOs, Chambers of Commerce and IFIs. In actual fact, such focus group sessions took place in Armenia, Egypt, Moldova and Bosnia and Herzegovina. In the other countries, the response to invitations turned out to be insufficient. For the focus group meetings, a document was produced by the project introducing the evaluation, explaining the purpose of the focus group session and describing the topics and statements to be discussed, together with an outline of the specific EQs. The results of these discussions are incorporated in this report.

3. MAPPING OF ASSISTANCE

All annual programmes for the three regions and eleven countries have been studied in order to identify EU interventions aimed at PSD/Competitiveness. The result as depicted in this chapter can only be a rough approximation. The inventory of projects and their attribution to a certain programming year proved to be a major challenge. Various titles are used for one and the same project, action fiches often do not describe projects but global interventions, to be detailed out later, budgets are sometimes divided over two or more programming years, and PSD/Competitiveness interventions may be combined in one programming document with interventions covering a different sector. Three regional programmes and eleven country national programmes received, in the period 2010-2015, EU allocations of around EUR 7,810 million in total. This concerns all sectors. During that period, some EUR 788 million (10 %) were allocated to the sector PSD/Competitiveness as defined for the current evaluation. The table below gives details per region. For detailed information on the interventions, we refer to the tables in Annex 7.5.

X EUR 1 million

Year	IPA		ENI EAST		ENI SOUTH (*)		ALL	
	Total	**PSD**	**Total**	**PSD**	**Total**	**PSD**	**Total**	**PSD**
2010	1,216	100	322	25	338	82	1,876	207
2011	1,386	138	218	11	759	204	5,974	703
2012	1,435	154	452	34				
2013	1,422	153	302	9				
2014	1,150	158	247	39	1,032	508	3,858	837
2015	1,203	86	226	47				
Totals	**7,812**	**788**	**1,767**	**165**	**2,129**	**794**	**11,708**	**1,746**
(*) Some multi-annual figures are estimated due to lack of accurate annual data; No PSD-specific data for the period 2012-2014 in Egypt.								

There are vast differences between the countries as concerns their allocations to the PSD/Competitiveness sector relative to total EU allocations. With 1.7 %, Montenegro and Albania are at the lowest level, while Algeria is the champion with 36% of total EU funding allocated to PSD/Competitiveness. For the rest, the percentages are between 5 and 10, with only Macedonia at a relatively high level of 15%. There is no clear explanation for these differences; at any rate, they do not depend on geographical location, since all three regions exhibit the same picture. A correlation between national strategies and allocation was equally not found. Among the regional programmes, the differences are also significant. IPA devotes 28% of its budget to PSD/Competitiveness; for ENI East this is 11% and for ENI South, 37%. Of course, the PSD/Competitiveness sector cannot be isolated from other important sectors, but the question remains why these large differences exist.

4. EVALUATION FINDINGS

PSD/Competitiveness programmes in three regions and eleven countries have been subjected to evaluation. The findings are divided over 30 judgment criteria formulated for a total of 20 evaluation questions. It is important to note that the intensity of the evaluation has varied over countries. In each of the ENI Regions, two countries were selected for in-depth evaluation; in these countries, four to five sample projects were taken into consideration. For the IPA region, the approach was slightly different: all country programmes were scrutinised, but individual projects were sampled in only two countries. Methodologically, the findings are written up for each judgment criterion, since this represents best the underlying issues related to each evaluation question. In some cases, the evaluators have deemed it prudent to present their findings for more than one judgment criterion simultaneously, since separate treatment would merely lead to repetitions.

4.1 INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA)

4.1.1 Relevance

EQ01: How relevant is the EU assistance in view of the priority needs of the countries in the regions?

Judgment criterion 1.1 *– The objectives and priorities of EU assistance are in line with the policy/development frameworks for the PSD/Competitiveness sector in the partner countries in particular in terms of the needs for financial and non-financial support to enterprises, strengthening of R&D&I, stimulation of FDI and foreign trade, improved business infrastructure and better business environment in general.*

The essential issue here is the existence and content of national strategies. In the framework of this evaluation, an inventory of such policy and strategy documents was made and followed up by a thorough study. Not each selected country has an explicit PSD/Competitiveness strategy but where such strategies are lacking, there is sufficient information contained in sub-strategies to arrive at clear conclusions. The basic philosophy has been that priorities defined in policy and strategy papers are founded on needs analyses, often laid down in (the weaknesses of) SWOT analyses. The available documents have been scrutinised in order to confirm this philosophy, with encouraging outcomes. Maximum care has been given to base judgments only on strategies that were valid at the time of programming. At the same time, the evolution of strategies (and needs) over time was taken into consideration, when looking at the relevance of programmes and projects. There is in general no shortage of country and sector strategies in the IPA region. However, once they have been produced, stagnation enters the scene. Despite the existence of laudable action plans, implementation of strategies by the beneficiaries is an exception to the rule, except for those parts that are financed by the EU or other donors. Evolution in strategies is many times non-existent, once the first (sector) strategy is made, following strategies highlight the same priorities and measures and only seldom add new insights. It is true that the terminology evolves over time, but this is mainly triggered by changes in EU jargon. Comparison of EU funded programmes with the analysis of country and sector needs is often a self-fulfilling prophecy. Strategy designers are smart enough to thoroughly check the evolution of EU priorities and adapt their needs analyses to these priorities. It is however very seldom that solid evidence-based needs analyses were really carried out. Regional programmes appear to reflect more the policy needs of the Commission than the needs of the countries in the region. The field study corroborates this finding: in the view of the beneficiaries, multi-beneficiary programmes contribute little to actually expressed country needs. It was found by the evaluators that the latter is caused mainly by the fact that too few sector specialists from the countries are aware of the multi-beneficiary programming process and therefore, cannot express their needs. Yet, taking into consideration all information retrieved from documents and interviews, the judgment is that EU programmes and interventions in the PSD/Competitiveness sector are reasonably in line with the needs of the countries, whether expressed formally in strategies or indicated less formally by other sources.

Judgment criterion 1.2 *– The quality of design of individual projects/interventions/contracts is adequate in terms of intervention logic and definition of indicators.*

For individual projects, the designs usually describe the “pathway to change”, the causal relationships between inputs, activities, outputs, results and objectives. Moreover, the final objective to be reached by the project (the specific objective, or purpose) is given, and if the quality of the design is good, so are the indicators for measuring its realisation. Complex programmes, entailing a multitude of purposes, are more difficult to catch in a logical framework. The IPA instrument is per definition a multi-sector programme, and none of the strategic documents – even at the level of Annual Programmes – include intervention logic specifically for the PSD/Competitiveness sector. What can be said in general terms is that throughout the years, there has been consistency in terms of programme objectives, at both the regional and the national levels. Therefore, and in line with the definition of the judgment criterion above, the evaluation has focused on the quality of design of individual projects. See annex 7.8. for details. The study of project designs has shown that there is a steady evolution in their quality. In the opinion of the evaluators, this shows a steep learning curve on the part of the programmers, especially those within the Commission Services (EUDs and HQ). Objectives, purposes, results and activities improved in terms of their definitions and descriptions, obviously a result of much better analyses of the implementation environment. As of –say – 2013 or 2014, fewer and fewer projects that showed serious design flaws were conceived, although the definition of indicators remains an issue to be further studied. In terms of quality of design, regional projects tend to be less explicit in their results and objectives than the national ones. The evaluators have the impression that several of these projects are not based on a thorough analysis of problems, needs and objectives but rather, that their design was triggered by internal Commission considerations as well as prior negotiations with international organisations on allocations. Although regional actions are consulted prior to approval with all line DGs (ISC) in the EC and with National authrities (NIPAC) and members States (IPA procedure for programmes approval, needs analyses are in such cases made retrospectively to fit interventions already decided upon. Although the terminology has been somewhat adapted to what was in fashion at the time of its formulation, the SEE 2020 Vision of 2012 does not bring anything new as compared to earlier strategies. The needs (weaknesses) identified exist indeed at the level of all WB countries, albeit to varying extent. The regional, multi-country programmes state that their main challenges are to improve access to finance, to promote competitiveness, human resources and competence, and to improve marketing and access to markets. Perhaps with the exception of access to finance, these appear to also be the main concerns of the national programmes. What is lacking is a clear distinction of needs to be tackled through country programmes, and which ones through the multi-country programme. Regional programmes are supporting regional actions which fit all the countries (e.g. SEE2020). They complement bilateral programmes. The basic principle should be subsidiarity, providing the countries with (budgets for) national programmes in all fields that could better be dealt with at their level, while the regional, multi-country programme should limit itself to those issues that – as is faithfully declared in the multi-country programming documents – cannot be addressed with the same efficiency at country level. Therefore, an explicit analysis of regional needs that cannot be addressed nationally should precede PSD/Competitiveness programming at the multi-country level.

EQ02: To what extent is relevance enhanced through co-ordinated programming of national and multi-country projects?

Judgment criterion 2.1 *– Programming of national and multi-country projects is a co-ordinated process at Commission HQ, EUDs and beneficiaries.*

At the level of programmes, adequate coordination between programmers should lead to both the absence of undesired overlaps or doublings, and the existence of desired complementarities and synergies. The evaluators have searched for overlaps/doublings and synergies in the annual programmes (national and regional), and especially for concrete examples in the individual (sample) projects, of course for the PSD/Competitiveness sector only. A variety of EC documents, such as the IPA programming guide and the MB IPA programming guide, testify to the fact that the Commission Services are aware of the importance of coordinated programming, as well as a clear division in scope between MB and national programmes. These documents confirm that MB Action Programmes are designed to complement the Country Action Programmes, by addressing areas of assistance where there is a clear need for regional cooperation or horizontal action. Coherence (of MB programmes) with Country Action Programmes is crucial. It is furthermore claimed that a system has been implemented to enable the participation of all beneficiaries in the programming process. Sector Plans form the basis for programming and are developed by the IPA beneficiaries and Commission services together with the Regional Cooperation Council (RCC) and in close coordination with other relevant stakeholders.

In Albania, no overlaps were identified between the national projects and multi-country initiatives implemented/under implementation between 2010 and 2015. On the contrary, a high degree of complementarity seems to exist between the programme levels, particularly as regards the EFSE and the WB EDIF. This complementarity, thus the relevance of the interventions, is facilitated by a recently improved donor coordination process.

In BiH, programming of PSD/Competitiveness interventions remains a tentative process as long as authorities cannot agree on one country-wide strategy. In national programmes, the choice has been made for local (business) development interventions, not because this is necessarily the best approach, but rather because other approaches are not feasible. Regional programmes duly complement these national ones. For issues such as business finance, only regional programmes with trade-related interventions and projects aim at access to finance. There are no overlaps identified.

Kosovo: No overlaps were detected and/or reported between national and regional programmes

Macedonia: No overlaps were detected and/or reported between national and regional programmes.

Montenegro: No overlaps were detected and/or reported between national and regional programmes.

Serbia: It is emphasised that the documentation available does not refer to any coordination between programmers or programmes at the two levels, although in some cases reference is made to relevant projects. The evaluators have obtained their information through the interviews, but triangulation was not possible. There is a connection between the Integrated Innovation Support Programme and the WB regional project “development of Western-Balkans research & development for innovation strategy”. Regarding IPR, a regional project (executed by GiZ) has established national market surveillance contact points for the WB; SIDA, EFTA and CEN finance a regional project on quality infrastructure and market surveillance. Serbia works with the PROSAFE organisation (Product Safety Forum of Europe, aiming at improving the safety of users of products and services in Europe), whose actions are primarily funded by the European Commission. Furthermore, IPO was at the time of project design beneficiary to an IPA 2007 regional project on IP rights; the resources under that project were too limited to help Serbia implement all necessary technical assistance or to purchase the necessary hardware. In practice, the output of the regional project was limited to the definition of terms of reference. The 2011 national project was programmed to be the “source for synergy” with the IPA 2007 regional project. In summary, there are no overlaps and even a few potential synergies. For other sample projects, there is no evidence of regional projects dealing with the same or similar topics. Neither the project reports nor the interviews hint at inter-service communication or co-ordination.

Turkey: No overlaps reported based on the documents (evaluations, national programmes, OPs) studied. There is no evidence of regional projects dealing with the same or similar topics as Turkish national projects.

In summary, no concrete evidence could be found on either documents or through interviews about the frequency and format of information exchange between programmers at Commission HQ and EUDs. Neither did the field research produce much encouraging information regarding coordination mechanisms. The latter may indeed exist, but their implementation in practice does not always work out as envisaged. When looking at the sample projects, the conclusion is that the national and the regional ones do not negatively affect each other. Concrete, out-right examples of overlaps/doublings were not found and this is corroborated by the study of overall national and regional programmes. National programming deals mostly with country-specific themes. Absence of such themes in regional programmes in itself helps avoid overlaps, but is judged by beneficiaries as one of the significant weaknesses of the regional approach. Objectively, financial instruments promoting access to finance for SMEs are best executed at the regional level, if only because this creates economies of scale, and also easier access to sources of funding. Yet, several countries have recently made the move towards programming financial instruments under their national programmes, which indicates that the regional approach has been insufficiently tailored to their specific needs. One solution is in designing differentiated instruments for specific targets and purposes; this controls the risk of overlaps but also enhances national ownership. Regional projects aiming at policy making score low in the perception of beneficiaries; indeed, there are only a few fields that lend themselves to joint policy making. On the contrary, regional projects assisting the regions with trade-related issues (e.g. CEFTA) are highly appreciated, in particular when they aim at establishing regional systems and structures to facilitate trade. There is a strong need for better communication and exchange of information between regional and national programmers within the EC services. It is therefore not surprising that interventions at the regional level regularly by-pass the EUDs to an extent that undermine the credibility of the EUDs and ultimately the EU vis-à-vis the national authorities. It is emphasised that – perhaps with the exception of financial support programmes for SMEs, the evaluators did not find concrete evidence of conflicts or overlaps between regional interventions on the one hand, and national on the other. Yet, the overall impression is that regional projects add no or too little value to national programmes. A problem often mentioned in the field is that implementers of regional projects are foot-loose, not attached to any of the countries in the region. Their contributions are therefore perceived to have more of an academic than a practical nature.

4.1.2 Efficiency

EQ03: To what extent is the preparation of interventions managed adequately?

Judgment criterion 3.1 *– The process of preparation of contracting documentation does not show avoidable delays.*

Project fiches, action documents and action fiches should state the expected timing of contracting (or, in some cases, of launch of procurement). It should therefore be relatively easy to ascertain whether contracting was "on time". However, this is not the case, as shown by the table below. For the IPA region, no systematic source of information was found to retrieve dates of financing agreements; and those dates are the baseline for procurement plans. The essential point is that the evaluators do not have sufficient information to make a judgment. Yet, a general conclusion is that, even after so many years of experience, programmers remain overly optimistic about procurement procedures, although programmers at the Commission's HQ tend to be more realistic than those at CFCUs, CFCDs, relevant Ministries and EUDs in the countries. Where beneficiaries (in general government agencies and ministries) are responsible for preparing procurement documents, such as ToRs and technical specifications, their persistent lack of experience results in below-quality documents, going back and forth many times between them, CFCU and EUD. This is an almost insolvable problem given the high turnover of staff at beneficiaries and the lack of staff at government institutions responsible for EU projects. See for details Annex 7.8.

EQ04: To what extent is the implementation of activities managed adequately?

Judgment criterion 4.1 *– The activities are implemented, and outputs are delivered, as scheduled.*

This judgment criterion can only be answered at the level of individual projects, mainly because annual programmes do not have concrete delivery schedules. Project progress reports and minutes of steering committee meetings provide – insofar as available – reliable information on the timing of activities and outputs, but some further study was needed to understand whether they were of adequate quality. ROM reports did help, but are only rarely available. The field visits were used to obtain the opinions of EUDs, beneficiaries and in some cases, representatives of the final target groups. Detailed information on individual projects can be found in Annex 7.8. There are many factors, external and internal, that can cause delays in the execution of activities and hence, the delivery of outputs. Many such factors were observed in the sample projects. Overall, in all countries, in all regions, the evaluators have only found minor issues related to implementation efficiency, most of them related to three types of factors:

- Administrative issues and/or difficulties in transposing/conciliating e.g. EU and national financial regulations;

- Budgetary rearrangements (most if not all of the times with no change in overall budget implications) to better fit implementation needs and evolving implementation landscape;
- (to a minor extent) Need to extend project duration (most if not all of the times with no budgetary implications) due to e.g. problems in finding the right expertise at the appropriate time or less institutional/absorption capacity at the beneficiaries' level.

Despite this, the evaluators are satisfied with the efficiency of project implementation. Where problems occurred, the contractor and the beneficiary were capable to jointly find solutions.

EQ05: How well did national projects mutually, and national and multi-country projects aimed at enhancing PSD/Competitiveness interact to reach the EU policy objectives?

Judgment criterion 5.1 *– Individual project experts have regular contacts with their peers in other projects.*

This judgment criterion is informed first and foremost by interviews with staff of "live" projects. Lacking this (because the project is completed, or staff was not available) the project progress reports were used as sources. However, such reports may mention interaction, but as a habit do not enter into details on frequency and depth. For this reason, the evaluators have decided for a general description rather than entering into project details. The EBRD BiH project has mobilised SEECEL for a training needs analysis among SMEs in the SEE region, and some type of partnership has emerged. The team of RSDEP 2 liaised with a parallel project on regional policy development but whether this has led to any synergies is not reported. RSEDP also worked with two other projects (ICIP and SECEP) on cluster development, training of RDAs and expansion of actions to other regions. The NGCI project reports that whilst always invited, the EUDs would most times either not participate, or do so at a low technical/decision-making level, which made it difficult to efficiently and effectively interact for better co-ordination with other EU-funded programmes and projects, particularly at each individual country level. EU policy objectives are clearly formulated in many policy and strategic documents; yet, it became clear that project teams had difficulty recognising policy objectives that are not directly connected with the project they are implementing. It happens that project implementation teams are often absorbed by their own day-to-day priorities and concerns and do not invest sufficient time and effort in cross-fertilising and mutually leveraging project activities, results and effects, even if programming documents tend to always mention such interest and list other interventions (including from other donors) with which linkages should be nurtured and explored.

Judgment criterion 5.2 *– Beneficiaries have established project-related working relations with beneficiaries of other projects.*

Judgment criterion 5.3 *– Beneficiaries succeed in capitalising on synergies between national and multi-country programmes.*

These two judgment criteria were combined after the analysis of the outcomes of document study and field visits. The Institutions Survey shows that interaction and/or establishment of working relations with other PSD project(s) and/or respective beneficiaries was high among respondents. In the IPA region, almost 100% of the responding institutions declare some kind of working relationship with other projects in the field of PSD/Competitiveness. This finding is not corroborated by the desk and field research, which did not yield any evidence regarding interactions among project or programme beneficiaries. As far as they did have knowledge of their existence, they discarded them as irrelevant. The evaluators acknowledge that this is a disappointing finding and can formulate no other explanations than that (a) there is still much work to do to make multi-beneficiary programmes clearly visible among stakeholders and (b) more effort is needed to fine-tune multi-beneficiary projects with those under national programmes. Meetings held during field visits gave the impression that insofar regional projects are present in the countries, the EUD provides information regarding these programmes and their activities. In a few cases, information meetings are organised by national institutions such as the Ministry of Economy, the Ministry of Industry etc. These meetings offer examples and relevant national institutions endeavoured to the spreading of information. It was argued that the added value of regional programmes is the creation of relations between enterprises and institutions – without the regional programmes the contacts would not be maintained. Hence, contribution to regional integration is ensured. Budget of these projects is however weak and thus very little perceived by local stakeholders in terms of direct benefits. These considerations deal, in the evaluators' view, much more with "standard" EU regional programmes and projects than with those funded through e.g. blending instruments.

EQ06: How can programming of support to SMEs projects be improved to achieve strategic objectives more effectively and efficiently?

Judgment criterion 6.1 *– Degree of programme adequacy to effectively and efficiently achieve strategic objectives.*

To answer this EQ and the related judgment criterion, it is first necessary to know what the strategic objectives that have to be achieved are. This is by no means a simple task. The evaluators have therefore systematically studied the strategic context of EU assistance to the IPA region. This begins with the overall external policy goals of the EU, which are to promote its values and interests by operating at one and the same time as a key global economic and political player, using various instruments including the external dimensions of the EU's internal policies. The EU strives in particular to promote democracy and human rights, in addition to prosperity, solidarity, security and sustainable development worldwide. In providing financial assistance, defining the right "policy mix" is of the utmost importance for the EU. This means that, in order to achieve the EU's strategic external relations objectives, consistency of policy needs to be ensured between all available instruments dealing with a given region. At the highest level, the objectives of the EU's internal policies are laid down in the documents "Europe 2020 - A strategy for smart, sustainable and inclusive growth", and the Small Business Act. These are basically strategies aimed at member states but also fully apply to (potential) candidate countries. One rung lower on the strategy ladder is the EU Enlargement Strategy, overall as well as for the individual countries. Objectives for the IPA instrument as a whole are to:

- foster peace and stability in regions close to the EU's borders
- help improve the quality of people's lives through integration and cooperation across borders
- increase prosperity and opportunities for European businesses and citizens
- guide, support and monitor changes in countries wishing to join the European Union in line with EU values, laws and standards.

This set of objectives is operationalised for each country separately as follows.

Albania

Overarching strategic documents for EU support to Albania are the MIPD 2009-2011, the MIPD 2011-2013 and the Indicative Strategy Paper for Albania for the period 2014-2017. National programmes (up to 2013) and annual Action Programmes (for the years 2014-2015) are based on one or more of these documents. EU priorities in the MIPD 2009-2011 and the MIPD 2011-2013 for Albania are: support for institution building and meeting the political criteria (in particular in the area of rule of law and notably the fight against corruption and organised crime), support for addressing the economic criteria and ability to assume the obligations of membership, support for addressing the requirements of the Stabilisation and Association Agreement. For the years 2011-2013 EU support focused on the sectors Justice and Home Affairs, Public Administration Reform, Transport, Environment and Climate Change, Social Development and Agriculture and Rural Development. PSD/Competitiveness as a strategic priority makes its appearance for the first time in the National Programme 2013, namely under the heading "promote the development of the SME sector and its architecture of local advisory services for business management and external financing." From 2014 onwards, the Indicative Strategy Paper for Albania 2014-2020 (CSP) for the period 2014-2017 is the basis for the programming of EU assistance. Among the eight priority sectors of intervention to be financed by IPA, Competitiveness and innovation has received a prominent place. Out of the total multi-annual allocation of EUR 650 million, close to 7% are dedicated to this sector. Yet, no intervention in this sector was programmed in the years 2014 and 2015.

Bosnia and Herzegovina

BiH's 2011 IPA national programme includes three sector objectives, namely (1) improve the institutional and legal framework and the coordination and harmonisation of SME related policies; (2) advance the implementation of the Small Business Act, stimulate innovation and increase competitiveness in growth sectors; and (3) increase the role of the private sector in the economy, create a better business environment, strengthen the business support infrastructure and services in particular at local level and improve the conditions for land management and land market development. Support to PSD/Competitiveness – two projects only – would occupy 11 % of the overall IPA allocation. Priorities in the 2011 national programme were to improve capacities at State- and Entity-level, in particular of key institutions such as the Institute for Intellectual Property Rights, the Indirect Taxation Authority, the Competition Council, while in 2012, the focus was on assistance to the State Aid Authority and the SME Department in the Foreign Investment Agency. In the 2013 national programme, the 2011 and 2012 priorities were reiterated and complemented with the priority "to advance the implementation of the Small Business Act, stimulate innovation by SMEs and increase competitiveness in growth sectors". This resulted on one or more projects to directly improve the competitiveness of SMEs. From 2014 onwards, the Indicative Strategy Paper for Bosnia and Herzegovina 2014-2020 (CSP) for the period 2014-2017 is the basis for programming of EU assistance. Since BiH has few country-wide strategies and no functioning EU coordination mechanism, only a few sectors were selected for assistance, among which Competitiveness and Innovation. Of the total allocation of EUR 40 million, 62% is directed towards competitiveness and innovation through supporting local development strategies. The 2015 annual programme did not include allocations to the PSD/Competitiveness sector.

Kosovo
Overarching strategic documents for EU support to Kosovo are the MIPD 2009-2011, the MIPD 2011-2013 and the Indicative Strategy Paper for Kosovo for the period 2014-2017. Priorities of the national programme for 2010 are many; the ones related to the PSD/Competitiveness sector is to contribute to regional economic development through stronger RDAs, better local social and economic infrastructure and local governance. In the following year (2011) many of the priorities stayed the same; the relevant ones are to improve business environment, to attract investment, stimulate growth and the creation of formal jobs. Concrete objectives were to support regional economic development and to strengthen the administrative capacities in the sector of intellectual property rights*.* Priorities of the national programme 2012 were roughly identical, with for the PSD/Competitiveness sector to improve business environment, to attract investment, stimulate growth and the creation of formal jobs and to support balanced regional development. Also in 2013 the priorities were maintained: to improve business environment, to attract investment, stimulate growth and the creation of formal jobs; trade and private sector development; and balanced regional development. From 2014 onwards, the Indicative Strategy Paper for Kosovo (CSP) for the period 2014-2020 is the basis for programming of EU assistance. Competitiveness and Innovation are a substantial part of it, with an allocation of EUR 135 million out of a total of EUR 645.5 million. Priorities AAP 2014 are based on the Strategy Paper for Kosovo for 2014-20, namely 1) democracy and governance; 2) rule of law and fundamental rights; 3) energy; 4) competitiveness and innovation; 5) agriculture and rural development. Objectives AAP 2014 are to strengthen regional economic development in Kosovo through increased capacity of Kosovo regions to attract domestic and external investment; to increase the quantity and quality of social and business-related infrastructure in municipalities throughout Kosovo; to increase the competitiveness of micro, small and medium-sized enterprises. Finally, for 2015 the national programme does not include measures aimed at the PSD/Competitiveness sector.

Former Yugoslav Republic of Macedonia
Related to PSD/Competitiveness, the Former Yugoslav Republic of Macedonia, as a candidate country, needs to align its regulatory systems (legislation and related enforcement) with the acquis in order to be able to fully participate in the internal market at the time of accession. This annual programme will support one project representing 4% of the total budget. IPA action programme 2014: the sector competitiveness and innovation is addressed through one action in the area of local and regional competitiveness.

Montenegro
The objectives of EU support to Montenegro are laid down in the MIPD 2009-2011, the MIPD 2011-2013 and the Indicative Strategy Paper for Montenegro for the period 2014-2017. National programmes (up to 2013) and annual Action Programmes (for the years 2014-2015) are based on one or more of these documents. The IPA 2010 national programme covering economic criteria focuses on support for transport and environmental infrastructure and on social inclusion. The only action related to PSD/Competitiveness is co-financing of entry tickets for FP7 and CIP. The same applies grosso modo for the 2011, 2012 and 2013 national programmes. The IPA II 2014 Action Programme includes the PSD/Competitiveness sector; related objectives are to improve the business environment and to support Montenegro in aligning and implementing the EU acquis related to financial services and internal market. There are no PSD/Competitiveness-related objectives in the 2015 national programme, except for the co-financing of participation in COSME and H2020.

Serbia
Overarching strategic documents for EU support to Serbia are the MIPD 2009-2011, the MIPD 2011-2013 and the Indicative Strategy Paper for Serbia for the period 2014-2017. Over the period 2007–2013, the competitiveness and innovation sector has been one of the largest recipients of international assistance to Serbia. IPA support focused in particular on the effective operation of markets; improving the quality, range and availability of business support services, export innovation within small and medium-sized enterprises (SME) and technology transfer. The 2010 national programme defines the objectives under political criteria, socio-economic criteria and the ability to assume obligations of membership. PSD/Competitiveness-related objectives are to support South and South West Serbia, to foster integrated innovation support and to prepare the navigability of the Danube River. The 2011 national programme specifically focuses on public administration reform and social development. Yet, the PSD/Competitiveness sector is also object of the programme, in the form of support to socio-economic development in the Danube Region. The 2012 national programme priorities are to strengthen justice and home affairs, social development, and environment. Since in those days, work was underway to create a sector-wide programme for PSD/Competitiveness, this sector received limited attention. 2013: The IPA 2013 national programme has as its main goals related to PSD/Competitiveness to overcome the economic crisis and achieve sustainable growth as well as to increase Serbia's integration,

competitiveness and export potential in the European market. Operational objectives are to reduce regulatory and administrative obstacles for doing business, to support the National Quality Infrastructure system; and to support research and innovation and technology transfer. The 2014 IPA national programme is divided over two strategic pillars, namely democracy and rule of law, and competitiveness and growth. Objectives under the latter are to develop a proper management and funding system for the implementation of financial instruments; to establish business incubators to provide high value services to SMEs, to commercialise SME research on new products and services; and to improve the capacities of market operators and regulators. The national programme for 2015 does not aim at support to the PSD/Competitiveness sector, with the exception of the standard support to participation in EU programmes (such as COSME and H2020).

Turkey

Designed on lessons learned from previous experiences with EU pre-accession support programmes, IPA adopts a more strategic approach by setting up Operational Programmes, as it is the case in the EU Member States under the EU Cohesion Policy. The Regional Competitiveness Operational Programme (RCOP) in Turkey, as in other candidate countries, is one of the OPs implemented under IPA I Component III, Regional Development, next to OP Transport and OP Environment. Together with OP Human Resources Development (under IPA Component IV), these programmes implement the Turkish 2007-2013 Strategic Coherence Framework. The PSD/Competitiveness is covered partially by TAIB component I of IPA I (the EU funds broadly allocated upon transposition and Implementation of the acquis – with 35-55% out of the total budget for the first component) and mainly by Regional development component III (including also component IV for HR Development in accordance with the EU IPA I assistance) and in accordance with the 9th National Development Plan with financial allocations for Regional Competitiveness up to - 25-35% out of the total budget for the third component of IPA I. From 2014 onwards and based upon the development of the 10th National Development Plan (NDP10) for Turkey, the PSD/Competitiveness sector fully falls under the SOP for Competitiveness and Innovation 2014-2020. In this respect, as the first step, MoSIT took the initiative to discuss new financial instrument project ideas with EBRD that will make contributions and coincide with the goals and ambitions of the 2014-2020 programmes. Moreover, within the period of 2015 and onwards, Sector Operational Programme will seek cooperation opportunities with International organisations such as UNDP, UNIDO, World Bank, etc. Further consultation with IOs and IFIs will be carried out once the Operational Programme is adopted by the EU Commission. If the Turkish authorities and the EC agree to set up Turkish Investment Programme (TIP), inclusion of the Competitiveness and Innovation sector to the TIP can be considered to increase financing capacity for investments in the sector through establishing finance facilities for venture capital (innovation and expansion stages), credit guarantee schemes, and loan programmes.

Regional (MB) programme

The strategic and programming documents produced by the EU in the period 2010-2015 show a clear increase of emphasis on private sector development and competitiveness. The 2010 MB programme had an overall budget of EUR 87 million but included no projects vectoring in on PSD/Competitiveness. In the 2015 MB programme, there are four PSD/Competitiveness projects/actions, with a budget allocation almost EUR 30 million, or 24% of the overall programme budget of EUR 123 million. EU policies and strategies are described in the successive MIPDs, in the IPA MB programme for the period 2007-2013, in the EC's Sector Plan for PSD 2011-2013 and in various other documents that were not or only cursorily scrutinised by the evaluators. A certain trend can be observed. In 2010, the notion was that "Private sector development and improvement of the investment climate are the major conditions for the overall sustainable development, stability and prosperity of the region". It was maintained that a well-functioning public sector with social security, with a predictable legal framework and with good conditions for SMEs, would encourage business start-ups and development of entrepreneurship. Infrastructure development should not be forgotten since its existence is a precondition for PSD. In 2009, the region's competitive edge was low labour cost and export concentrated on commodities of lower value. This – so it was stated – is not sustainable in the long term. SMEs must "climb" the value chain by increasing the technical content in the products and aim for more completed manufactured goods and more knowledge intensive services. Competence and pure workforce skills do not meet the needs of the industry in the region. It is even more challenging to meet future needs. The 2010 MB action programme is around EUR 87 million in size. It is based on the MIPD 2009-2011. It is a confusing document, quoting as priority axes political and economic criteria, but not explaining them. No PSD/Competitiveness-related project is included in the programme. For 2011, the action programme has a total budget of EUR 144 million. Again, the MIPD 2009-2011 lays at its basis. Private sector development is one of the seven priority sectors. For PSD, four projects were programmed (among which the WBIF and a project for quality infrastructure – not the topic of this evaluation) with a total value of EUR 35 million. Although in actual fact WBIF supports mainly transport, environment and energy infrastructure, the 2011 PSD allocation was substantial. The 2012 MB action programme, based on the MIPD 2011-2013, has an overall budget of around EUR 109 million. Private sector development is no longer a separate sector, but is merged with transport and infrastructure. The total sector budget is EUR 52 million of which the evaluators think to have identified 2 million for PSD (the EIF). For 2013, the action programme has a total budget of EUR 121 million. Of this amount, EUR 73 million is allocated to the (merged) sector PSD, transport and infrastructure. A very substantial amount (EUR 47.3 million) is reserved for replenishing of EDIF funds, for the SEECEL project and for a new initiative called “Next generation competitiveness”. The 2014 MB action programme, based on the multi-country indicative strategy paper 2014-2020, has an overall budget of EUR 153 million. The terminology changes: projects are from now on called “actions”. For CETA, clearly a PSD/Competitiveness-related action, around EUR 3.5 million is reserved, while EUR 29 million is allocated to EDIF. Finally, under the 2015 MB action programme, with a total budget of EUR 123 million, the PSD/Competitiveness sector is supported by a hybrid project on economic governance and competitiveness (EUR 17 million), a project on technology transfer (EUR 1.5 million), EDIF (EUR 5 million) and replenishing of the Green for Growth fund (EUR 9 million).

IN SUMMARY

The evaluators observe an evolution in EU support from a project-based approach to a sector-based approach. IPA countries, although often reluctantly, follow this shift because they see its wisdom against the background of future EU-accession. The observations in the field indicate that the EU has not yet succeeded in fully clarifying the advantages of a sector-based approach to the beneficiary countries. Ownership of the concept is lacking; most beneficiary countries regard it as an obligation imposed by the EU. On the other hand, there are several cross-cutting fields, such as innovation, technological development, financial management (to which investment readiness may be linked), internationalisation (exports but not only) capabilities and strategic management, which are not necessarily best addressed under a pure sector-based programming strategy. An intelligently mixed approach might in many cases induce increased ownership and higher returns in terms of effects, impacts and ultimate sustainability potential. It is widely thought that the sector approach presents a powerful opportunity for mainstreaming a number of cross-cutting issues. When the dialogue starts from the design of a sector strategy, it is possible to mainstream them to the policy framework, reform results targets, action plans, M/E systems. The Institutions Survey shows that in all three regions, institutions consider “exchange of information” as one of the best means to further the realisation of EU policy. The second preference is “exchange of contacts” for respondents in IPA countries. The institutions in all regions view “co-funding of actions” as a less effective type of interaction. Regional, inter-regional (ENI-wide) and national programmes appear to be largely isolated, stand-alone (ad)ventures. The evaluation has shown that they do not negatively affect one another, but synergies are rare, at least as far as mutual leveraging effects are concerned. The best element of regional programmes consists in its financial instruments. Thanks to the scale of operations, they manage to attract the necessary public and private capital to finance large investments, not only in infrastructure but also – many times through local banks or other regional/local players – in the private sector. Regretfully, the general opinion (registered during field work) is that initiatives such as regional entrepreneurial learning, regional policy development, regional councils, joint policy development, etc. do not succeed in fostering ownership at the national beneficiary level. There remain initiatives that do benefit from a regional approach; CEFTA and the earlier mentioned financial instruments are good examples. Finally, the listings of IPA national programmes above show a great ambition on the part of the EU to solve as many as possible of the problems and needs in the countries. Yet, the real actions that can be financed each year appear by far too few to realise even a fraction of the strategic objectives. In that sense, the EU programmes per definition cannot be adequate to achieve strategic objectives. Perhaps it would be wise to narrow down the scope of EU interventions to a manageable range.

EQ07: What was the most efficient approach in the various projects? And why was it better? How was the programming different vis-à-vis the other projects?

Judgment criterion 7.1 *– Timeliness and quality of outputs and results.*

The answers to evaluation question 04 provide insight in the timeliness and quality of outputs and do not require rehearsal here. In order to achieve results, however, active involvement of beneficiaries is required. For instance, delivery of a strategy by a project means little if it is not adopted and implemented by the beneficiary country; provision of training courses may be a good project output, but the implementation of the new knowledge is the real result. An analysis of results is given under EQ08 and EQ09 below, and equally does not require rehearsal here. Annex 7.8 describes the underlying causes of success and failure. The institutions survey shows that In terms of timeliness of delivery, the average appreciation by respondents is a bit less positive, with the majority of responses falling in the “reasonable” category. As it happens with effectiveness, there is a slightly higher score for multi-country/regional projects. With regional projects seeming stronger in terms of programming robustness, the most important factors related to design and implementation that are at the basis of successful performance across all countries and regions and are:

- Clear design and intervention logic, including “S.M.A.R.T.” character of the indicators set in the Logical Framework (when it exists). This may in some cases be due to insufficient capacity from national/sector Monitoring & Evaluation systems to provide relevant information, in which cases further investing in setting up ad sustaining such systems, as a matter of priority, would allow the emergence of more evidence-based policy making and monitoring of results;
- Robust (and properly codified) management & monitoring processes;
- Strong capacity to induce ownership (including participatory approaches);
- Capacity to deliver tangible effects with perceived value for beneficiaries;
- Quality of the implementation teams;
- Capacity to adapt to changing realities.

Those programmes and projects involving mostly financial tools/facilities, particularly when mixed with targeted technical assistance (which is highly valued by beneficiaries and is the case of several interventions of blending nature, are among those showing the most efficient approaches in terms of both efficiency and effectiveness. In relation to more classical technical assistance projects, the level of attainment of the factors listed above depends to a large extent on the quality and professionalism of the teams involved (at design/formulation, implementation, monitoring and evaluation phases), this from all stakeholders, and the rigour and transparency (meaning actual visibility and accountability) imposed to the processes inherent to all the different stages of the project cycle. The more exposed (to outside, even public scrutiny) one is, the better one will perform.

4.1.3 Effectiveness

EQ08: To what extent has EU assistance contributed to tangible improvements in the business environment?

Judgment criterion 8.1 *– Expected results as stated in project designs, related to aspects of the business environment, are realised or likely to be realised.*

Methodological note:

In line with the established methodology (embodied in the evaluation matrix), the evaluation has looked at a few significant features making up the business environment, namely (1) entrepreneurial learning opportunities including women entrepreneurship, (2) regulatory and institutional framework for SME policy making, (3) availability of support services for SMEs, (4) existence of innovation support to SMEs and (5) green economy: availability of services to promote eco-innovation and eco-efficiency among SMEs. These are all dimensions of the SBA.

The survey among SMEs shows that 69% of the companies that have responded experienced an increase in entrepreneurial learning opportunities between 2010 and 2015, induced by the use of any kind of funding source. Furthermore, although the differences between size groups are not large, micro enterprises appear to benefit more from this kind of donor support than small, medium-sized and large ones. The EU is perceived by the respondents as the most effective funding source for entrepreneurial learning, both in general and in relation specifically to women. It is interesting that funding from national budgets is reported to be the second most important source; other donor funding obviously plays a limited role. Of the enterprises who responded to the survey, 27% confirm that they have engaged in some kind of environmentally friendly and/or energy efficiency actions as a result (or by-product) of external funding. For those who did so, the EU is reported decisively as the main source of funding. It must be taken into account that at least 25% of the invested efforts relate to energy efficiency, which is not in itself part of the PSD/Competitiveness sector. The institutions survey carried out under this evaluation indicates that considerable growth has occurred in the number of jobs in business support organisations. The growth rate in IPA countries, however, is only one third of that in other regions. The most plausible explanation for this is that IPA countries started from a higher initial level of employment at BSOs. Detailed findings for the countries and sample projects in the IPA region can be found in Annex 7.8. Information obtained from the surveys points at positive results in this area, brought about by interventions by the EU as well as other donors. The sample projects studied in BiH and Serbia were designed to deliver a contribution to various aspects of the business environment, and they were successful, or are likely to become successful, in delivering the related results. In those (IPA) countries studied where no projects were sampled, evaluators can register the status and at maximum, the pace of recent developments. Causal linkages with EU’s PSD/Competitiveness assistance may however not be inferred. As for the regional projects in the sample, the information is somewhat ambiguous. Two out of four have not been designed to work on any of the above-mentioned aspects of the business environment. The other two projects seem to have been moderately successful but fail to report on the details of these successes.

Judgment criterion 8.2 *– Expected results as stated in project designs in the IPA area, directly related to the adoption and implementation of the acquis, are realised or likely to be realised.*

Several chapters of the acquis have a bearing on the PSD/Competitiveness sector. For good reference, they are listed below with short explanations of only those aspects that may impinge on PSD/Competitiveness. Some specific chapters that might also be relevant are not included, since they are not part of the PSD/Competitiveness sector definitions used in this evaluation (e.g. public procurement, competition policy). It is emphasised that the evaluators are no specialists on accession and negotiation issues so it is possible that chapters are included below that have no relationship with PSD/Competitiveness development.

Chapter 1: Free movement of goods

This principle implies that products must be traded freely from one part of the Union to another. In a number of sectors this general principle is complemented by a harmonised regulatory framework. In addition, sufficient administrative capacity is essential to notify restrictions on trade and to apply horizontal and procedural measures in areas such as standardisation, conformity assessment, accreditation, metrology and market surveillance.

Chapter 3: Right of establishment and freedom to provide services

The right of establishment of EU national and legal persons in any Member State and the freedom to provide cross-border services may not be hampered by national legislation. The acquis also harmonises the rules concerning regulated professions.

Chapter 6: Company law

The company law acquis includes rules on the formation, registration, merger and division of companies. In addition, it regulates financial reporting, including simplified rules for small- and medium-sized enterprises.

Chapter 7: Intellectual property law

The acquis on intellectual property rights specifies harmonised rules for the legal protection of copyright and related rights. In the field of industrial property rights, the acquis sets out harmonised rules for the legal protection of trademarks and designs. Finally, the acquis contains harmonised rules for the enforcement of both copyright and related rights as well as industrial property rights. Adequate implementing mechanisms are required, in particular effective enforcement capacity.

Chapter 10: Information society and media

The acquis includes specific rules on electronic communications, on information society services, in particular electronic commerce and conditional access services, and on audio-visual services.

Chapter 20: Enterprise and industrial policy

EU industrial policy seeks to promote industrial strategies enhancing competitiveness by speeding up adjustment to structural change, encouraging an environment favourable to business creation and growth throughout the EU as well as domestic and foreign investments. It also aims to improve the overall business environment in which SMEs operate. EU industrial policy mainly consists of policy principles and industrial policy communications. The implementation of enterprise and industrial policy requires adequate administrative capacity at the national, regional and local level.

Chapter 25: Science and research

The acquis in the field of science and research does not require transposition of EU rules into the national legal order. Implementation capacity relates to the existence of the necessary conditions for effective participation in the EU's Framework Programmes. In order to ensure the full and successful association with the Framework Programmes, Member States need to ensure the necessary implementing capacities in the field of research and technological development including adequate staffing.

Although arguably all sample projects (see Annex 7.8. for details) in one way or another affect the countries' developments towards EU membership, the majority of them do not have this as an explicit objective. This is logical for the IPA region, where acquis-related interventions in the period 2007-2013 were ranked under component 1: Transition Assistance and Institution Building. Only IPR projects and a project on e-business have a direct relationship with the acquis; countries need to have their IPR legislation, institutions and enforcement systems in order before they can access. All those projects have been strongly successful in preparing the countries for accession, in their line of business.

4.1.4 Impact

EQ09: To what extent has EU assistance contributed to tangible improvements in access to services and in performance of supported companies?

Judgment criterion 9.1 *– Expected results as stated in project designs, directly related to access to services, are realised or likely to be realised.*

Access to services endeavours to measure (1) number of SMEs having gained access to finance as a result of EU-funded projects; (2) number of SMEs having obtained non-financial (soft) support as a result of EU-funded projects; (3) number of SMEs having received assistance from business support organisations as a result of EU-funded projects; and (4) number of SMEs having joined a cluster as a result of EU-funded projects.

In the SME survey, over 3 out of 4 (77%) responding enterprises declared that they received support from the EU, while only 2 out of 5 declared that they benefitted from funding from another donor. Furthermore, there is a positive correlation in receiving national funds with using the EU funds. Both factors together highlight the relevance and the visibility for SMEs of EU funding to Private Sector Development and Competitiveness. Non-financial support benefitted ca. 100 enterprises, against less than 80 for hard support. EU funding was the major source for non-financial support, whilst distribution is more balanced where access to finance is concerned. National (budgetary) funding was pervasive in the case of loan guarantees while other donors were more present in equity capital. It must be noted that this corresponds to the perceptions of the respondents, whilst reality may be different. For instance, what is perceived as a national budgetary source may in fact correspond to a state-managed fund financially supported by the EU and/or other donors. In addition, more than one donor (including the EU) may be involved in e.g. equity funds made available to SMEs in the relevant markets. About two thirds of the respondents confirm having received support from BSOs during the period 2010-2015. In terms of percentage, the highest rate is observed in micro, followed by medium-sized enterprises. Large enterprises are those showing the smallest percentage. In terms of support origin, the EU comes in first, however in the case of micro enterprises the differences among the 3 sources are minimal (with the reserve, made already, that national funding may hide donor origin of the funds used). The survey also shows some positive linkage between age of the company and the percentage of BSO support. This may point to the existence of a learning path, or a maturity level to reach, by SMEs for better benefitting from BSOs' support. Participation in clusters as result of funding was made by more than 25% of the responding enterprises. EU and national funding are clearly the most effective sources of funding for this, with other donors not even being reported in the case of large companies. Medium-sized and micro enterprises are those reporting higher levels of participation. In general terms, the EU is clearly perceived as the major source of non-financial support to SME development, and not so much so in relation to financial support to SMEs. Detailed information on the sample projects can be found in Annex 7.8.

Projects tend in general to deliver, in physical terms, what they promise. It may therefore be concluded that those projects aiming at contributing to achieving improvements in either access to services and/or performance of direct or indirectly supported SMEs have indeed done so. It is however very difficult to measure how these improvements contribute to better performance by MSMEs. It was already noted that the intrinsic quality of the indicators in the upper layers of the log-frames, if they exist at all (see section on Relevance), does not often allow to reliably (i.e. where causal effect may be properly determined) and timely measure such end-user effects. In addition, sustainability of many of the results generated may also be questioned (see section on Sustainability). Many of the service provision instruments/institutions are project-driven and tend to fade over time in quality and quantity. The latter has several causes, of which institutional/Human Resources weaknesses and/or lack of financial sustainability beyond the period of external funding emerge as the most frequent.

All the above leads to a summary conclusion that, whilst expected results directly related to access to services, as stated in project designs, are most of the time indeed realised or likely to be realised, their sustained usefulness to the general universe of the MSMEs in the IPA region is less certain.

Judgment criterion 9.2 *– Expected results as stated in project designs, directly related to SME performance, are realised or likely to be realised.*

The performance of SMEs can be measured in many ways; for this evaluation, the main indicators selected were the numbers of SMEs showing, as a result of EU funded projects, (a) growth in turnover and/or (b) growth in international trade and/or (c) growth in jobs.

The SME survey shows a linear relationship between the companies' sizes and the effectiveness of funding to support growth in turnover. This may be due to a combination of converging factors, for instance capacity to put in practice more effective growth strategies and the likelihood that funding specifically aiming at growth preferably targets larger companies. This tendency is especially visible in

IFI-led interventions, with the exception of those few specifically supporting microfinance. For those companies that did experienced growth thanks to external funding, financial support from national budgets (which, as noted before, may sometimes have been misperceived) seems to have been the most effective source, followed by EU funding. Since, however, the above mentioned IFI-led interventions are often part of EU funded blending instruments, it may be concluded that funding initiated by the EU is the strongest among the external sources leading to growth in turnover. The survey also shows that the EU is the most effective and efficient source of funding in support of internationalisation of enterprises. Successful enterprises in terms of growth in international trade in majority attribute their success to concrete EU support, while help from other donors is reported to be less effective and/or efficient. A vast majority of the respondents reported growth in jobs in the period 2010-2015, as a result of external assistance. No clear information was obtained on the sources of funding that were instrumental to this growth. Men scored higher (90% of respondents) than women (70%) although also the latter result is significant. The question was asked whether respondents were aware of growth in jobs in their value chains and the response was tentative. Job increases were assumed but it must be taken into account that respondents apply a level of caution in estimating behaviours of wider groups, for which information may naturally be less accurate. Relevant projects from the sample are described in Annex 7.8.

Comments similar to those made in relation to the previous Judgment criterion also apply in this case, in respect to the quality and reliability of the indicators used to measure impacts and sustainability. Some projects provide clear data on performance improvement in SMEs having directly benefitted from projects' actions. This, being important, does not necessarily mean that a clear and incontestable causal linkage may be established between the actions of any given project and the variation in the performance of respective beneficiary SMEs. Again, in the case of EBRD, some indicators relate to data to be collected one year after completion of relevant intervention, however, it is not clear to which extent such important information may feed overall EU aid's performance analysis and evaluation. And in some cases being reported, such information either does not integrate divulged monitoring data on the result indicators, or is still under preparation. Other projects only provide some vague, partial and/or physical realisation-related indicators, which do not allow assessing respective performance in relation to impacts generated under this judgment criterion. The evaluators were informed that there are efforts underway to respond to these challenges. The indicators used now in the sector can help assess/track performances. Moreover, in the last 5 years, ESTAT has developed and provided a number of indicators which track PSD/Competitiveness at country level (ENI and IPA regions). More Data/Baselines are becoming available year by year. One important element of judgment complementing the above considerations comes from the SME Survey, where about one third of the respondent enterprises reported an increase in their annual turnovers as a result of EU support. An interesting element – which would deserve particular attention – is that the answers received a positive linear correlation between size and changes of annual turnover in the direction of increase, which means that the positive impact of EU support in this particular dimension is smaller for those beneficiaries most in need of support, and this in turn allows to question issues such as ownership, absorption capacity of the smallest enterprises and, which may be even more challenging, how EU-funded interventions are actually able to reach out to the smaller layers of the MSME landscape.

EQ10: To what extent was the assistance to innovative SMEs effective in achieving the desired results, namely on environmentally better product manufacturing, green technologies, energy-efficient building materials, energy and environment labelling products and services, intelligent heating and cooling systems and eco-friendly products? And what possibly hampered its achievement?

Judgment criterion 10.1 *– Introduction of environmentally friendly (green) technologies since 2010.*
Judgment criterion 10.2 *– Evidence of problems with introduction of environmentally friendly technologies and products.*

This EQ is clearly connected to EQ08 (judgment criterion 8.1). The SME survey shows a rate of 27% in implementation of any kind of environmentally friendly and/or energy-efficiency actions, which on first sight is rather positive. Reference is made to the relevant table in section 3.3.2 of Annex 7.5, where the scores are shown for the various environmentally friendly actions listed in EQ 10. It shows a positive rate of only 4% to 7%, (thus in the vicinity of 25% of those having taken such actions), depending on the environmental action listed. EU (financial) assistance does not play a decisive role as compared to other funding sources. In terms of related technology adoption, the rates are rather low. There is little to report on these environmental issues, since –especially in the sample projects – evidence does not exist. It may be wise to first include these topics in concrete projects, and develop a system of monitoring and reporting that meets the requirements of the Commission. The majority of sample projects in the IPA region do not explicitly address environmentally friendly technologies and products. Potentially, business advisory projects as well as financial instruments would be able to address this issue. It is well possible that green technologies have been introduced incidentally, as a by-product of such projects. The available reports are silent on this. It may be concluded that the introduction of green products and production methods has not played a major role in the EU programmes in the relevant period, and at the same time is not perceived as a priority need by entrepreneurs. This is not illogical, since the economic situation in many of the countries scrutinised forces businesses to primarily look at methods of survival. Although a complete picture does not exist, it appears that the majority of donor-financed actions were either of soft nature or did not "force" significant structural changes in business practice.

EQ11: Are both genders equally affected by EU assistance to the PSD/Competitiveness sector? If not, why? If so, was this due to a specific element in programming or implementation?

Judgment criterion 11.1 *– Degree of gender equality/balance in projects design and implementation.*

While gender equality is referenced in the EU strategies dealing with SME development it cannot be found in more recent strategic national documents central to the competitiveness agenda. There is a standard paragraph in many of the project fiches for gender equality but no data can be retrieved concerning real implementation to allow for a sustained generalised judgment in this respect. The maximum that may be said is that all evidence gathered points in the direction of projects' real gender neutrality and that no relevant gender-related concerns are reported, which, being positive and albeit mentions are made in (some) programming documents, does not correspond to a proactive character of EU PSD/Competitiveness policy in relation to promotion of gender balance. It is interesting to see that while in many cases rather strict stipulations regarding gender equality are included in project fiches or action documents, these stipulations often cannot be found in the terms of reference. This may be one of the reasons why contractors are not explicit on the implementation of gender equality measures. Detailed information on the sample projects can be found in Annex 7.8.

4.1.5 Sustainability

EQ12: To what extent are the outcomes of the EU assistance likely to continue producing effects after the end of EU funding?

Judgment criterion 12.1 *– Sustainability of key project effects.*

In order to answer this evaluation question, the focus of the analysis rests on "effects" and their sustainability, as opposed to projects themselves and their possible continuation beyond closure, e.g. through subsequent EU/donor financing. For this purpose, effects are defined as the combination of outputs and results. They have been extensively dealt with under EQs 04, 08, 09 and 10 and will not be repeated here. Each individual project has been studied to gauge the likelihood of sustainability. For the analysis, the completed projects or activities in our sample were the most relevant, as these presented outcomes (as explained under EQs 04, 08, 09 and 10) and their effects could be observed in time. Different types of projects led to different types of effects, mostly intangible: (1) enhanced capacity of different stakeholders (individuals and institutions) at macro, meso and micro level, (2) improved business environment, (3) development of enterprises themselves (measured, in many cases through indicators such as turnover and number of jobs created and maintained), (4) improved strategic framework including through strengthening the policy-making research & evidence-base (to a more limited extent). Details of the analysis can be found in Annex 7.8.

All projects analysed address the issue of sustainability, through generic commitments in their initial design. Concrete measures for this purpose – such as preparing comprehensive exit strategies - were developed in only a handful of projects. In terms of capacity building, a distinction should be made between the institutional and the individual level, which are, obviously, interrelated. The sustainability of effects of newly created institutions depends in most cases on further donors' involvement which allow them to continue their activities, even on a non-systematic basis (e.g. Innovation Fund in Serbia). Overall, the institutions capacitated in the projects analysed (new or older) are confronted with threats to sustainability derived from lack of financial resources for their maintenance or development and from lack of decision-makers' involvement. For some of them, the same cooperation with donors/EU guarantee their sustainability (e.g. RDAs in Serbia, IPOs) as the cases in which they are involved in replicated governmental programmes identified in this evaluation are scarce. The analysis revealed that an element with strong potential to contribute to sustainability of project effects in the capacity development area is the development and retention of individuals capable of effectively furthering the activities of the institutions. This has been evident in most projects analysed, from RDAs, Innovation Fund in Serbia, IPR institutions particularly in countries with strong performance (Serbia), etc. Particular attention should be paid to this element in countries where this capacity building process in under implementation. A contribution in this area is brought by the tools developed in different projects (e.g. databases/management systems, training kits), which continue to be used beyond the lifetime of the project and thus continue to support institutions to realise results. Not the same can be said about different schemes targeting SMEs directly or through intermediary institutions, as these have rarely been replicated by the government with national funds. The landscape of legislation and strategies as outcomes of projects with positive effects on business environment is mixed. Differences exist also at national level and this hampers the identification of clear causal factors which determine this situation. One key factor is the political perspective on the importance of a particular area (e.g. intellectual property rights in BiH) but also the demand (not the need) for a particular legislative framework (e.g. venture capital in Serbia). Although relatively easily quantifiable, effects on SMEs supported beyond projects are the least documented. No case was identified in which SMEs benefitting from support were monitored beyond the lifetime of the contractual relationship with the financer, with the exception of some monitoring activities annually undertaken by RDAs in Serbia (but not project specific) and the EBRD evaluations of TAM/BAS/SBS. However, qualitative evidence proves that many SMEs do develop in technical and economic terms and continue with the wider approach adopted as a result of the BS services they benefitted from. Both SMEs and consultants gain ownership under different schemes, in medium- and in the long- run the demand for SBSs increases. Positive sustainability prospects were identified in the case of business infrastructure analysed (in BiH), where partnership between public institutions and private sector is the key. As the business centres set up under the project act as "umbrellas" for SMEs in the region and support them in different areas, including fund raising, they will continue to have effects on enterprises and local economic development in medium- and long- run. The capacity of regional programmes, to have effects beyond their closure depends on the type of activities carried out and, particularly, on the link with the national governments and their ownership on activities and results, which in turn influences their replication at national level. As revealed by the fieldwork, this linkage is not sufficiently strong for a cross-fertilisation between the two types of programmes to take place (e.g. SEECEL, NGCI). Regional programmes deploying financial instruments targeting MSMEs and, in some cases, providing complementary technical assistance (such as the EBRD projects, EFSE) are in themselves sustainable as revolving funds and sustain a high likelihood of key project effects lasting and leveraging/multiplying at mid-and long-term. Other regional programmes tend to face financial sustainability challenges (e.g. SEECEL) and developing an exit strategy in such cases is advisable. The key threats to sustainability identified refer to the lack of political support and of adequate financing, but also to the lack of a sustainability monitoring system at project and programme level to be put in place already in the design phase and deployed during and after the project implementation. Such a system would allow the development of an adequate/customised definition of sustainability from the outset and of the necessary measures to be taken, at all levels (EU, national government, beneficiary) to ensure it when the project is completed. One of these measures would be the establishment of a stronger link between project sustainability and negotiations for the EU membership (where the case) or further funds approved.

Judgment criterion 12.2 *– Leveraging/multiplication power of key project effects.*
Effects – if any – are described under criterion 12.1 above and will not be repeated here. Each individual project has been studied to gauge the presence and power of leveraging and multiplication. For the purpose of this analysis we use, as an "operational" definition, the following concept of "leverage", which contains "multiplication": "The ability to influence the project context, in a way that its outcomes are multiplied without a corresponding increase in the consumption of resources." In financial terms "leverage" may refer to supplementary funds set in motion by a particular intervention (e.g. private co-financing a public instrument applied to SMEs). The findings in this section will add aspects particularly relevant for this judgement criteria to the comments made in relation to previous judgment criterion on sustainability, as sustainability is itself an enabler (a necessary, albeit not sufficient condition) for leveraging/multiplication of project effects. See Annex 7.8 for details on the sample projects. Several projects analysed have either multiplied their effects or the necessary preconditions are in place for them to do so in the future. The leveraging potential is directly conditioned by the sustainability of effects in itself. National projects targeting SMEs supported either with grants or business support services are rarely multiplied but the latter have a higher multiplication effect through the further funds which are often raised. At regional level, such financial projects have clear leveraging effect. The extent to which projects with intangible results manage to multiply their effects (e.g. to reach more enterprises in different areas IPR, e-business, overall development) depends in most cases on the willingness and capacity of the national government and involved institutions to focus and take measures for this purpose. Particularly important is for the government to develop a strategic approach in the different areas analysed (from regional development to IPR, innovation, SMEs support, trade, etc.), which takes into consideration the projects' results and lessons learned, and to implement this strategy in a result-oriented manner, in partnership with the relevant institutions and other stakeholders. In some cases the leveraging of a project effect is ensured through a follow-up intervention. Evidently, this cannot be repeated endlessly, if only because there is a limit to the availability of EU funding.

EQ13: How can programming of EU assistance be enhanced to improve the impact and sustainability of financial assistance?
Judgment criterion 13.1 *– Lessons learnt on sustainability success and failure factors.*

A key lesson learned from the perspective of sustainability in Serbia refers to the importance of the (individual) capacity remaining in place at the project closure, which is basically directly determined by the effectiveness of capacity building measures themselves. However, this potential for impact and leveraging of this capacity is annulled if the institution in charge does not continue to intervene in the covered area (e.g. innovation, regional/local development) due to lack of governmental support and funds. Where the existing structures continue to implement outcomes developed by projects (e.g. e-business area) sustainability and leverage of effects exist. Cases in which the national government do not follow-up on project outcomes are caused by changing government agendas which also insufficiently correlate with the negotiation process. In this context the lack of sustainability strongly correlates with a poorly coined (in the project design phase) concept of sustainability which should include the measures to be taken by the relevant actors in order to ensure sustainability and a contractual obligation for these measures to be implemented (e.g. through the Financing Agreements). Further on, sustainability failure factors relate also to an equally inadequate risk management system (which should be) used during project implementation: the existence of exit strategies is a good practice but these are not developed in all cases, are designed too late and there is not systematic review of their implementation in place. Consequently, there is little information on true sustainability at project level, with the exception, maybe, of the minimum analysis done for the justification of future, related projects.

In Bosnia and Herzegovina, the lack of ownership from the national government side on projects' outcomes is the key factor impeding impact and sustainability. The overall picture is counterbalanced at local and individual level where projects produced sustainable outcomes with strong potential leverage effect, as capacity of enterprises, of the supply side of business support and of the local authorities was strengthened and these stakeholders work closely together to advance local development. Some of the institutions created to support private sector development still do not employ sufficient staff and/or available staff needs better qualifications, despite project implemented in the last years, which indicates that lessons identified are not taken on board in medium run.

As regards the IPA multi-beneficiary (MB) programmes, the key lesson to be learned relates to the correlation with the national level: programmes, systems, institutions. As the fieldwork confirmed, the interlinkage and thus the potential for transferring results into national systems from the regional level is rather an exceptional situation, than the rule. Sufficient support by Bodies and Institutions in the partner countries is a fundamental aspect for the impact and sustainability of regional programmes (e.g. SEECEL) and therefore, the development of a sense of ownership among all stakeholders is a prerequisite for impact and sustainability.

Overall, the most important lessons to be learnt at policy level for improving sustainability, impact and their prospects are:

- Generally, ensuring national government and other stakeholders involved, including beneficiaries, ownership of interventions implemented and their outcomes. This translates especially to a strong correlation between EU-projects and national strategies and measures in the sense that the latter are built up or at least take fully into account the former.
- Specifically, ensuring national governments' commitment to measures to be made in order to guarantee the sustainability of projects outcomes and their effects. This is possible only if such measures are project-specific, identified already in the project/programme development phase and systematically monitored, together with possible risks, during and after project implementation. Efforts at full speed are needed in order to solve the challenge of data availability and quality.
- In all cases a project-specific mechanism needs to be designed for this purpose during the project development phase and an exit strategy should be a part of it. Such a measure would increase the design and logic of intervention of the projects, as well as the quality of its implementation strategy and would, consequently, strengthen their sustainability and impact potential.
- In terms of project design and implementation strategy it is essential to ensure a better alignment between the different types of contracts provided for (i.e. TA, equipment, works) as incoherent contract implementation (e.g. equipment and TA not timely available) still undermines the projects' impact and sustainability.
- This is particularly important for projects registering intangible effects, at both national and regional level, as the financial types of interventions are mostly sustainable in themselves. For the latter, however, a mechanism for monitoring the effects and their sustainability beyond the intervention itself (e.g. loan, BSB) at beneficiary level is badly needed.
- If regional programmes are not better articulated with the national level (institutions, policies) their prospects for sustainability are rather low. For this purpose adequate governance systems, including national presence might be needed, e.g. as in the case of EBRD which is currently

solidly established in 4 countries of operation in the region, and therefore provides local institutional strength and high degrees of proximity with key local players, at institutional, financial and business levels. Adequate mechanisms should be designed also in the case of this type of projects for monitoring sustainability of effects.

- Increased attention needs to be paid to capacity building at individual level and its capitalisation at institutional level and in time. For this purpose an adequate evaluation system is needed, e.g. based on Kirkpatrick model1.
- The sustainability of interventions and their effect positively correlates with the ownership of local experts and enterprises on the PSD process and measures and thus their partnership at strategic level and contribution at intervention level needs to be ensured.

EQ14: Is there enough ownership over R&D and innovation activities? If so, how was this managed? If not, why?

Judgment criterion 14.1 *— Degree of ownership over R&D and innovation activities.*

There are two levels of ownership: policy ownership as shown by national and sub-national authorities, and ownership of actual systems and tools as expressed by final beneficiaries, such as universities, technology institutes, science parks, technology brokers and others. Ownership of R&D and innovations by SMEs is taken for granted; they would not engage in any such activity, whether spontaneous or induced by an EU-funded project, if they could not see the commercial benefits. Details on the sample projects can be found in Annex 7.8. Throughout the period 2010-2015, the IPA Instrument, at the country programme level, has included substantial financial support in the field of Research and Development, in the form of co-financing of the costs of participation in the FP7 and H2020 programmes. More information is given under EQ16 below. An analysis of the objectives of the IPA MB programme shows that at the level of the IPA instrument, balanced support was given to promote innovation. Yet, it is difficult to find evidence on ownership of (the follow-up) of these activities. The factors listed above in relation to EQ 07 (most efficient approach) and EQ13 (better programming of EU assistance to improve impact and sustainability), when considered in the framework of those projects that have provided concrete innovation support at any level, provide a good part of the response to this Evaluation Question. But there are elements that are specific to R&D and Innovation, which add to and/or leverage the other, and these may be summarised as follows:

- Long-term commitment to R&D and Innovation support, as key drivers to enhance value-addition by businesses in target countries and regions – this must result from an intelligent combination of sustained national policies and Donors' co-ordinated continued support.
- Capacity to contribute to creating and strengthening, and only preserving and sustaining, R&D and/or innovation-support institutions that demonstrate capacity to generate and secure a sustained stream of own revenues: If R&D and innovation are value-generating activities, and respective benefits are to be ultimately perceived by the private sector, this latter must be convinced that there is a price to pay for continued provision of R&D and/or innovation-related services provision. Cases such as the IP Institute in BiH and IPR protection and enforcement in Serbia seem to illustrate this point well.
- Stakeholders inclusion and active participation in R&D and Innovation promotion; in fact, innovation in particular must be understood as a societal value, not just as a profit enabler for businesses.
- Finally, the capacity of the EU to attract participation in, for example, R&D Framework Programmes (the FP7 for the period in consideration, now the H2020) and innovation-related networks and activities (CIP for the period in consideration, now COSME) represents an important leveraging factor, which may however suffer from significant barriers to entry (e.g. formal adhesion by the countries, which implies paying respective shares) and must overcome perception (sometimes very real) of high opportunity costs for R&D and/or business candidates.

In the context of PSD, support to R&D and Innovation is, in respect to R&D, mostly at the crossroads between offer and demand of technology (and/or all forms of valorisation of R&D results), and, in relation to innovation, dealing with value creation through entrepreneurial attitude in the adoption of change. It deals with universes (e.g. Universities, researchers, start-ups, interface agents, business incubators, Science Parks) that are largely not coincident with those of the wider support to existing (even mature) enterprises. It thus requires specific support frameworks and actions, as well as targeted indicators. It seems in this framework that awarding a significant degree of autonomy to R&D and/or innovation specific interventions from wider programmes/projects, if combined with appropriate levels of effective co-ordination, collaboration and mutually leveraging with other PSD/Competitiveness interventions, may be the most cost-effective way to provide sustained R&D and Innovation support.

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1 See http://www.kirkpatrickpartners.com/OurPhilosophy/TheKirkpatrickModel.

EQ15: How likely is it that beneficiaries at policy and implementation levels will continue to demonstrate ownership of the results of EU-interventions?

__Judgment criterion 15.1__ *– National and sub-national legislation, institutional and administrative provisions are in place, which guarantees financial and technical sustainability.*

Only a few sample projects selected for the IPA region require further legislation. Bosnia and Herzegovina presents the standard problem that for issues such as IPR and Trade, strategies have been drafted but persistently not adopted. This is much less of an issue in the other countries. As regards institutional and administrative provisions, they require additional budget and in these times of budgetary constraints the countries are not very capable of realising that. A problem of a different type is that for SEECEL, there appears to be an issue with the mandates given to the Steering Committee Members; not all countries have enacted regulations that confer full decision-making powers to their envoys. Ostensibly, not all member countries live up to their financial commitments towards SEECEL; membership fees are not always paid, or paid on time. The July 2016 independent evaluation report states that financial sustainability starts to be an issue. Member countries should raise their financial commitments and contribute according to its their size and resources available. The same report also hints at the necessity for the EU to continue its financial contributions to the centre. Looking at the NGCI project implemented by OECD, it is likely to lead to ownership. The OECD says in the interview: “Continuity is first and foremost ensured by the continuation project OECD now has on going, which builds on the results of the NGCI project and further advances on similar/complementary priorities and actions”. As it happens in relation to other EQs, those programmes and projects involving financial instruments, particularly when mixed with targeted technical assistance (which are typically funded through blending instruments) demonstrate a high degree of ownership of the results of EU-interventions, in the first place within the supported SMEs, but also within local financial institutions. No doubt the effects will continue within the SMEs (barring unforeseen external developments). Although only an impression, the propensity of local financial institutions to continue advantageous credit facilities for their clients seems limited, because they will not be compensated for lower income or even losses by EU/IFI programmes. Financial instruments such as EFSE have, due to their revolving character, almost an “eternal” character, but this is not the case for many other EU/IFI financial instruments, where the services cease the moment EU grant co-financing ends.

For the other projects, persistence of enabling conditions, such as institutional capacity, human resources sufficiency and adequacy, and sufficient levels of appropriation (all points raised already in previous EQs) constitute key factors for increased ownership. Lack of (insurance of) financial resources after EU intervention completion is, on the other hand, a key hurdle in many cases.

What is very seldom seen in these projects is clear and well-sustained (kind of business plan) exit strategies for the instruments, tools and services created or nurtured by EU projects. What is many times written in project design and reporting documents is, to a large extent, insufficiently sustained in hard and real facts and data, where the factors enumerated above are treated lightly at best? A higher degree of rigour and exigence in this respect (including, as already noted before, higher levels of transparency and accountability) would contribute to higher degrees of ownership of the results of EU-interventions. Another point, noted in several projects that were analysed, is the slow pace, or even real lack, of adoption, by relevant authorities, of national and/or sub-national legislation, institutional and administrative provisions so dearly needed to embed results of EU interventions in the national institutional environment. Administrative and legislative processes are often too complex and slow to efficiently conciliate with programmes’ and projects’ limited time-frames and resources, and also multiple political, economic and social interests stand in the way of timely resolving sustainability-related issues. The above is by no means a new topic, nor is it typical for the PSD/Competitiveness sector. It has been broached by many evaluation reports over the past decades and still not closer to a solution, while in reality it is perhaps the main factor impeding long-term effectiveness. More efficient awareness raising and stakeholder’s inclusion in the projects’ processes and activities would likely contribute to reduce – but by no means eliminate – this negative element.

4.1.6 Coherence

EQ16: To what extent is the EU assistance coherent with other interventions which have similar objectives? To what extent is EU assistance coherent with other action in the field, such as SMEs support in relevant areas of the European programmes, namely the Seventh Framework Programme and the EU's Competitiveness and Innovation Framework Programme (CIP)? Is EU assistance coherent?

__Judgment criterion 16.1__ *– Clear strategic and operational links exist between EU assistance and the SME support embedded in the (former) Seventh Framework Programme.*

FP7 was the European Union's Research and Innovation funding programme for 2007-2013. The current programme is Horizon 2020, but there are many projects funded under **FP7** which are still running. Under FP7, SMEs were actively encouraged to participate in all research actions, especially those under the themes of the Cooperation programme and Joint Technology Initiatives. The rules for participation in FP7 specify a funding rate of 75% for research and development activities of SMEs.

Judgment criterion 16.2 *– Clear strategic and operational links exist between EU assistance and the SME support embedded in the (former) Competitiveness and Innovation Framework Programme (CIP).*
DG Internal Market, Industry, Entrepreneurship and SMEs promotes industrial cooperation, SMEs, entrepreneurship and inclusive sustainable development with IPA countries, as part of the IPA Instrument. CIP was the European Union’s Competitiveness and Innovation Framework Programme for 2007-2013. The CIP ran from 2007 to 2013 with an overall budget of EUR 3.6 billion. Under CIP, SMEs have (had) opportunities to obtain better access to finance, as well as support for innovation, and regional business support. The current programme is COSME, the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises running from 2014 to 2020 with a planned budget of EUR 2.3 billion. The sample projects evaluated in the IPA region do not contain activities aimed at participation of SMEs in the FP7 and the CIP programmes. The fact is that all countries as a rule include in their national IPA programmes an item called “Support for participation in Union Programmes”. As for COSME, Albania signed the International Agreement on 3 March 2015, Bosnia and Herzegovina on 2 June 2016, the former Yugoslav Republic of Macedonia on 29 September 2014, Montenegro on 25 June 2014, Serbia on 10 November 2015 and Turkey on 16 October 2014. Kosovo does not have, for the time being, the necessary legal basis to participate in Union programmes and therefore cannot join COSME. The field work, in fact, has given some evidence of the existence of operational links with the CIP/COSME programme. Most IPA countries have national information points (now on COSME and H2020) but unfortunately, they do not have statistical material to quantify the importance of the programmes for the national private sector. Given the amounts allocated to cooperation with EU programmes and agencies, it is clear that from a strategic point of view, there has been and still is a clear link with the CIP programme. Although some global information was retrieved, the evaluators have abstained from collecting detailed data on the use of CIP, FP7, COSME and H2020. Other evaluations, assigned by the COSME and H2020 units at the Commission, are more appropriate tools for that. A clear conclusion on whether the IPA Instrument is successful in fostering strategic and operational links with both EU programmes, cannot be given.

EQ17: To which extent are national and regional programmes complementary and aligned with the principles of the EU Small Business Act?
Judgment criterion 17.1 *– Representation of the SBA principles in programming documents and project designs.*
Methodological note:

As for the allocations to PSD/Competitiveness, the data in the tables below stem from the information contained in Annex 7.4 to this report. References to the SBA can be found in practically all sample projects. The tables below, in the second column, only refer to projects that have included concrete activities to foster SBA principles in the respective countries/regions. The projects themselves are listed in the above-mentioned sections.

As far as PSD/Competitiveness support is concerned, the IPA instrument heavily leans on the principles of the Small Business Act. Reference is made to either the complete Act, or specific dimensions, in all strategic and programming documents. More importantly, where strategies are translated in more concrete intervention policy (namely in the MIPDs), the relationship with the SBA principles/dimensions is made still more specific. The result is that nearly no concrete action, project, intervention is designed that does not actively support the strengthening of one or more of the SBA dimensions.

Programmes 2010-2015	Total PSD support (M€)	Advancing the SBA (M€)	SBA/PSD (%)	Main SBA dimensions addressed
Albania	7.9	7,9	100	1, 6, 8
Bosnia and Herzegovina	19.0	17,7	93	1, 4, 5, 6, 8
Kosovo	36.0	15,5	43	1, 4, 8
Macedonia	28.3	23,7	84	1, 3, 4, 8
Montenegro	5.8	3,5	60	2, 4, 8
Serbia	26.4	17.3	65	1, 4, 6, 8

Programmes 2010-2015	Total PSD support (M€)	Advancing the SBA (M€)	SBA/PSD (%)	Main SBA dimensions addressed
Turkey	457.5	381.0	83	1, 4, 6, 8
IPA MB	206.7	100	48	1, 4, 5, 6, 7, 8, 9

The vast majority of EU's financial allocation to PSD in the IPA region targets fields related to advancing the SBA. This majority is particularly visible at the multi-country (regional) level, where dimensions 6, 7 and 10 assume particular relevance. Within these, access to finance (through a comprehensive range of complementary instruments and partnerships, where cooperation with IFIs is significant) takes a major share. EU support to advancing the SBA at the National level is spread over a higher number of SBA dimensions, with relevance for those which either demand proximity actions and/or are linked to nation-specific contexts or frameworks, as for instance institutional and regulatory framework, operational environment for business creation, public procurement and, to an extent, enterprise skills and innovation. Despite these findings, a recent review of SBA implementation in the Western Balkans and Turkey indicates that there still are clear gaps to be addressed. The report contains recommendations which are a good basis for future national and regional programming. It is noticeable that, on the basis of the information gathered from the projects that were identified by the team at both national and multi levels, SBA dimension 9 (SMEs in a green economy) is relatively under-represented in the overall context of EU support to advancing the SBA.

EQ18: To what extent has the EU assistance enhanced the visibility of EU aid, and promoted innovative approaches to aid delivery?

Judgment criterion 18.1 *– Contribution of programming and implementation to EU visibility.*

In general, and putting aside small omissions or mistakes in implementing EU visibility rules, all projects that were analysed comply with applicable regulations. The capacity of such compliance is however not the same when we look at financial instruments, such as those mentioned above, and more typical Technical Assistance projects, which tend to better convey the message of the crucial importance of EU's support to achieve respective goals. This is mostly due to the nature of the support provided and, most particularly, to the fact that, in the case of financing projects, particularly those funded by blending instruments, respective end-user actions and instruments are most of the times delivered through more than one layer of intermediary institutions (e.g. an IFI and a local bank), which tend to dilute EU's visibility. The programming documents related to the IPA instrument, regional and for the countries, contain the obligatory chapter on EU visibility. In implementation, vast differences were noted between individual projects. Without any exception, all credit line and other SME financing projects funded by instruments of blending nature, which are implemented by IFIs such as EBRD, EIB, KfW, etc., lack effective visibility measures, in terms of respective end beneficiaries/users. This was confirmed in the field; neither SMEs, nor BSOs or responsible public authorities were aware of the EU financial inputs in SME funding instruments established to blend grants and loans. The problem is in the system. Each project separately is obliged to carry out its own visibility measures, while in actual fact the team of experts was hired for different, specialised services. They cannot be expected to be also visibility experts. Even when visibility measures are carried out dutifully, the overall effect on "EU visibility" is confusing. For example, each project produces its own website, with its own lay-out and functionality, but often without direct links to other EU-funded projects. It was found on several occasions that websites of projects already completed years ago, were still on-line. This is not the best advertisement. Furthermore, respecting EU visibility rules does not necessarily guarantee that EU assistance through these projects enhanced the overall visibility of EU aid. None of the projects provide, as far as the documents made available to the evaluation team show, any assessment in this respect. It would have been appropriate to include, towards the end of the projects' implementation periods and/or shortly after respective conclusion (and for sure within final evaluation exercises), surveys targeting the wider generality of project beneficiaries (including indirect and potential ones), and/or for instance the SME community in the various countries, including a question on this issue. Often, the obligatory statements are made, all copied and pasted. For instance, SEECEL mentions in all its reports: "all SEECEL's actions and operations are in line with EU visibility procedures and with the Communication and Visibility Manual for EU External Actions. SEECEL is keen on promoting all its actions on its official website and with other relevant media, as well as at relevant meetings, conferences and thematic forums". Yet, there is no separate description of visibility activities and their effects. On a moderately positive note, it can be said that compliance with applicable rules is normally observed, but actual contribution to enhance the visibility of EU aid may in many cases not have been a major concern.

Judgment criterion 18.2 *– Contribution of programming and implementation to promoting innovative approaches to aid delivery.*

Innovative character of EU assistance is understood, for the purpose of this evaluation, as the extent to which projects, in their design, implementation and/or outreach, manage to detach from mainstream project tradition and/or landscape in EU assistance and, in particular, in the relevant region and/or countries. IPA I contained few innovative actions, at the regional as well as at the national level. The WB EDIF as an instrument of blending of grants and loans is not strictly a new feature although it did expand the blending option from infrastructure to include SME financing. A nice example of a highly effective innovation in implementation can be found in the project *IPA 2012 – Improving e-business environment*, where formalised induction training was introduced for new experts joining the project. This is a method that deserves further scrutiny, with the aim of perhaps making it obligatory for all TA projects. Another very recent example of innovation in delivery methods was observed in Montenegro, where under the IPA 2014 annual programme, an open call for proposals was launched, in January 2017, for the delivery of services to Enhance the Business Environment and Competitiveness of the Private Sector. The grantee would have to (1) develop a comprehensive strategic framework for Competitiveness and Innovation and establish a strategic and operational framework for Industrial and SME policy; (2) strengthen the institutional, technical and administrative capacities for the implementation of the Competitiveness and Innovation policies; and (3) develop measures fostering awareness of the general public and beneficiaries, regarding Competitiveness and Innovation policies. The innovative character lies in the fact that the project, instead of being implemented as a service contract, is going to be implemented by a European Union Member State public sector institution/operator or statutory body. It is expected that this will reduce administrative costs of tendering as well as of management and monitoring.

Judgment criterion 18.2 is thus met to some extent in the IPA region, particularly if the innovative character of EU assistance is considered in the relevant regional context. At the national level, the indicator is not met in Bosnia and Herzegovina and Turkey, whilst in Serbia and Montenegro some projects do present some innovative approaches which, unlike what is noticed at the regional level, appear to be linked rather to implementation than to pure design, which shows that it is possible to promote innovative approaches to aid delivery even when the design itself of the interventions does not necessarily imply so. The most obvious innovation in EU aid delivery is that of financial instruments and especially that of blending of grants and loans. However, in one form or another, such instruments have already existed for at least a decade, so it is arguable whether they still can be considered innovative. There is a tendency to shift support through financial instruments from the regional to the national programmes and this indeed is an innovative approach. With some imagination, one could also earmark the budget support programmes as innovative. Although they already exist for a long time in DEVCO programmes for development countries, their emergence in the IPA region is of a relatively recent date. Furthermore, it is observed that as of 2014, programming in several countries (Montenegro is a good example) is geared towards simplified implementation, at least from the perspective of the EU services. This happens through complete transfer of financial, management and implementation responsibilities to accredited national, but mostly international, institutions, reducing the obligations of the EUDs to performance monitoring; even ex-ante approval procedures are rarely required in such cases. Finally, it is acknowledged that what is an innovation in aid delivery in one country, has already become standard procedure in another. Both the Commission Services and the national authorities appear to be constantly searching for new and better mechanisms, which is deemed a good sign.

4.1.7 EU added value

EQ19: What is the added value resulting from the EU interventions, compared to what could be achieved by the beneficiary countries without such interventions?

Judgment criterion 19.1 *– Complementarity and non-contradiction or overlapping between beneficiary and EU programmes.*

The SME survey does not directly address this judgment criterion, but provides some interesting information on how EU assistance is perceived as compared to national budgetary support or other donor support. More than 50% of the respondents report significant or very high satisfaction with the EU-funded projects they participated in, with about half (28% of total) stating that expectations were totally met or even exceeded. Caution is required here: few respondents have a clear view of actual donor sources, so this finding probably does not only relate to EU inputs. Only 11% of the implementers are absolutely not satisfied with the results. Small and medium-sized enterprises express the highest satisfaction. It is noted that all participating large enterprises report only partial satisfaction, whilst data shown in previous points confirm that large enterprises are not among those having less benefitted from donor support. This lower level of satisfaction may be linked, on the one side, to the small sample size (for large firms) and to a higher degree of expectations from these bigger, more organised and better structured companies. Satisfaction rate is highest in Serbia and Bosnia and Herzegovina and lowest in Kosovo and Turkey. These rankings should however be taken with caution, due to the non-uniform distribution of the sample over countries. There are vast differences between the IPA countries as regards the absolute budgetary contributions to PSD/Competitiveness, as well as those contributions relative to the size of the country and to the size of EU allocations. Turkey and Serbia are at the top of the ladder, while Albania, BiH and Kosovo lag behind. Substantial contradictions or overlaps between programmes financed from national budgets, and EU programmes, were not encountered. The first point to make in terms of a summary conclusion about EU added-value is that it is never questioned either in documents or by stakeholders, whoever they may be. To a large degree, complementarity and non-contradiction with national or regional programming are ensured at both regional and national programming, in relation to both national- and other donor-funded PSD/Competitiveness support interventions. A few cases of overlapping may be detected in some areas, such as:

- Provision of training to SMEs and/or BSOs;
- Consultancy/advisory provision to SMEs;
- Financial/funding provision to SMEs.

Of the above, the latter is not problematic, provided that EU's State-Aid rules are respected and transparency and accountability are ensured in relation to the instruments being put in practice and respective management. Furthermore, except for grants (for which State-Aid limitations should be able to impose appropriate limitations), most if not all the financial instruments being placed at the service of SMEs are managed and regulated by principles and mechanisms applicable to the IFIs that have the role of implementing them, and this includes, among many others, proper due diligence. Freedom of choice (with respect for equal opportunities) may in this respect have a much higher value than possible negative effects caused by overlapping or competition among instruments. Furthermore, most of the IFIs involved are very keen in not practising market conditions that might distort local financial markets, their role being more of complementarity and coverage of market gaps than of conquering market share. Finally, the technical assistance provided to local banks, consultants and beneficiary SMEs plays a crucial role that classical financial markets and institutions do not in any way ensure, thus increased added value from EU-funded interventions. Overlapping in relation to consultancy/advisory provision to SMEs does happen at times, among both EU-funded and EU- funded and other donor-funded interventions (national funds are very seldom used to support this kind of provision, except in very niche cases where there are clear market failures). The problem here may exist more in terms of market distortion (which would tend to harm the commercial, mainly local, consultancy market) and might, if not properly monitored and controlled, risk inducing negative consequences in terms of donor-dependency by SMEs, particularly those less competitive, in relation to resorting to consultancy services. Whilst the evaluators did not detect any specific case where this is actually happening to a significant degree, it seems clear that more effort should be given to monitor structural effects of this kind of aid (and particularly of possible effects of overlapping among interventions) and, whilst the importance of continued investing in it to support PSD/Competitiveness sustained improvement, efforts should continue to search for the best possible approaches to minimise and control the identified risks. As for consultancy/advisory provision, more consistent and sustained (real-time) monitoring and (ex-ante, mid-term, ex-post) evaluation of the overall PSD/Competitiveness-related training landscape in each country is advisable, which would necessarily imply more efficient and effective donor co-ordination. Inclusion of better structured and professionally executed TNAs as a prerequisite for implementing training actions would also very likely pay out in terms of value for money. A second aspect in this EQ relates to self-sufficiency of beneficiary countries, i.e. the extent to which the added value resulting from the EU interventions could be achieved by the beneficiary countries without such interventions, and here the results of the evaluation exercise made are rather straightforward:

- In relation to what could be replaced by other donors' support, the conclusions on relevance, complementarity and non-overlapping provide a clear and absolutely uncontested idea that inexistence of EU funding would have a very negative impact and could not be full and effectively replaced by other donors. There are countries where the EU is by far the strongest donor in PSD/Competitiveness support, and many donors are either lightly, or even not at all, present in regional terms. Furthermore, in themes such as the SBA, no one but the EU would be appropriately positioned to provide the necessary support.
- In relation to what could be achieved without any donor intervention, the conclusion is even more overwhelming and is that most if not all the beneficiary countries lack the budgets to provide the kind of support that the EU (and the donor community in general) is providing, at national level and even more so at the regional level. Hence, the EU added value is absolutely undisputable.

EQ20: Which areas within the PSD/Competitiveness sector can do without or with reduced EU assistance because they are well covered by other donors?

Judgment criterion 20.1 *– Areas/sub-sectors effectively covered by non-financial assistance from other donor.*

and

Judgment criterion 20.2 *– Areas/sub-sectors effectively covered by financial assistance from IFIs.*

Methodological note:

Regarding EU added value, both the overall PSD/Competitiveness-related documents and the sample project documents have been scrutinised. Donors and IFIs publish great quantities of information on allocations and disbursements, but the collection and systematisation of this information is not a practical proposition, for several reasons. In the first place, different donors have different definitions of PSD/Competitiveness. Secondly, donor statistics are unclear on years of programming, implementation and disbursement. And finally, data on success (impact) is scarce while it is dearly needed for any comparison. Given these limitations, the endeavour of the evaluators has been to confront the sample projects with comparable interventions financed by other donors.

Two statements presented for discussion to the focus groups in the various countries were:

- *EU interventions in the PSD/Competitiveness sector are unnecessary since national strategies, actions and subsidies do a better job at improving the PSD/Competitiveness sector in your country.*
- *The EU should reduce or even abandon its (financial) contributions to the PSD/Competitiveness sector in your country, and re-allocate them to other sectors, since other donors (and IFIs) sufficiently cover most or all relevant fields of assistance.*

It will not surprise anyone that the participants at the focus groups expressed their strong disagreement with both statements. In this, the evaluators found no differences between regions and countries, although it was remarked in one of the IPA countries that gradually, the administrative costs and burdens of managing IPA funds are outweighing the benefits of the programme. Even taking into account that most participants represented the PSD/Competitiveness sector and therefore had a certain bias towards it, the general opinion was that of all aid sectors, the PSD/Competitiveness sector is most in need of EU assistance, for two reasons. In the first place, because this aid is expected to have the most tangible effects in terms of welfare. Secondly, because there is no alternative for it, given strained national budgets and piecemeal contributions from other donors. Yet, it also became clear that the participants had mostly in mind the direct financial contributions the EU is providing to SMEs, directly through grants or indirectly through cooperation with IFIs in blending operations. The need for institution building, capacity building, and legislative support was pronounced as less urgent. In the IPA region, many donors are active besides the EU, EBRD and EIB, in practically all countries. They are, for instance the World Bank/IFC, USAID, Sweden/Sida, Germany, Switzerland, Croatia, Norway, Japan/JICA, Italy, and Slovenia. Only the World Bank/IFC and to a lesser extent Germany can be considered major financiers of the PSD/Competitiveness sector. According to a BiH Donor Mapping Report, the total amount of official development assistance (to all sectors) in 2015 ended up in EUR 495 million, of which EUR 178 million in the form of grants. Some 40% of international aid was channelled to the PSD/Competitiveness sector. This amounts to EUR 193 million, while the EU contribution in 2015 was around EUR 37.2 million. If EIB and EBRD loans are added to this, the European contribution was EUR 80-100 million. BiH is not fully representative for the IPA region, but the numbers above give a global insight into the relative importance of EU funding. The answer to EQ20 very much relates to the reasoning made in relation to EQ19, and thus issues of complementarity, non-contradiction and areas of overlapping, already treated there, shall not be repeated here. Equally, the extent to which EU's aid in the field of PSD/Competitiveness could be effectively replaced by other donors' aid. Admittedly, EQ20 and the related judgment criteria were somewhat provocative. They have elicited expected reactions from the counterparts in the countries. From an objective point of view, it is EU support that keeps the wheels turning in the PSD/Competitiveness sector. Direct financial and non-financial support to SMEs is unanimously regarded as the best instrument. EU interventions in related fields (e.g. IPR, e-business, institution building, regional development) are considered "luxury issues" that could do with much less support. The evaluators only very partially agree with this notion, in the sense that indeed there is some evidence of projects that – in hindsight – did not have much impact. The points to make here relate therefore to the best adequacy of the EU to provide the kind of PSD/Competitiveness support it is providing, having in consideration the existing landscape of donor and IFI support in the same and related fields. One key difficulty to this analysis comes from the extreme difficulty (not to say impossibility) that the evaluators have faced in getting a clear picture of who is doing what, where, when, for which purpose, with which resources and to which outcomes and impacts. This hurdle was mentioned as an introduction to treatment of this EQ. In any case, some general lines may be followed:

- In relation to the donor landscape, the EU tends to be more institutional and deal less with direct actions towards the SMEs themselves. This is confirmed by both documents and interviews (including e.g. the Focus Group meetings). In the IPA region, the EU is perceived as working better in, for example, institutional strengthening or policy support. Both types of interventions are necessary and useful for the ultimate purpose of fostering private sector development and competitiveness in the target countries;

- The EU is clearly the major donor when it comes to regional intervention, particularly in the IPA region, which comes as a natural consequence of the proximity of this region to the EU and the specific purpose of IPA support. Hence, the EU seems irreplaceable at this level.

When it comes to IFI support, reality differs even further from case to case, and the impossibility to produce a realistic mapping of PSD/Competitiveness support (as defined, in time and scope, for the purpose of this evaluation) is a reality. Furthermore, there would exist a clear risk of double-accounting many IFI interventions, namely those funded through the EU's blending instruments (like e.g. KfW, the EIB and the EBRD), as both EU- and IFI-funded cases. But some general conclusions may also be drawn:

- It stems from the analyses made in relation to several previous EQs that interventions, namely those (co-)funded by the EU, where IFIs are leading implementers tend to be well structured, efficiently managed and very effective. Their relevance to improve financing of MSMEs (including at the microfinance level) is unquestionable. No other type of donor-funded intervention (including from the EU) would likely be able to provide the same level of results and impacts.
- As it was already noted, the fact that many financing instruments made available through IFIs integrate, or articulate with, technical assistance provision makes them particularly performant and resilient, as in fact they contribute to decisively strengthening the capacities of the stakeholders involved, whether they are intermediaries or final beneficiaries.
- On the other hand, the fact that IFIs use, as a general rule and particularly when financing facilitation is involved, due diligence rules and practices tend to make them target mostly the best performing SMEs, thus leaving aside the vast universe of MSMEs which, with the appropriate combination of soft and hard support, might also see their competitiveness and overall business performance improved. There might therefore exist a tendency to leave important groups of MSMEs behind if support would be exclusively provided through IFIs, which leads to the conclusion that the EU does well in complementing IFI-driven (through e.g. blending instruments) with other types of PSD/Competitiveness assistance.
- It may be concluded from the above that, in those cases where IFI's type of intervention may be successfully applicable, resorting to IFIs (through e.g. blending instruments) is a powerful (consistent, efficient, effective, impacting, sustainable) way for the EU to convey support to the private sector, particularly in the framework of regional or super-regional programmes. This is confirmed by the few ROM reports that were made available to the evaluation team regarding this type of interventions. IFIs should therefore be used whenever possible, not forgetting that, by their nature, they cannot reach the full range of MSMEs needing, and deserving, EU support for their competitive development.

4.2 EUROPEAN NEIGHBOURHOOD INSTRUMENT (ENI) EAST

4.2.1 Relevance

EQ01: How relevant is the EU assistance in view of the priority needs of the countries in the regions?

Judgment criterion 1.1 *– The objectives and priorities of EU assistance are in line with the policy/development frameworks for the PSD/Competiveness sector in the partner countries in particular in terms of the needs for financial and non-financial support to enterprises, strengthening of R&D&I, stimulation of FDI and foreign trade, improved business infrastructure and better business environment in general.*

The essential issue here is the existence and content of national strategies. In the framework of this evaluation, an inventory of such policy and strategy documents was made and followed up by a thorough study. Not every selected country has an explicit PSD/Competitiveness strategy but where such strategies are lacking, there is sufficient information contained in sub-strategies to arrive at clear conclusions. The basic philosophy has been that priorities defined in policy and strategy papers are founded on needs analyses, often laid down in (the weaknesses of) SWOT analyses. The available documents have been scrutinised in order to confirm this philosophy, with encouraging outcomes. Strategies are abundant and cover various periods of time. Maximum care has been given to base judgments only on strategies that were valid at the time of programming. At the same time, the evolution of strategies (and needs) over time was taken into consideration, when looking at the relevance of programmes and projects. The adoption of the Armenian Development Strategy, and the introduction of new strategies for the financial perspective 2014-2020 have resulted in a strong convergence of EU programmes with the national needs in the PSD/Competitiveness sector. In Moldova, the needs for the sector were not explicitly expressed so logically, programming cannot be in line with them. Regional programmes appear to reflect the policy needs of the Commission, more than the needs of the countries in the region. The field study corroborates this finding: in the view of the beneficiaries, multi-beneficiary programmes contribute little to actually expressed country needs. It was found by the evaluators that the latter is caused mainly by the fact that too few sector specialists from the countries are aware of the multi-beneficiary programming process and therefore, cannot express their needs.

Judgment criterion 1.2 *– The quality of design of individual projects/interventions/contracts is adequate in terms of intervention logic and definition of indicators.*

For individual projects, the designs usually describe the "pathway to change", the causal relationships between inputs, activities, outputs, results and objectives. Moreover, the final objective to be reached by the project (the specific objective, or purpose) is given, and if the quality of the design is good, so are the indicators for measuring its realisation. Complex programmes, entailing a multitude of purposes, are more difficult to catch in a logical framework. The ENI East instrument is per definition a multi-sector programme, and none of the strategic documents – even at the level of AAPs – include intervention logic specifically for the PSD/Competitiveness sector. What can be said in general terms is, that throughout the years there has been consistency in terms of programme objectives, at all levels (inter-regional, regional, national). Whereas national programmes have not focused on the sector (Armenia 2014 is a positive exception), regional investments through the NIF have generated substantial loan and credit programmes for SMEs. This, too, is a continuing process. Therefore, and in line with the definition of the judgment criterion above, the evaluation has focused on the quality of design of individual projects. Information on the sample projects is included in Annex 7.8. There is a steady evolution of quality of project designs. In the opinion of the evaluators, this shows a steep learning curve on the part of the programmers, especially those within the Commission Services (EUDs and HQ). Objectives, purposes, results and activities improved in terms of their definitions and descriptions, obviously a result of much better analyses of the implementation environment. As of – say – 2013 or 2014, fewer and fewer projects that showed serious design flaws were conceived, although the definition of indicators remains an issue to be further studied. There are still cases where result indicators are formulated as quantified outputs (e.g. 10 brochures produced), and indicators of impact are either lacking, or a repetition of these output indicators. In terms of quality of design, regional projects tend to be less explicit in their results and objectives than the national ones. The evaluators have the impression that several of these projects are not based on a thorough analysis of problems, needs and objectives but rather, that their design was triggered by internal Commission considerations as well as prior agreement with international organisations on allocations. In such cases, needs analyses are made retrospectively to fit interventions already decided upon. This impression is corroborated by the fact that, with rare exceptions, explicit problem, needs and objective analyses were not found for multi-country projects.

The ENI East regional strategies claim to work on many priorities, such as democracy, good governance and stability, economic development, climate change, energy, environment, integration with the EU, regional cooperation, investment projects, cooperation in higher education, political association, civil society, capacity building, governance and management. Many of these priorities are also the main concerns of the national programmes. What is lacking is a clear distinction of needs to be tackled through country programmes, and which ones through the regional programme. The basic principle should be subsidiarity, providing the countries with (budgets for) national programmes in all fields that could better be dealt with at their level, while the regional programme should limit itself to those issues that – as is faithfully declared in the regional programming documents – cannot be addressed with the same efficiency at country level. Therefore, an explicit analysis of regional needs that <u>cannot be addressed nationally</u> should precede PSD/Competitiveness programming at the regional level.

EQ02: To what extent is relevance enhanced through co-ordinated programming of national and multi-country projects?

Judgment criterion 2.1 *– Programming of national and multi-country projects is a co-ordinated process at Commission HQ, EUDs and beneficiaries.*

At the level of programmes, adequate coordination between programmers should lead to both the absence of undesired overlaps or doublings, and the existence of desired complementarities and synergies. The evaluators have searched for overlaps/doublings and synergies in the annual programmes (national and regional), and especially for concrete examples in the individual (sample) projects, of course for the PSD/Competitiveness sector only. The requirements for coordination of programming are implicitly and explicitly laid down in the EC programming documents, which state that since the inception of the ENPI, efforts have been made to enhance the involvement of Delegations – and thus of the Partner countries – in the programming, design and implementation phases of Regional Programmes. A Code of Conduct has been adopted to strengthen the communication, flow of information and respective roles of Headquarters and Delegations in the design and implementation of Regional Programmes in the ENPI East. Focal points for Regional Programmes have been identified in all ENPI East Delegations and enhanced coordination is also being put in place at HQ among regional project managers and geographic coordinators. The evaluators have used the field visits to obtain more insight regarding the coordination question. The focal points were not identified, and not even mentioned by the interviewees.

Armenia:
No evidence of actual coordination of programming was found in the documents reviewed, although EaP regional programmes do state that the Office of the President, the Ministry of Economy (MoE), the Ministry of Finance (MoF), the Prime Minister's Office (PMO), and the SIGMA missions were consulted. The obvious expectation was that these authorities would be able to draw the line between national and regional programmes. It was noted that in Armenia, a spirit of proper division of labour and resources among different IFIs and consensus on programmes and measures is not yet in place; this has its repercussions on the coordination between national and regional programmes.

Moldova:
The available documentation does not point to mechanisms for enhancing programming efficiency through coordination between HQ and EUD; on the other hand, whether this is a coincidence or by design, the evaluators have not encountered clear overlaps or doublings.

IN SUMMARY
No concrete evidence could be found on either documents or through interviews about the frequency and format of information exchange between programmers at Commission HQ and EUDs. Neither did the field research produce much encouraging information regarding coordination mechanisms. The latter may indeed exist, but their implementation in practice does not always work out as envisaged. When looking at the sample projects, the conclusion is that the national and the regional ones do not negatively affect each other. Concrete, out-right examples of overlaps/doublings were not found and this is corroborated by the study of overall national and regional programmes. National programming deals mostly with country-specific themes. Absence of such themes in regional programmes in itself helps avoid overlaps, but is judged by beneficiaries as one of the significant weaknesses of the regional approach. Objectively, financial instruments promoting access to finance for SMEs are best executed at the regional level, if only because this creates economies of scale, and also easier access to sources of funding. Yet, several countries have recently made the move towards programming financial instruments under their national programmes, which indicates that the regional approach has been insufficiently tailored to their specific needs. One solution is in designing differentiated instruments for specific targets and purposes; this controls the risk of overlaps but also enhances national ownership. Regional projects aiming at policy making score low in the perception of beneficiaries; indeed, there are only a few fields that lend themselves to joint policy making. On the contrary, regional projects assisting the regions with trade-related issues are highly appreciated, in particular when they aim at establishing regional systems and structures to facilitate trade. There is a strong need for better communication and exchange of information between regional and national programmers within the EC services. It is therefore not surprising that interventions at the regional level regularly by-pass the EUDs to an extent that undermines the credibility of the EUDs and ultimately the EU vis-à-vis the national authorities. It is emphasised that – perhaps with the exception of financial support programmes for SMEs – the evaluators did not find concrete evidence of conflicts or overlaps between regional interventions on the one hand, and national on the other. Yet, the overall impression is that regional projects add no or too little value to national programmes. A problem often mentioned in the field is that implementers of regional projects are foot-loose, not attached to any of the countries in the region. Their contributions are therefore perceived to have more of an academic than a practical nature.

4.2.2 Efficiency

EQ03: To what extent is the preparation of interventions managed adequately?

Judgment criterion 3.1 *– The process of preparation of contracting documentation does not show avoidable delays.*

Project fiches, action documents and action fiches should state the expected timing of contracting (or, in some cases, of launch of procurement). It should therefore be relatively easy to ascertain whether contracting was "on time". However, this is not the case, as shown by the tables below. For the ENI East region, no systematic source of information was found to retrieve dates of financing agreements; and those dates are the baseline for procurement plans. In ENI East, programming documents as a rule do not contain time plans for procurement and contracting. For financial instruments, whether under the NIF or any other (national) programme, recognisable programming documents begin with a contribution agreement and a description of the action rather than with action fiches. References to the programming process and its timing are not included in those documents. The essential point is that the evaluators do not have sufficient information to make a judgment. Yet, a general conclusion is that, even after so many years of experience, programmers remain overly optimistic about procurement procedures, although programmers at the Commission's HQ tend to be more realistic than those at relevant Ministries and EUDs in the countries. Where beneficiaries (in general government agencies and ministries) are responsible for preparing procurement documents, such as ToRs and technical specifications, their persistent lack of experience results in below-quality documents, going back and forth many times between them and the EUD. This is an almost insolvable problem given the high turnover of staff at beneficiaries and the shortage of staff at government institutions responsible for EU projects.

EQ04: To what extent is the implementation of activities managed adequately?

Judgment criterion 4.1 *– The activities are implemented, and outputs are delivered, as scheduled.*

This judgment criterion can only be answered at the level of the individual projects, mainly because annual action plans do not sufficiently differentiate between activities and outputs for PSD/Competitiveness and all other sectors, but also because they have no concrete delivery schedules. Project progress reports and minutes of steering committee meetings provide – insofar as available – reliable information on the timing of activities and outputs, but some further study was needed to understand whether they were of adequate quality. ROM reports did help, but are only rarely available. The field visits were used to obtain the opinions of EUDs, beneficiaries and in some cases, representatives of the final target groups. Details on the sample projects can be found in Annex 7.8. There are many factors, external and internal, that can cause delays in the execution of activities and hence, the delivery of outputs. Many such factors were observed in the sample projects. On the whole, the evaluators have only found minor issues related to implementation efficiency, most of them related to three types of factors:

- Administrative issues and/or difficulties in transposing/conciliating e.g. EU and national financial regulations;
- Budgetary rearrangements (most if not all of the times with no change in overall budget implications) to better fit implementation needs and evolving implementation landscape;
- (to a minor extent) Need to extend project duration (most if not all the times with no budgetary implications) due to e.g. problems in finding the right expertise at the appropriate time or less institutional/absorption capacity at the beneficiaries' level.

Despite this, the evaluators are satisfied with the efficiency of project implementation. Where problems occurred, the contractor and the beneficiary were able to jointly find solutions.

EQ05: How well did national projects mutually, and national and multi-country projects aimed at enhancing PSD/Competitiveness interact to reach the EU policy objectives?

Judgment criterion 5.1 *– Individual project experts have regular contacts with their peers in other projects.*

This judgment criterion is informed first and foremost by interviews with staff of "live" projects. Lacking this (because the project is completed, or staff was not available), the project progress reports were used as sources. However, such reports may mention interaction, but as a habit do not enter into details on frequency and depth. For this reason, the evaluators have decided for a general description rather than entering into project details. In the ENI East region, some exchanges exist between projects, but they are ad hoc rather than systematic. The local representatives at the EBRD in Armenia, executing national as well as regional projects, have regular contacts with their colleagues of the EastInvest project, and are planning to work closely with EFSE, GiZ and partner lending institutions. Also in Armenia, it was noted that in the absence of an IPR Advisor within the EU Advisory Group, the necessary donor coordination for EU funded projects in the field was handled by the EUD, while the RTA of the *ENPI 2011 – Strengthening the Enforcement of Intellectual Property Rights* undertook to coordinate with other donors to align the efforts made on IPR Enforcement. The Armenian PRDP project regularly exchanged views with the Swiss Development Cooperation, the World Bank and ASIF, with the purpose to coordinate their projects and formulate a joint reaction to the Government decision to transform ASIF into a Regional Development Fund. EU policy objectives are clearly formulated in many policy and strategic documents; yet, it became clear that project teams had difficulty recognising policy objectives that are not directly connected with the project they are implementing. It happens that project implementation teams are many times absorbed by their own day-to-day priorities and concerns and do not invest sufficient time and effort in cross-fertilising and mutually leveraging project activities, results and effects, even if programming documents tend to always mention such interest and list other interventions (including from other donors) with which linkages should be nurtured and explored. As a general conclusion, inter-project interactions are rather linked to projects' methodological approaches and/or management & monitoring processes, while there is no evidence suggesting that they stem naturally from the projects' actions and stakeholder/beneficiaries' participation.

Judgment criterion 5.2 *– Beneficiaries have established project-related working relations with beneficiaries of other projects.*

Judgment criterion 5.3 *– Beneficiaries succeed in capitalising on synergies between national and multi-country programmes.*

These two judgment criteria were combined after the analysis of the outcomes of document study and field visits. The Institutions Survey shows that interaction and/or establishment of working relations with other PSD project(s) and/or respective beneficiaries was high among respondents. In the ENI East region, around 75% of the responding institutions declare some kind of working relationship with other projects in the field of PSD/Competitiveness. Institutions in the ENI East region claim "exchange of contacts" as the most important reason for collaboration and interaction. The less intensive type of interaction (excepting "other") in the ENI East region is "co-funding actions". The desk and field research did not yield any evidence regarding interactions among project or programme beneficiaries. Meetings held during field visits concluded with the impression that insofar regional projects are present in the countries, the EUD provides information regarding these programmes and their activities. In a few cases, information meetings are organised by national institutions like the Ministry of Economy, the Ministry of Industry, etc. These meetings offer examples of possible contributions by regional projects and relevant national institutions endeavoured to spread the word. It was argued that the added value of regional programmes is the creation of relations between enterprises and institutions – without the regional programmes, the contacts would not be maintained. Hence, contribution to regional integration is ensured. In relation to the overall needs in the region, the budgets of these projects are however weak and thus their attractiveness in terms of direct benefits is generally perceived as low by local stakeholders.

EQ06: How can programming of support to SMEs projects be improved to achieve strategic objectives more effectively and efficiently?

Judgment criterion 6.1 *– Degree of programme adequacy to effectively and efficiently achieve strategic objectives.*

To answer this EQ and the related judgment criterion, it is first necessary to know which the strategic objectives are that have to be achieved. This is by no means an easy task. As an example, the document "Programming of the European Neighbourhood Instrument (ENI) – 2014-2020 Strategic Priorities 2014-2020 and Multi-annual Indicative Programme 2014-2017" states that *Priority will be given to projects that* ***contribute to achieving EU policy objectives*** *in the region, as described inter alia in EU Council Conclusions, EU Agreements (notably Deep and Comprehensive Free Trade Areas (DCFTAs), ENP Association Agendas / Action Plans, EU policy frameworks as regards investments and inter-connectivity in the Neighbourhood. Priorities set out in the relevant programming documents, including the ENI regional and bilateral strategy papers for the Neighbourhood, will be taken into account in this context. In the Eastern sub-region, priorities will also take into account policy objectives set by Eastern Partnership platforms and panels, the Eastern Partnership transport networks and the Energy Community. The NIF should be seen as a modality for enhancing policy dialogue and implementing assistance to partner countries.* This text would suggest that "EU policy objectives" are a fluid notion, changing as required upon meetings of the EU Council and Eastern Partnership platforms/panels. The evaluators have therefore systematically studied the strategic context of EU assistance to the ENI East region. This begins with the overall external policy goals of the EU, which are to promote its values and interests by operating at one and the same time as a key global economic and political player, using various instruments including the external dimensions of the EU's internal policies. The EU strives in particular to promote democracy and human rights, in addition to prosperity, solidarity, security and sustainable development worldwide. In providing financial assistance, defining the right "policy mix" is of the utmost importance for the EU. This means that, in order to achieve the EU's strategic external relations objectives, consistency of policy needs to be ensured between all available instruments dealing with a given region. At the highest level, the objectives of the EU's internal policies are laid down in the documents "Europe 2020 – A strategy for smart, sustainable and inclusive growth", and the Small Business Act. Since these are basically strategies aimed at member states (although many of their objectives equally apply to the neighbourhood region), the use of their objectives for the current analysis is less practical. One rung lower on the strategy ladder are the EU strategies for the Wider Neighbourhood and the Eastern Neighbourhood, overall as well as for the individual countries. Objectives found in these strategies (and in particular, the MIPDs included in them) are described below.

Armenia

The 2010 Annual Action Programme (AAP) for Armenia sets out to assist the Government of Armenia in the implementation of a number of selected key areas of the ENP Action Plan. It contained actions such as "Support to the Government of Armenia for the implementation of the ENP Action Plan and preparations for the future Association Agreement" and "Twinning & Technical Assistance Facility in support to the EU–Armenia ENP AP and Eastern Partnership implementation". The maximum contribution of the European Union to the Annual Action Programme is set at EUR 27.7 million. Specific objectives of the programme were to: (1) further improve Public Finance Management (PFM) systems; (2) contribute to the improvement of public sector transparency and performance; and (3) assist in the regulatory approximation with the EU and international requirements in trade-related areas. The

PSD/Competitiveness sector did not receive support. The AAP 2011 sought to complement the first phase with a view to (i) enlarge the scope of the Commission support to the implementation of the ENP Action Plan and AA/DCFTA processes, in particular through inclusion of customs reforms and public sector modernisation (e-Governance), and (ii) deepen support to public financial management, public sector transparency and trade areas reforms. The EU contribution was EUR 45 million and did not directly cover the PSD/Competitiveness sector. Also in the AAP 2012, no objectives were included specifically related to the PSD/Competitiveness sector. The majority of support was aimed at justice reform. In the AAP 2013, the priority actions were (1) support to agriculture and rural development; (2) support to regional development; and (3) framework programme in support of EU–Armenia agreements. The AAP 2014 contains actions such as support to human rights protection and, for the first time, support to SME development. The specific objective is to improve the national business and investment climate and support the creation and development of SMEs. The AAP 2015 does not include actions aimed at PSD/Competitiveness, but focuses on 1) improving the efficiency of Armenia's labour market and the employability of its workforce; and 2) supporting transparency and accountability of fiscal governance through continued public finance reform.

Moldova
Overarching strategic documents for EU support to Moldova are the ENPI Strategy Paper 2007-2013, the MIPD 2007-2010, the MIPD 2011-2013 and the Single Support Framework (SSF) for the period 2014-2017. Annual Action Programmes are based on one or more of these documents. The Annual Action Programme (AAP) 2010 contained the following priorities: support for democratic development and good governance; support for regulatory reform and administrative capacity building; support for poverty reduction and economic growth; and implementation of the ENP Action Plan. No actions related to the PSD/Competitiveness sector were included. Also the AAP 2011 did not address PSD/Competitiveness. Instead, priorities were support for good governance, rule of law and fundamental freedoms, support for social and human development, support for trade and sustainable development. Yet, one of the actions financed concerned facilitation of the settlement of the Transnistrian issue through ensuring economic and social development of local communities, and this is one of the sample projects. In 2012, the Moldavian AAP addressed good governance, rule of law and fundamental freedoms; social and human development; trade and sustainable development with, as a special objective to support economic, social and territorial cohesion, a focus on the development of an effective regional development policy. The AAP 2013 priorities were exactly the same as those in 2012. No PSD/Competitiveness related actions were foreseen. From 2014 onwards, the Single Support Framework (SSF) for the period 2014-2017 is the basis for programming of EU assistance. The three priority sectors of intervention to be financed through the national envelope are Public administration reform, Agriculture and rural development, and Police reform and border management. In actual fact, there is no explicit reference to, or action for, the PSD/Competitiveness sector. The priorities of the AAP 2015 are based on the SSF, namely public administration reform as well as police reform and border management. They also cover support for capacity development and institution building in favour of civil society.

Regional programme EAST
Overarching strategic documents for EU support to the ENI East region are the revised ENPI Interregional Programme Strategy Paper 2007-2013, the ENPI East Regional Programme Strategy Paper 2010-2013, the Multiannual Indicative Programme for the period 2007-2010, the Multiannual Indicative Programme for the period 2011-2013 and the ENPI Regional Indicative Programme for the period 2011-2013. Annual Action Programmes are based on one or more of these documents. Priorities AAP 2010-part I, II and IV are: Democracy, Good Governance and Stability; Economic development; Climate Change, Energy and Environment; and Advancing integration with the EU, promoting Regional Cooperation and Promoting Investment Projects in ENP partner countries. Part III aims at promotion of institutional cooperation in higher education. Further study of the documents does not reveal any action aimed at the PSD/Competitiveness sector. Priorities AAP 2011 part I are: (1) TAIEX, (2) SIGMA and (3) Promoting student and academic mobility (Erasmus Mundus). Part II attaches priority to democracy, good governance and stability; economic development; climate change, energy and environment; and advancing integration with the EU and promoting regional cooperation. PSD/Competitiveness has no place in this AAP. Priorities AAP 2012-part I, II, III and IV are: democracy, good governance and stability; economic development (including, inter alia, transport); climate change, energy and environment; and advancing integration with the EU and promoting regional cooperation. Part V is directed at promoting investment projects in European Neighbourhood Policy Partner Countries, the scope of which covers the Neighbourhood Investment Facility. Apart from the latter (possible blending or on-lending activities, no actions aimed at the PSD/Competitiveness sector were distinguished. The regional AAP 2013 addresses democracy, good governance and stability; economic development (including, inter alia, transport); climate change, energy and environment; and advancing integration with the EU and promoting regional cooperation. No PSD/Competitiveness. Priorities AAP Neighbourhood-wide 2014 (based on European

Neighbourhood – wide measures' Priorities 2014-2020 and Multiannual Indicative Programme 2014-2017) are: 1 “Building a partnership for inclusive economic development and integration” that includes support to investment and social and private sector development and makes reference to the Neighbourhood Investment Facility (NIF); and as priority 3 "Targeted capacity building" that includes supporting the approximation of the regulatory framework to EU norms and standards and enhancing public governance systems and refers to multi-country programmes such as Technical Assistance and Information Exchange (TAIEX) and Support for Improvement in Governance and Management (SIGMA) to support approximation and public governance systems. The NIF explicitly also addresses private sector development. Priority AAP Neighbourhood-wide 2015 is: Building a partnership for inclusive economic development and integration” that includes support to investment and social and private sector development and makes reference to the Neighbourhood Investment Facility (NIF), which will facilitate additional investments in infrastructure and in transport, energy, environment, and to support social and private sector development in the European Neighbourhood Partner Countries

IN SUMMARY

The strategic documents covering the period 2010-2013, contain only a few (strategic) objectives related to the PSD/Competitiveness sector as defined for the present evaluation. Their formulation is not always straightforward, as can be seen in Annex 7.10. Yet, it is clear that during this period, the Commission showed great ambition to solve as many problems and needs as possible in the countries. Yet, the real actions that can be financed each year appear by far too few to realise even a fraction of the strategic objectives. In that sense, the EU programmes per definition cannot be adequate to achieve strategic objectives. Perhaps it would be wise to narrow down the scope of EU interventions to a manageable range. PSD/Competitiveness was only one of many sectors and, at the country level, obtained little attention. Fortunately, the NIF was operational at the inter-regional level and has substantially helped tackling the main problem experienced by SMEs: access to finance. For the years 2014 and 2015, the strategic documents are much more concise; at the inter-regional level, it is only the NIF that aims at support to PSD/Competitiveness, while no such actions are foreseen under the ENI East regional programme. The two country programmes differ, Armenia having clear objectives as regards private sector development, while Moldova still has to cope with more basic problems such as rule of law and human rights. Regional, inter-regional (ENI-wide) and national programmes appear to be largely isolated, stand-alone (ad)ventures. The evaluation has shown that – at least in the PSD/Competitiveness sector –- they do not negatively affect one another, but synergies are rare, at least as far as mutual leveraging effects are concerned. The best element of regional programmes consists of its financial instruments. Thanks to the scale of operations, they manage to attract the necessary public and private capital to finance large investments, not only in infrastructure but also – many times through local banks or other regional/local players – in the private sector. Regretfully, the general opinion (registered during field work) is that initiatives such as regional policy development, joint policy development, etc. do not succeed in fostering ownership at the national beneficiary level. In the view of the evaluators, the 2010-2013 programmes in general were over-ambitious in that they covered too many objectives. Compared to other sectors, PSD/Competitiveness was underrated as a sector in need of support and consequently, interventions were ambiguous in the sense that as far as private sector development was concerned, they were designed as parts of larger actions. Moreover, neither in regional nor in national programmes were there any actions designed to work on competitiveness of sectors, regions or the country as a whole. On the whole, the ENI East programmes during 2010-2012 were not adequate (in terms of design, efficiency and effectiveness) to realise the strategic goal of improved prosperity in the region. The programmes valid for 2014 onwards are different. They appear to dedicate more attention to the acute needs of SMEs, while at the same time tackling the competitiveness aspects, such as the general business environment. Armenia is likely to benefit from this approach while in Moldova, there is still a persistent focus on other sectors than PSD/Competitiveness. The NIF deserves special mention. It has, throughout the period under evaluation, fulfilled its role as an instrument blending grants and loans and the interventions aimed at private enterprises can be judged successful. As noted by the IFIs themselves in their progress reports, the instrument was limited to facilitating on-lending, while there appeared to be a great need for additional services, such as development of the quality of local consultants. The IFIs have, where possible, provided these services at their own expense. With the start of the new financial perspective, programming has taken this need into account. Adequacy cannot be measured yet, but it is very likely that this and other widening of the services package will lead to better fulfilment of the overall strategic objectives.

EQ07: What was the most efficient approach in the various projects? And why was it better? How was the programming different vis-à-vis the other projects?

Judgment criterion 7.1 *– Timeliness and quality of outputs and results.*

The answers to evaluation question 04 provide insight in the timeliness and quality of outputs and do not require repetition here. In order to achieve results, however, active involvement of beneficiaries is required. For instance, delivery of a strategy by a project means little if it is not adopted and implemented by the beneficiary country; provision of training courses may be a good project output, but the implementation of the new knowledge is the real result. An analysis of results is given under EQ08 and EQ09 below, and equally does not require repetition. The institutions survey shows that in terms of timeliness of delivery, the average appreciation by respondents is slightlyless positive, with the majority of responses falling in the “reasonable” category. As it happens with effectiveness, there is a slightly higher score for multi-country/regional projects. The evaluators were not able to reach any conclusion on best project approaches in the ENI East region. Yet, it became clear that projects that combine direct business advice and direct business finance with policy dialogue are deemed to be most successful, although most of them are of recent date and cannot show results yet. At any rate, there is a need for more convincing power to align national authorities behind the idea of the importance of policy development instead of merely (financial) support to SMEs. With regional projects seeming stronger in terms of programming robustness, the most important factors related to design and implementation that are at the basis of successful performance across all countries and regions are:

- Clear design and intervention logic, including “S.M.A.R.T.” character of the indicators set in the Logical Framework (when it exists). This may in some cases be due to insufficient capacity from national/sector Monitoring & Evaluation systems to provide relevant information, in which cases further investing in setting up ad sustaining such systems, as a matter of priority, would allow the emergence of more evidence-based policy making and monitoring of results;
- Robust (and properly codified) management & monitoring processes;
- Strong capacity to induce ownership (including participatory approaches);
- Capacity to deliver tangible effects with perceived value for beneficiaries;
- Quality of the implementation teams;
- Capacity to adapt to changing realities.

Those programmes and projects involving mostly financial tools/facilities, particularly when mixed with targeted technical assistance (which is highly valued by beneficiaries and is the case of several interventions of blending nature, are among those showing the most efficient approaches in terms of both efficiency and effectiveness. In relation to more classical technical assistance projects, the level of attainment of the factors listed above depends to a large extent of the quality and professionalism of the teams involved (at design/formulation, implementation, monitoring and evaluation phases), this from all stakeholders, and the rigour and transparency (meaning actual visibility and accountability) imposed to the processes inherent to all the different stages of the project cycle. The more exposed (to outside, even public scrutiny) one is, the better one will perform.

4.2.3 Effectiveness

EQ08: To what extent has EU assistance contributed to tangible improvements in the business environment?

Judgment criterion 8.1 *– Expected results as stated in project designs, related to aspects of the business environment, are realised or likely to be realised.*

Methodological note:

In line with the established methodology (embodied in the evaluation matrix), the evaluation has looked at a few significant features making up the business environment, namely (1) entrepreneurial learning opportunities including women entrepreneurship, (2) regulatory and institutional framework for SME policy making, (3) availability of support services for SMEs, (4) existence of innovation support to SMEs and (5) green economy: availability of services to promote eco-innovation and eco-efficiency among SMEs. These are all dimensions of the SBA.

The survey among SMEs shows that 69% of the companies that have responded experienced an increase in entrepreneurial learning opportunities between 2010 and 2015, induced by the use of any kind of funding source. Furthermore, although the differences between size groups are not large, micro enterprises appear to benefit more from this kind of donor support than small, medium-sized and large ones. The EU is perceived by the respondents as the most effective funding source for entrepreneurial learning, both in general and in relation specifically to women. It is interesting that funding from national budgets is reported to be the second most important source; other donor funding obviously plays a limited role. Of the enterprises who responded to the survey, 27% confirm that they have engaged in some kind of environmentally friendly and/or energy efficiency actions as a result (or by-product) of external funding. For those who did so, the EU is reported decisively as the main source of funding. It must be taken into account that at least 25% of the invested efforts relate to energy efficiency, which is not in itself part of the PSD/Competitiveness sector. The institutions survey carried out under this evaluation indicates that considerable growth has occurred in the number of jobs in business support organisations. The growth rate in ENI countries is three times higher than that of IPA countries, the difference being even more perceptible at the regional/multi-country level. Information obtained from the surveys points at positive results in this area, brought about by interventions by the EU as well as other donors. The sample projects studied in Armenia were designed to deliver a contribution to various aspects of the business environment, and they were successful, or are likely to become successful, in delivering the related results. The projects in Moldova – as maintained earlier – where not specifically designed to improve the business environment; insofar as related activities were included, they seem to have delivered satisfactory outputs, but due to lack of project reports it is not possible to judge whether all these outputs have been turned into sustainable results. As for the regional projects in the sample, the information is somewhat ambiguous. Two out of four have not been designed to work on any of the above-mentioned aspects of the business environment. The other two projects seem to have been moderately successful but fail to report on the details of these successes.

Judgment criterion 8.2 *– Expected results as stated in project designs in the IPA area, directly related to the adoption and implementation of the acquis, are realised or likely to be realised.*
Not applicable to the ENI East region.

4.2.4 Impact

EQ09: To what extent has EU assistance contributed to tangible improvements in access to services and in performance of supported companies?

Judgment criterion 9.1 *– Expected results as stated in project designs, directly related to access to services, are realised or likely to be realised.*

Access to services endeavours to measure (1) number of SMEs having gained access to finance as a result of EU-funded projects; (2) number of SMEs having obtained non-financial (soft) support as a result of EU-funded projects; (3) number of SMEs having received assistance from business support organisations as a result of EU-funded projects; and (4) number of SMEs having joined a cluster as a result of EU-funded projects.

In the SME survey, over 3 out of 4 (77%) responding enterprises declared that they received support from the EU, while only 2 out of 5 declared that they benefitted from funding from another donor. Furthermore, there is a positive correlation in receiving national funds with using the EU funds. Both factors together highlight the relevance and the visibility for SMEs of EU funding to Private Sector Development and Competitiveness. Non-financial support benefitted ca. 100 enterprises, against less than 80 for hard support. EU funding was the major source for non-financial support, whilst distribution is more balanced where access to finance is concerned. National (budgetary) funding was pervasive in the case of loan guarantees while other donors were more present in equity capital. It must be noted that this corresponds to the perceptions of the respondents, whilst reality may be different. For instance, what is perceived as a national budgetary source may in fact correspond to a state-managed fund financially supported by the EU and/or other donors. In addition, more than one donor (including the EU) may be involved in e.g. equity funds made available to SMEs in the relevant markets. About two thirds of the respondents confirm having received support from BSOs during the period 2010-2015. In terms of percentage, the highest rate is observed in micro, followed by medium-sized enterprises. Large enterprises are those showing the smallest percentage. In terms of support origin, the EU comes in first, however in the case of micro enterprises the differences among the 3 sources are minimal (with the reserve, made already, that national funding may hide donor origin of the funds used). The survey also shows some positive linkage between age of the company and the percentage of BSO support. This may point at the existence of a learning path, or a maturity level to reach, by SMEs for better benefitting from BSOs' support. Participation in clusters as result of funding was reported by more than 25% of the responding enterprises. EU and national funding are clearly the most effective sources of funding for this, with other donors not even being reported in the case of large companies. Medium-sized and micro enterprises are those reporting higher levels of participation. In general terms, the EU is clearly perceived as the major source of non-financial support to SME development, and not so much so in relation to financial support to SMEs. Details on the individual sample projects can be found in Annex 7.8. As was already noted in relation to previous EQs, projects tend in general to deliver, in physical terms, what they promise. It may therefore be concluded that those projects aiming at contributing to achieving improvements in either access to services and/or performance of directly or indirectly supported SMEs have indeed done so. It is however very difficult to measure how these improvements do contribute to better performance by MSMEs. It was already noted that the intrinsic quality of the indicators in the upper layers of the log-frames, if they exist at all (see section on Relevance), does not often allow to reliably (i.e. where causal effect may be properly determined) and timely measure such end-user effects. And, in fact, many of the sampled projects having been completed or gone through sufficient implementation time, fail to provide hard facts to demonstrate tangible achievements (other than the physical realisation of what had been planned). In addition, sustainability of many of the results generated may also be questioned (see section on Sustainability). Many of the service provision instruments/institutions are project-driven and tend to fade over time in quality and quantity. The latter has several causes, of which institutional/Human Resources weaknesses and/or lack of financial sustainability beyond the period of external funding emerge as the most frequent. All the above leads to a summary conclusion that, whilst expected results directly related to access to services, as stated in project designs, are most of the time indeed realised or likely to be realised, their sustained usefulness to the general universe of the MSMEs in the ENI East region is less certain.

Judgment criterion 9.2 – *Expected results as stated in project designs, directly related to SME performance, are realised or likely to be realised.*

The performance of SMEs can be measured in many ways; for this evaluation, the main indicators selected were the numbers of SMEs showing, as a result of EU funded projects, (a) growth in turnover and/or (b) growth in international trade and/or (c) growth in jobs.

The SME survey shows a linear relationship between the companies' sizes and the effectiveness of funding to support growth in turnover. This may be due to a combination of converging factors, for instance capacity to put in practice more effective growth strategies and the likelihood that funding specifically aiming at growth preferably targets larger companies. This tendency is especially visible in IFI-led interventions, with the exception of those few specifically supporting microfinance. Those companies that did experienced growth thanks to external funding, financial support from national budgets (which, as noted before, may sometimes have been misperceived) seems to have been the most effective source, followed by EU funding. Since, however, the above mentioned IFI-led interventions are often part of EU funded blending instruments, it may be concluded that funding initiated by the EU is the strongest among the external sources leading to growth in turnover. The survey also shows that the EU is the most effective and efficient source of funding in support of internationalisation of enterprises. Successful enterprises in terms of growth in international trade in majority attribute their success to concrete EU support, while help from other donors is reported to be less effective and/or efficient. A vast majority of the respondents reported growth in jobs in the period 2010-2015, as a result of external assistance. No clear information was obtained on the sources of funding that precipitated this growth. Men scored higher (90% of respondents) than women (70%) although the latter result is also significant. The question was asked whether respondents are aware of growth in jobs in their value chains and the response was tentative. Job increases were assumed but it must be taken into account that respondents apply a level of caution in estimating behaviours of wider groups, for which information may naturally be less accurate. In fact, for both value chains and sectors it is very likely that answers are based on perceptions rather than on hard data. Details on sample projects are given in Annex 7.8. Some projects (e.g. EBRD's SBS) in ENI East provide clear data on performance improvement in SMEs having directly benefitted from projects' actions. This, being important, does not necessarily mean that a clear and incontestable causal linkage may be established between the actions of any given project and the variation in the performance of respective beneficiary SMEs. Again in the case of EBRD, some indicators relate to data to be collected one year after completion of relevant intervention, however it is not clear to which extent such important information may feed overall EU aid's performance analysis and evaluation.

And in some cases being reported, such information either does not integrate divulged monitoring data on the result indicators, or is still under preparation. Other projects only provide some vague, partial and/or physical realisation-related indicators, which do not allow to assess respective performance in relation to impacts generated under this judgment criterion. The evaluators were informed that there are efforts underway to respond to these challenges. The indicators used now in the sector can help assess/track performances. Moreover, in the last 5 years ESTAT has developed and provided a number of indicators which track PSD/Competitiveness at country level (ENI and IPA regions). More Data/Baselines are becoming available year by year. One important element of judgment complementing the above considerations comes from the SME Survey, where about one third of the respondent enterprises reported an increase in their annual turnovers as a result of EU support. An interesting element – which would deserve particular attention – is that the answers received show a positive linear correlation between size and changes of annual turnover in the direction of increase, which means that the positive impact of EU support in this particular dimension is smaller for those beneficiaries most in need of support, and this in turn allows to question issues such as ownership, absorption capacity of the smallest enterprises and, which may be even more challenging, how EU-funded interventions are actually able to reach out to the smaller layers of the MSME landscape.

EQ10: To what extent was the assistance to innovative SMEs effective in achieving the desired results, namely on environmentally better product manufacturing, green technologies, energy-efficient building materials, energy and environment labelling products and services, intelligent heating and cooling systems and eco-friendly products? And what possibly hampered its achievement?

Judgment criterion 10.1 *– Introduction of environmentally friendly (green) technologies since 2010.*

Judgment criterion 10.2 *– Evidence of problems with introduction of environmentally friendly technologies and products.*

This EQ is clearly connected to EQ08 (judgment criterion 8.1). The SME survey shows a rate of 27% in implementation of any kind of environmentally friendly and/or energy-efficiency actions, which on first sight is rather positive. Reference is made to the relevant table in section 3.3.2 of Annex 7.6, where the scores are shown for the various environmentally friendly actions listed in EQ 10. It shows a positive rate of only 4% to 7%, (thus in the vicinity of 1/4 of those having taken such actions), depending on the environmental action listed. EU (financial) assistance does not play a decisive role as compared to other funding sources. None of the sample project in the regional or national programmes explicitly aims at the environmental aspects mentioned in EQ10. It must be stated, in addition, that reports on implementation or progress, whether they concern programmes or projects, do not mention any of these issues. It may be concluded that the introduction of green products and production methods has not played a major role in the EU programmes in the relevant period, and at the same time is not perceived as a priority need by entrepreneurs. This is not illogical, since the economic situation in many of the countries scrutinised forces businesses to primarily look at methods of survival. Although a complete picture does not exist, it appears that the majority of donor-financed actions were either of soft nature or did not “force” significant structural changes in business practice. The evaluators, therefore, judge that environmentally friendly (green) technologies have not played a decisive role in programming for ENI East, at least in the programming years 2010-2015.

EQ11: Are both genders equally affected by EU assistance to the PSD/Competitiveness sector? If not, why? If so, was this due to a specific element in programming or implementation?

Judgment criterion 11.1 *– Degree of gender equality/balance in projects design and implementation.*

While gender equality is referenced in the EU strategies dealing with SME development it cannot be found in more recent strategic national documents central to the competitiveness agenda. There is a standard paragraph in many of the programme fiches for gender equality but no data can be retrieved concerning real implementation to allow for a sustained generalised judgment in this respect. The maximum that may be said is that all evidence gathered points in the direction of projects' real gender neutrality and that no relevant gender-related concerns are reported. This does not correspond to a proactive character of EU PSD/Competitiveness policy in relation to promotion of gender balance. It is interesting to see that, while in many cases rather strict stipulations regarding gender equality are included in project fiches or action documents, these stipulations often cannot be found in terms of reference. This may be one of the reasons why contractors are not explicit on the implementation of gender equality measures. For illustration, the table in Annex 7.8 presents, for the sample projects, the way in which gender-related issues were included in project designs on the one hand, and project implementation reports on the other.

4.2.5 Sustainability

EQ12: To what extent are the outcomes of the EU assistance likely to continue producing effects after the end of EU funding?

Judgment criterion 12.1 *– Sustainability of key project effects.*

In order to answer this evaluation, question the focus of the analysis rests on "effects" and their sustainability, as opposed to projects themselves and their possible continuation beyond closure, e.g. through subsequent EU/donor financing. For this purpose, effects are defined as the combination of outputs and results. They have been extensively dealt with under EQs 04, 08, 09 and 10 and will not be repeated here. Each individual project has been studied to gauge the likelihood of sustainability. For the analysis, the completed projects or activities in our sample were the most relevant, as these presented outputs and results (as explained under EQs 04, 08, 09 and 10) and their effects could be observed in time. Different types of projects led to different types of effects, mostly intangible: (1) enhanced capacity of different stakeholders (individuals and institutions) at macro, meso and micro level, (2) improved business environment, (3) development of enterprises themselves (measured, in many cases through indicators such as turnover and number of jobs created and maintained), (4) improved strategic framework including through strengthening the policy-making research & evidence-base (to a more limited extent). More information can be found in Annex 7.8. All projects analysed address the issue of sustainability through generic commitments in their initial design documents. Concrete measures for this purpose – such as preparing comprehensive exit strategies – were developed in only a handful of projects. In terms of capacity building, a distinction should be made between the institutional and the individual level, which are, obviously, interrelated. The sustainability of effects of newly created institutions depends in most cases on further donors' involvement which allows them to continue their activities, even on a non-systematic basis. Overall, the institutions capacitated in the projects analysed (new or older) are confronted with threats to sustainability derived from lack of financial resources for their maintenance or development and from lack of decision-makers' involvement. For some of them the same cooperation with donors/EU guarantee their sustainability as the cases in which they are involved in replicated governmental programmes identified in this evaluation are scarce. The analysis revealed that an element with strong potential to contribute to sustainability of project effects in the capacity development area is the development and retention of individuals capable of effectively furthering the activities of the institutions. This has been evident in most projects analysed, from RDAs, Chamber of Commerce in Moldavia, IPR institutions particularly in countries with strong performance (Armenia), etc. Particular attention should be paid to this element in countries where this capacity building process in under implementation. A contribution in this area is brought by the tools developed in different projects (e.g. databases/management systems, training kits), which continue to be used beyond the lifetime of the project and thus continue to support institutions to yield results. The same cannot be said about different schemes targeting SMEs directly or through intermediary institutions (in Moldova, Armenia), as these have been rarely replicated by the government with national funds. The landscape of legislation and strategies as outcomes of projects with positive effects on business environment is mixed. Differences exist also at national level and this hampers the identification of clear causal factors which determine this situation. One key factor is the political perspective on the importance of a particular area (e.g. intellectual property rights in Armenia) but also the demand (not the need) for a particular legislative framework. Although relatively easily quantifiable, effects on SMEs supported beyond projects are the least documented. No case was identified in which SMEs benefiting of support were monitored beyond the lifetime of the contractual relationship with the financer with the exception of the EBRD evaluations of TAM/BAS/SBS. However, qualitative evidences prove that many SMEs do develop in technical and economic terms and continue with the wider approach adopted as a result of the BS services they benefited from. Both SMEs and consultants gain ownership under different schemes in the medium- and in the long-run the demand for SBSs increases. The capacity of regional programmes to have effects beyond their closure depends on the type of activities carried out and, particularly, on the link with the national governments and their ownership on activities and results, which in turn influences their replication at national level. As revealed by the fieldwork, this linkage is not sufficiently strong for a cross-fertilisation between the two types of programmes to take place. An exception in terms of regional programmes taken up at national level is the *ENPI 2012 SBS I – Implementation of EBRD SBS programme;* for other cases identified during fieldwork information at disposal did not allow triangulation thus no valid finding could be formulated. Regional programmes deploying financial instruments targeting MSMEs and, in some cases, providing complementary technical assistance (such as the EBRD projects, EFSE) are in themselves sustainable as revolving funds and sustain a high likelihood of key project effects lasting and leveraging/multiplying at mid-and long-term. Other regional programmes tend to face financial sustainability challenges and developing an exit strategy in such cases is advisable. The key threats to sustainability identified refer to the lack of political support and of adequate financing, but also to the lack of a sustainability monitoring system at project and programme level, to be put in place already in the design phase and deployed during and after the project implementation. Such a system would allow the development of an adequate/customised definition of sustainability from the outset and of the necessary measures to be taken, at all levels (EU, national government, beneficiary) to ensure it when the project is completed.

Judgment criterion 12.2 *– Leveraging/multiplication power of key project effects.*
Effects – if any – are described under criterion 12.1 above and will not be repeated here. Each individual project has been studied to gauge the presence and power of leveraging and multiplication. For the purpose of this analysis we use, as an "operational" definition, the following concept of "leverage", which contains "multiplication": "The ability to influence the project context, in a way that its outcomes are multiplied without a corresponding increase in the consumption of resources." In financial terms "leverage" may refer to supplementary funds set in motion by a particular intervention (e.g. private co-financing a public instrument applied to SMEs). The findings are presented in Annex 7.8; they add aspects particularly relevant for this judgement criterion to the comments made in relation to previous judgment criterion on sustainability, as sustainability is itself an enabler (a necessary, albeit not sufficient condition) for leveraging/multiplication of project effects. Several projects analysed have either multiplied their effects or the necessary preconditions are in place for them to do so in the future. The leveraging potential is directly conditioned by the sustainability of effects in itself. National projects targeting SMEs supported either with grants or business support services are rarely multiplied but the latter have a higher multiplication effect through the further funds which are often raised. At regional level, such financial projects have clear leveraging effect. The extent to which projects with intangible results manage to multiply their effects (e.g. to reach more enterprises in different areas IPR, e-business, overall development) depends in most cases from the willingness and capacity of the national government and involved institutions to focus and take measures for this purpose. Particularly important is for the government to develop a strategic approach in the different areas analysed (from regional development to IPR, innovation, SMEs support, trade, etc.), which takes into consideration the projects' results and lessons learned, and to implement this strategy in a result-oriented manner, in partnership with the relevant institutions and other stakeholders. In some cases, the leveraging of a project effect is ensured through a follow-up intervention. Evidently, this cannot be repeated endlessly, if only because there is a limit to the availability of EU funding.

EQ13: How can programming of EU assistance be enhanced to improve the impact and sustainability of financial assistance?

Judgment criterion 13.1 *– Lessons learnt on sustainability success and failure factors.*
In Armenia, the analysis ends up in the identification of a series of sustainability-related lessons learned and success factors, as follows:

- The existence of a result-based monitoring and evaluation system and steering mechanism which enables responsible institutions to better coordinate different SME support programmes and take into account their outcomes for public-policy (re)formulation;
- The existence of a functional public-private dialogue to underpin the policy-making process;
- In the case of direct measures for SMEs (financial/non-financial) a shared contribution from beneficiaries' side would enhance sustainability. However, the share should differ depending on the type of enterprise targeted;
- TA should be in place at all times to support project beneficiaries, particularly in the first phase of the project when the needs assessments and pre-feasibility studies are prepared.

A constraint to impact and sustainably which relates also to programme and project design is visible in Moldova: the lack of quality data for baseline analyses and target setting for both projects and programmes. The efforts to correct this situation go hand in hand with the governments' ownership of the reform process and willingness and capacity to prioritise and gear private sector development. In this context, inter-ministerial and institutional coordination is a condition which, if not fulfilled, hampers sustainability and impact prospects. This is even more important for the Confidence Building Measures as they involve the authorities in Tiraspol which are not in all cases sufficiently open to cooperation. Equally important is the evidence which reveals that lessons previously identified are taken on board in the project *ENI 2015 – One-stop-shop for opening and closing business under PAR*, for example new approaches to capacity building interventions in the form of "learning by doing" or the stakeholders' obligation to work together in project application and implementation. The effects of these lessoned learned and applied are yet, to be seen, but hopefully the strengthened management and monitoring system planned will be able to identify and mitigate risks timely. As for the regional programmes EAST, success factors identified relate to the clear understanding of EC's and EUDs' policy and funding principles and priorities; the existence of provisions at project level promoting and regulating long-term evaluation; development of mechanism to set aside the resistance to innovation and risk-taking at general institutional and policy levels; development of mechanisms to ensure the proper division of labour and resources among different IFIs and consensus on programmes and measures. Overall, the most important lessons to be learnt at policy level for improving sustainability, impact and their prospects are:

- Generally, ensuring national government and other stakeholders involved, including beneficiaries, ownership of interventions implemented and their outcomes. This translates especially into a strong correlation between EU-projects and national strategies and measures in the sense that the latter are built up or at least take fully into account the former.

- Specifically, ensuring national governments' commitment to measures to be taken in order to guarantee the sustainability of project outcomes and their effects. This is possible only if such measures are project-specific, identified already in the project/programme development phase and systematically monitored, together with possible risks, during and after project implementation. Efforts at full speed are needed in order to solve the challenge of data availability and quality.
- In all cases a project-specific mechanism needs to be designed for this purpose during the project development phase and an exit strategy should be a part of it. Such a measure would increase the design and logic of intervention of the projects, as well as the quality of their implementation strategy and would, consequently, strengthen their sustainability and impact potential.
- In terms of project design and implementation strategy it is essential to ensure a better alignment between the different types of contracts provided for (i.e. TA, equipment, works) as incoherent contract implementation (e.g. equipment and TA not timely available) still undermines the projects impact and sustainability.
- This is particularly important for projects registering intangible effects, at both national and regional level, as the financial types of interventions are mostly sustainable in themselves. For the latter, however, a mechanism for monitoring the effects and their sustainability beyond the intervention itself (e.g. loan, BSB) at beneficiary level is badly needed.
- If regional programmes are not better articulated with the national level (institutions, policies) their prospects for sustainability are rather low. For this purpose, adequate governance systems, including national presence might be needed, e.g. as in the case of EBRD which is currently solidly established in 4 countries of operation in the region, and therefore provides local institutional strength and high degrees of proximity with key local players, at institutional, financial and business levels. Adequate mechanisms should be designed also in the case of this type of projects for monitoring sustainability of effects.
- Increased attention needs to be paid to capacity building at individual level and its capitalisation at institutional level and in time. For this purpose, an adequate evaluation system is needed, e.g. based on Kirkpatrick model2.
- The sustainability of interventions and their effect positively correlates with the ownership of local experts and enterprises on the PSD process and measures and thus their partnership at strategic level and contribution at intervention level needs to be ensured.

EQ14: Is there enough ownership over R&D and innovation activities? If so, how was this managed? If not, why?

Judgment criterion 14.1 – *Degree of ownership over R&D and innovation activities.*

There are two levels of ownership: policy ownership as shown by national and sub-national authorities, and ownership of actual systems and tools as expressed by final beneficiaries, such as universities, technology institutes, science parks, technology brokers and others. Ownership of R&D and innovations by SMEs is taken for granted; they would not engage in any such activity, whether spontaneous or induced by an EU-funded project, if they could not see the commercial benefits. Throughout the period 2010-2015, the ENI East Instrument, at the country programme level, has included substantial financial support in the field of Research and Development, in the form of co-financing of the costs of participation in the FP7 and H2020 programmes. More information is given under EQ16 below. An analysis of the objectives of the ENI regional programme and the Moldova national programmes shows that at the level of the ENI instrument, there are no explicit activities foreseen to promote innovation. Two of the more recent projects in Armenia (*ENPI 2014 – Support to SME Development in Armenia*, and *ENPI 2014 – SME Finance and Advice Facility* do pursue innovation-stimulating objectives, but they are not (yet) translated into concrete activities. These projects are so "fresh" that it would be presumptive to speculate on ownership. More information on the sample projects can be found in Annex 7.8. The factors listed above in relation to EQ 07 (most efficient approach) and EQ13 (better programming of EU assistance to improve impact and sustainability), when considered in the framework of those projects that have provided concrete innovation support at any level, provide a good part of the response to this Evaluation Question. But there are elements that are specific to R&D and Innovation, which add to and/or leverage the other, and these may be summarised as follows:

[2] See http://www.kirkpatrickpartners.com/OurPhilosophy/TheKirkpatrickModel.

- Long-term commitment to R&D and Innovation support, as key drivers to enhance value-addition by businesses in target countries and regions – this must result from an intelligent combination of sustained national policies and Donors' co-ordinated continued support.
- Capacity to contribute to creating and strengthening, and only preserving and sustaining, R&D and/or innovation-support institutions that demonstrate capacity to generate and secure a sustained stream of own revenues: If R&D and innovation are value-generating activities, and respective benefits are to be ultimately be perceived by the private sector, this latter must be convinced that there is a price to pay for continued provision of R&D and/or innovation-related services provision. Cases such as the IP Institute in BiH, IPR protection and enforcement in Serbia and, to an extent, the R&D&I project(s) in Egypt, seem to illustrate this point well.
- Stakeholders inclusion and active participation in R&D and Innovation promotion, as it seems to be the case of Support to SME Development in Armenia: In fact, innovation in particular must be understood as a societal value, not just as a profit enabler for businesses.
- Finally, the capacity of the EU to attract participation in e.g. R&D Framework Programmes (the FP7 for the period in consideration, now the H2020) and innovation-related networks and activities (CIP for the period in consideration, now COSME) represents an important leveraging factor, which may however suffer from significant barriers to entry (e.g. formal adhesion by the countries, which implies paying respective shares) and must overcome perception (sometimes very real) of high opportunity costs for R&D and/or business candidates.

It seems that awarding a significant degree of autonomy to R&D and/or innovation specific interventions from wider programmes/projects, if combined with appropriate levels of effective co-ordination, collaboration and mutually leveraging with other PSD/Competitiveness interventions, may be the most cost-effective way to provide sustained R&D and Innovation support.

EQ15: How likely is it that beneficiaries at policy and implementation levels will continue to demonstrate ownership of the results of EU-interventions?

Judgment criterion 15.1 *– National and sub-national legislation, institutional and administrative provisions are in place that guarantee financial and technical sustainability.*

Insofar as legislative, institutional or administrative follow-up should be given to the Armenian IPR Project and the regional development project, action from the side of the national authorities is still required. For Moldova, the only conclusion to be drawn is that the confidence building project may have its positive effects on SMEs and the population at large, but given the difficult political situation related to Transnistria, changes in legislation, institutional and administrative provisions are not to be expected anytime soon. Only one regional project in EAST requires administrative, institutional and budgetary follow-up and that is the SME policy reforms project implemented by OECD. According to information from the field, new Agencies were created to implement respective SME strategies and carry out SBA-related recommendations. As it happens in relation to other EQs, those programmes and projects involving financial instruments, particularly when mixed with targeted technical assistance (which are typically funded through blending instruments) demonstrate a high degree of ownership of the results of EU-interventions, in the first place within the supported SMEs, but also within local financial institutions. No doubt the effects will continue within the SMEs (barring unforeseen external developments). Although only an impression, the propensity of local financial institutions to continue advantageous credit facilities for their clients seems limited, because they will not be compensated for lower income or even losses by EU/IFI programmes. Financial instruments such as EFSE have, due to their revolving character, almost an "eternal" character, but this is not the case for many other EU/IFI financial instruments, where the services cease the moment EU grant co-financing ends. The strategic documents making up the ENI East instrument do not formulate sustainable solutions except for annual expansions of the funds available under the NIF. There is a need for local systems to gradually take over the donor role. For the other projects, persistence of enabling conditions, such as institutional capacity, human resources sufficiency and adequacy, and sufficient levels of appropriation (all points raised already in previous EQs) constitute key factors for increased ownership. Lack of (insurance of) financial resources after EU intervention completion is, on the other hand, a key hurdle in many cases. What is very seldom seen in these projects is clear and well-sustained (kind of business plan) exit strategies for the instruments, tools and services created or nurtured by EU projects. What is many times written in project design and reporting documents is, to a large extent, insufficiently sustained in hard and real facts and data, where the factors enumerated above are treated lightly at best? A higher degree of rigour and exigence in this respect (including, as already noted before, higher levels of transparency and accountability) would contribute to higher degrees of ownership of the results of EU-interventions. Another point, noted in several projects that were analysed, is the slow pace, or even real lack, of adoption, by relevant authorities, of national and/or sub-national legislation, institutional and administrative provisions so dearly needed to embed results of EU interventions in the national institutional environment. Administrative and legislative processes are often too complex and slow to efficiently conciliate with programmes' and projects' limited time-frames and resources, and also multiple political, economic and social interests stand in the way of timely resolving sustainability-related issues. The above is by no means a new topic, nor is it typical for the PSD/Competitiveness sector. It has been broached by many evaluation reports over the past decades and still not closer to a solution, while in reality it is perhaps the main factor impeding long-term effectiveness. More efficient awareness raising and stakeholders' inclusion in the projects' processes and activities would likely contribute to reduce – but by no means eliminate – this negative element.

4.2.6 Coherence

EQ16: To what extent is the EU assistance coherent with other interventions which have similar objectives? To what extent is EU assistance coherent with other action in the field, such as SMEs support in relevant areas of the European programmes, namely the Seventh Framework Programme and the EU's Competitiveness and Innovation Framework Programme (CIP)? Is EU assistance coherent?

Judgment criterion 16.1 *– Clear strategic and operational links exist between EU assistance and the SME support embedded in the (former) Seventh Framework Programme.*

FP7 was the European Union's Research and Innovation funding programme for 2007-2013. The current programme is Horizon 2020, but there are many projects funded under FP7 which are still running. Under FP7, SMEs were actively encouraged to participate in all research actions, especially those under the themes of the Cooperation programme and Joint Technology Initiatives. The rules for Participation in FP7 specify a funding rate of 75% for research and development activities of SMEs.

Judgment criterion 16.2 *– Clear strategic and operational links exist between EU assistance and the SME support embedded in the (former) Competitiveness and Innovation Framework Programme (CIP).*

DG Internal Market, Industry, Entrepreneurship and SMEs promotes industrial cooperation, SMEs, entrepreneurship and inclusive sustainable development with Mediterranean and Eastern neighbouring countries as part of the European Neighbourhood Policy. CIP was the European Union's Competitiveness and Innovation Framework Programme for 2007-2013 and had an overall budget of EUR 3.6 billion. Under CIP, SMEs have (had) opportunities to obtain better access to finance, as well as support for innovation, and regional business support. The current programme is COSME, the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises running from 2014 to 2020 with a planned budget of EUR 2.3 billion.

Armenia signed the International Agreement on 10 December 2015 to participate in COSME (except for the financial instruments) which entered into force on 29 December 2015. The contact point for COSME is the Fund "SME Development National Centre of Armenia", established by governmental decree in 2002. It is a main national structure assigned to implement State Support to SMEs and programmes targeted to development of the sector, ensuring a dialogue between SMEs, government and other structures. The SME DNC of Armenia provides technical and financial assistance to operating SMEs and Start-ups through: (a) Increasing efficiency and competitiveness of SMEs; (b) Ensuring availability of business development services; (c) Supporting their internationalization; (d) Promoting innovations and R&D activities, etc. The head office is located in capital city Yerevan. Branch offices are located in all 10 regions. In the period 2007-2013, the country has managed to utilise EUR 4.15 million of the FP7 programme (9.2% of ENI East). During the same period, approximately 50% of its contribution (entry ticket) to the programme was financed through the EU national programme for the country. There is already since 2003, a national contact point for H2020 (formerly FP7) at the National Academy of Sciences of Armenia, that cooperates with EEN Europe Enterprise Network. The NAS RA was founded in 1943 and is the highest state scientific self-governing organisation in the country which unites NAS Members and scientific staff of affiliated scientific and research institutions to carry out basic and applied research in different scientific fields and coordinate research throughout the country. NAS RA is the official scientific consultant to the government and other highest governing bodies of Armenia. NAS RA maintains wide international cooperation within the framework of cooperation agreements with academies and research organisations of around 10 countries. Yet, no SMEs have participated in FP7 projects. The sample projects programmed for 2010-2013 do not have elements related to FP7; the 2014 project "Support to SME Development" executed by GiZ however, envisions to raise the capacities of the SMEDNC, the Academy of Science, the State Committee of Science, the Enterprise Incubator Foundation (EIF) and other relevant bodies, to effectively participate in the COSME and Horizon 2020 programmes and efficiently utilise the resources made available through those two programmes. This is expected to facilitate building joint research platforms between European multinationals or institutions and local Armenian research community leveraging on existing successful models of cooperation. Quantitative information on Armenia's participation in FP7 and H2020 programmes surely exists, but the evaluators do not possess it.

Moldova signed the International Agreement on 29 September 2014 to participate in COSME (except for the financial instruments) which entered into force on 7 April 2015. The information such as provided for Armenia is not available for Moldova. Yet, also in this country, the EU finances part of the entry tickets for the programmes. There is a national contact point for COSME (formerly CIP). One of the Moldovan sample projects (ESRA) has dedicated much effort to improving the functioning of local systems for COSME and H2020. A major deliverable was the preparation and submission of an application for EEN for the period 2015-2020; the Chamber of Commerce is the lead partner/applicant, while other partners are ODIMM, AITT and the Moldovan technology transfer network. Three of these partners have been involved in EEN since September 2011, under article 21.5 of the CIP programme. The lessons learned from that experience are that (a) there is a need for greater and stronger coordination from the CoC to achieve communication; (b) there is a need for more emphasis on training and capacity building of project staff; (c) there is a need for strengthening awareness raising and promotion; (d) there is a need to strengthen provision of innovation-related expertise. Since 2013 the Moldavian technology transfer network holds the position of SME national contact point for H2020. Quantitative information on Moldova's participation in CIP and COSME wasnot found.

ENI EAST regional projects did not and do not aim at stimulating countries in the region to utilise FP7 or H2020, CIP or COSME. This is logical and appropriate, since under the principle of subsidiarity this is precisely a task of the national programmes.

IN SUMMARY
Participation in CIP (now COSME) and FP7 (now H2020) is promoted by the EU through financing part of the entry tickets to the programmes. Not all countries have signed agreements with the respective programmes, but most have. Only a few national projects have specific activities aimed at promoting operational participation in the programmes, and none of the sample projects supports strategic link. It was found during the field visits, however, that the establishment of national infrastructures (contact points, etc.) for H2020 and COSME, which was a precondition for, or part of, the agreements with the programmes, has at least boosted the operational links with them. Although some global information was retrieved, the evaluators have abstained from collecting detailed data on the use of CIP, FP7, COSME and H2020. Other evaluations, assigned by the COSME and H2020 units at the Commission, are more appropriate tools for that. It was concluded that the ENI Instrument is only moderately successful in fostering strategic and operational links with both EU programmes. The reason for this is that such activities were not mainstreamed, but were rather programmed as side-operations in the framework of larger interventions. It is a matter of choice: either the promotion of CIP/COSME and FP7/H2020 in ENI East is completely left to the Brussels' units responsible for them, or the tasks are divided between those units and the national ENI programmes. For many reasons, the latter may negatively affect efficiency, effectiveness and transparency. To avoid misunderstanding, the evaluators are of the opinion that the co-financing of entry tickets is properly allocated through national programmes. It is the promotion, awareness raising and direct assistance to applicants that needs further conceptualisation.

EQ17: To which extent are national and regional programmes complementary and aligned with the principles of the EU Small Business Act?
Judgment criterion 17.1 *– Representation of the SBA principles in programming documents and project designs.*

Methodological note:

As for the allocations to PSD/Competitiveness, the data in the tables below stem from the information contained in Annex 7.4 to this report. References to the SBA can be found in practically all sample projects. The tables below, in the second column, only refer to projects that have included concrete activities to foster SBA principles in the respective countries/regions. The projects themselves are listed in the above-mentioned sections.

As far as PSD/Competitiveness support is concerned, the ENI East instrument heavily leans on the principles of the Small Business Act. Reference is made to either the complete Act, or specific dimensions, in all strategic and programming documents. More importantly, where strategies are translated in more concrete intervention policy (namely in the MIPDs), the relationship with the SBA principles/dimensions is made still more specific. The result is that nearly no concrete action, project or intervention designed does not actively support the strengthening of one or more of the SBA dimensions.

Programmes 2010-2015	Total PSD support (M€)	Advancing the SBA (M€)	SBA/PSD (%)	Main SBA dimensions addressed

Programmes 2010-2015	Total PSD support (M€)	Advancing the SBA (M€)	SBA/PSD (%)	Main SBA dimensions addressed
Armenia	27.2	26.4	97	1, 6
Moldova	27.8	7.2	26	1, 4
ENI East regional	109.5	83.4	76	1, 6, 9

As far as the Armenian and Moldavian sample projects are concerned, programming documents and implementation reports over the period 2010-2013, whenever applicable, contain adequate references to the SBA. Yet, many a project fails to translate these references into concrete actions. The SME Policy Index 2016 for both countries show some improvements as regards various SBA dimensions, but this progress can only partially be attributed to the selected EU interventions. At least in Armenia, future interventions (the 2014 SME Support Facility executed by GiZ and EBRD) contain many actions related to one or more of the SBA dimensions. If successful, these projects will considerably advance Armenia towards the SBA. At the level of the overall ENI instrument, the SBA and its individual dimensions are adequately represented in strategy and programming documents. EU support to advancing the SBA at the National level is spread over a higher number of SBA dimensions, with relevance for those which either demand proximity actions and/or are linked to nation-specific contexts or frameworks, as for instance institutional and regulatory framework, operational environment for business creation, public procurement and, to an extent, enterprise skills and innovation. It is noticeable that, on the basis of the information gathered from the projects that were identified by the team at both national and multi levels, SBA dimension 9 (SMEs in a green economy) is relatively under-represented in the overall context of EU support to advancing the SBA.

EQ18: To what extent has the EU assistance enhanced the visibility of EU aid, and promoted innovative approaches to aid delivery?

Judgment criterion 18.1 *– Contribution of programming and implementation to EU visibility.*

In general, and putting aside small omissions or mistakes in implementing EU visibility rules, all projects that were analysed comply with applicable regulations. The capacity of such compliance is however not the same when we look at financial instruments, such as those mentioned above, and more typical Technical Assistance projects, which tend to better convey the message of the crucial importance of EU's support to achieve respective goals. This is mostly due to the nature of the support provided and, most particularly, to the fact that, in the case of financing projects, particularly those funded by blending instruments such as the EIF and the NIF, respective end-user actions and instruments are most of the times delivered through more than one layer of intermediary institutions (e.g. an IFI and a local Bank), which tend to dilute EU's visibility. For instance, it is assumed that local Banks are generally not obliged to either have specific SME financing lines and/or comply with EU visibility rules when they are addressing their client SMEs and using EU-financed funds. The programming documents related to the ENI East sample projects contain the obligatory chapter on EU visibility. In implementation, vast differences were noted between individual projects. Without any exception, all credit line and other SME financing projects funded by instruments of blending nature, which are implemented by IFIs such as EBRD, EIB, KfW, etc., lack effective visibility measures, in terms of respective end beneficiaries/users. This was confirmed in the field; neither SMEs, nor BSOs or responsible public authorities were aware of the EU financial inputs in SME funding instruments established to blend grants and loans. The problem is in the system. Each project separately is obliged to carry out its own visibility measures, while in actual fact the team of experts was hired for different, specialised services. They cannot be expected to be also visibility experts. Even when visibility measures are carried out dutifully, the overall effect on "EU visibility" is confusing. For example, each project produces its own website, with its own lay-out and functionality, but often without direct links to other EU funded projects. It was found on several occasions that websites of projects already completed years ago, were still online. This is not the best advertisement. Furthermore, respecting EU visibility rules does not necessarily guarantee that EU assistance through these projects enhanced the overall visibility of EU aid. None of the projects provide, as far as the documents made available to the evaluation team show, any assessment in this respect. It would have been appropriate to include, towards the end of the projects' implementation periods and/or shortly after respective conclusion (and for sure within final evaluation exercises), surveys targeting the wider generality of project beneficiaries (including indirect and potential ones), and/or for instance the SME community in the various countries, including a question on this issue. In Armenia, PSD/Competitiveness-related projects were implemented as part of complementary actions to wider budget support programmes. The IPR enforcement twinning project is such an example. Although the twinners have duly followed the EU rules on visibility while producing folders, leaflets and conferences, the discussions in the field have made clear that apart from the directly concerned (public) institutions, nobody clearly realises that the project was made possible through EU contributions. The 2014 PSD/Competitiveness programme is fully implemented by EBRD and GiZ. Interviews with potential grantees have shown that they refer to the “GiZ grant”, without any knowledge of EU contributions. This is illustrative. As for the segment of the programme implemented by EBRD, the evaluators refer to the remarks made under “general” above. Some projects, such as that of UNDP in Moldova, have their own specialised communication expert providing tools and training to project as well as beneficiary staff on how to engage media as well as providing assistance and facilitating the promotion of programme results. This has led to an unprecedented communication campaign on both sides of the Nistru River, as it is testified by the detailed Communications and Visibility Report. Another project in Moldova, ESRA, can be regarded a success story as far as visibility is concerned. A specialised short-term expert was hired to assist in the project’s PR & visibility actions carried out within the framework of the 2014 EaPIC ESRA BSP and to formulate the 2010-2014 ESRA BSP Success Stories’ Booklet. Under the ENI EAST regional programme, the OECD states that “appropriate measures will be taken to publicise the fact that the project has been carried out with the financial assistance of the European Union by:

- mentioning in official documents and letters that the project has received financial assistance from the European Union;
- including the EU logo in publicity material for meetings, e.g. banners and agendas;
- including the EU logo in all publications as per the Framework Agreement signed on 31 August 2011 between the Publication Office of the European Union and the OECD”.

The OECD will promote the project on its website. The interview OECD showed that all mentioned activities were indeed carried out as planned. Yet, in the view of the evaluators, the actions and their effects are rather minimalistic. It may therefore be said, on a moderately positive note, that compliance with applicable rules is normally observed, but actual contribution to enhance the visibility of EU aid may in many cases not have been a major concern.

Judgment criterion 18.2 *– Contribution of programming and implementation to promoting innovative approaches to aid delivery.*

Innovative character of EU assistance is understood, for the purpose of this evaluation, as the extent to which projects, in their design, implementation and/or outreach, manage to detach from mainstream project tradition and/or landscape in EU assistance and, in particular, in the relevant region and/or countries.

In Armenia, Moldova and the regional EAST programme, EU’s aid delivery has followed traditional, old-fashioned approaches, such as simple TA, twinning, supply and grants. Budget support, although perhaps innovative for the country itself, is an aid modality long in use for third countries. Moreover, the BS contracts evaluated had few if any elements of support to PSD and Competitiveness. The direct support to SMEs which started in programming year 2014 could be regarded as an innovation in aid delivery, insofar as this breaks with EU traditions of reluctance to grant financial support to SMEs directly. With a debatable exception of the financial instruments, projects in the region are traditional technical assistance, grant schemes and supplies, although the EU increasingly uses direct (contribution) agreements with international organisations. This at least helps reduce red tape and in addition, relieves the EUDs of much work. One cannot say that the widespread use of blending instruments makes the regional programmes truly innovative. Yet, as a means of mobilising public, private and IFI capital for development purposes, it is very successful. Some innovative approaches to implementation can be observed in individual projects, such as the introduction of peer review procedures in the regional OECD project that provided a rubber stamp and guaranteed commitment by Governments, as countries are treated at par, and not prescribed a recipe.

IN SUMMARY

Judgment criterion 18.2 is thus met to some extent in the ENI East region, particularly if the innovative character of EU assistance is considered in the relevant regional context. At the national level, the indicator is not met in Moldova, whilst in Armenia some projects do present some innovative approaches which, unlike what is noticed at the regional level, appear to be linked rather to implementation than to pure design, which shows that it is possible to promote innovative approaches to aid delivery even when the design itself of the interventions does not necessarily imply so. The most obvious innovation in EU aid delivery is that of financial instruments and especially that of blending of grants and loans. However, in one form or another, such instruments have already existed for at least a decade, so it is arguable whether they still can be considered innovative. Even the establishment of a private equity fund now taking place in Armenia is not a new feature, since EFSE is an example dating back to 2005. There is a tendency to shift support through financial instruments from the regional to the national programmes and this indeed is an innovative approach. Furthermore, it is observed that as of 2014, programming in several countries (Armenia is a good example) is geared towards simplified implementation, at least from the perspective of the EU services. This happens through complete transfer of financial, management and implementation responsibilities to accredited national, but mostly international, institutions, reducing the obligations of the EUDs to performance monitoring; even ex-ante approval procedures are rarely required in such cases. Finally, it is acknowledged that what is an innovation in aid delivery in one country, has already become standard procedure in another. Both the Commission Services and the national authorities appear to be constantly searching for new and better mechanisms, which is deemed a good sign.

4.2.7 EU added value

EQ19: What is the added value resulting from the EU interventions, compared to what could be achieved by the beneficiary countries without such interventions?

Judgment criterion 19.1 *– Complementarity and non-contradiction or overlapping between beneficiary and EU programmes.*

The SME survey does not directly address this judgment criterion, but provides some interesting information on how EU assistance is perceived as compared to national budgetary support or other donor support. More than 50% of the respondents report significant or very high satisfaction with the EU-funded projects they participated in, with about half (28% of total) stating that expectations were totally met or even exceeded. Caution is required here: few respondents have a clear view of actual donor sources, so this finding probably does not only relate to EU inputs. Only 11% of the implementers are absolutely unsatisfied with the results. Small and medium-sized enterprises express the highest satisfaction. It is noted that all participating large enterprises report only partial satisfaction, whilst data shown in previous points confirm that large enterprises are not among those having less benefitted from donor support. This lower level of satisfaction may be linked, on the one side, to the small sample size (for large firms) and to a higher degree of expectations from these bigger, more organised and better structured companies.

Armenia and Moldova have a number of programmes for support to (innovative) SMEs that are financed from the national budget. Until and including the programming year 2013, EU support under the national envelope was basically limited to one IPR enforcement twinning project and did not contribute to, or reinforce, these nationally financed programmes. Regional EU programmes, especially those aiming at access to finance under the NIF, have indeed been complementary to the efforts of the Armenian and Moldavian Governments, but did not succeed in establishing a comprehensive package of financing possibilities, covering all target groups. It is significant that none of the persons interviewed had any knowledge of the existence of these regional programmes. Another issue is that commercial banks in the countries almost exclusively provide senior loans, with high security (collateral or guarantees) and predominantly engage in re-financing of existing clients. Thus, they do not cover large segments of the target group of SMEs. Against this background, EU-funded business financing programmes were and still are indeed a welcome complement to what was and is available. It is important to note that EU programmes, in financial terms, are an order of magnitude larger than measures financed from national budgets, for obvious reasons. Even if there were to be some overlaps, this has little negative influence. It was found that EU interventions and national budget interventions are strictly separated.

IN SUMMARY

EU added-value is never questioned either in documents or by stakeholders, whoever they may be. To a large degree, complementarity and non-contradiction with national or regional programming are ensured in both regional and national programming, in relation to both national- and other donor-funded PSD/Competitiveness support interventions. A few cases of overlapping may be detected in some areas, such as:

- Provision of training to SMEs and/or BSOs;
- Consultancy/advisory provision to SMEs;
- Financial/funding provision to SMEs.

Of the above, the latter is not problematic, provided that EU's State-Aid rules are respected and transparency and accountability are ensured in relation to the instruments being put in practice and respective management. Furthermore, except for grants (for which State-Aid limitations should be able to impose appropriate limitations), most if not all the financial instruments being placed at the service of SMEs are managed and regulated by principles and mechanisms applicable to the IFIs that have the role of implementing them, and this includes, among many others, proper due diligence. Freedom of choice (with respect for equal opportunities) may in this respect have a much higher value than possible negative effects caused by overlapping or competition among instruments. Furthermore, most of the IFIs involved are very keen in not practising market conditions that might distort local financial markets, their role being more of complementarity and coverage of market gaps than of conquering market share. Finally, the technical assistance provided to local banks, consultants and beneficiary SMEs plays a crucial role that classical financial markets and institutions do not in any way ensure, thus increased added value from EU-funded interventions. Overlapping in relation to consultancy/advisory provision to SMEs does happen at times, among both EU-funded and other donors-funded interventions (national funds are very seldom used to support this kind of provision, except in very niche cases where there are clear market failures). The problem here may exist more in terms of market distortion (which would tend to harm the commercial, mainly local, consultancy market) and might, if not properly monitored and controlled, risk inducing negative consequences in terms of donor-dependency by SMEs, particularly those less competitive, in relation to resorting to consultancy services. Whilst the evaluators did not detect any specific case where this is actually happening to a significant degree, it seems clear that more effort should be made to monitor structural effects of this kind of aid (and particularly of possible effects of overlapping among interventions) and, whilst the importance of continued investing in it to support PSD/Competitiveness sustained improvement, they should also continue to search for the best possible approaches to minimise and control the identified risks. The case of overlapping in provision of training to SMEs was mentioned in some interviews, namely in countries within the ENI South region. The consequences here may be market flooding (i.e. incapacity of the beneficiaries to absorb – to maximum appropriation and benefit – the outputs of the training being provided) and, particularly when training is free of charge, low retention rates in terms of participation. Some of the reasons for the existence of this overlapping may be linked to, for example, insufficient/insufficiently targeted and/or professionally executed training needs assessments (TNA) and/or to training in management- and business-related issues being a rather straightforward activity guaranteeing a number of advantages for project implementers, such as large number of beneficiaries, involvement of local experts and significant budgetary effects. It seems therefore clear that, as for consultancy/advisory provision, more consistent and sustained (real-time) monitoring and (ex-ante, mid-term, ex-post) evaluation of the overall PSD/Competitiveness-related training landscape in each country, which would necessarily imply more efficient and effective donor co-ordination. Inclusion of better structured and professionally executed TNAs as a prerequisite for implementing training actions would also very likely pay out in terms of value for money. A second aspect in this EQ relates to self-sufficiency of beneficiary countries, i.e. the extent to which the added value resulting from the EU interventions could be achieved by the beneficiary countries without such interventions, and here the results of the evaluation exercise made are rather straightforward:

- In relation to what could be replaced by other donors' support, the conclusions on relevance, complementarity and non-overlapping provide a clear and absolutely uncontested idea that the inexistence of EU funding would have a very negative impact and could not be fully and effectively replaced by other donors. There are countries where the EU is by far the strongest donor in PSD/Competitiveness support, and many donors are either lightly, or even not at all, present in regional terms. Furthermore, in themes such as the SBA, no one but the EU would be appropriately positioned to provide the necessary support.
- In relation to what could be achieved without any donor intervention, the conclusion is even more overwhelming and is that most if not all the beneficiary countries lack the budgets to provide the kind of support that the EU (and the donor community in general) is providing, at national level and even more so at the regional level. Hence, the EU added value is absolutely undiscussable.

EQ20: Which areas within the PSD/Competitiveness sector can do without or with reduced EU assistance because they are well covered by other donors?

Judgment criterion 20.1 *– Areas/sub-sectors effectively covered by non-financial assistance from other donors.*

and

Judgment criterion 20.2 *– Areas/sub-sectors effectively covered by financial assistance from IFIs.*

Methodological notes:

Regarding EU added value, both the overall PSD/Competitiveness-related documents and the sample project documents have been scrutinised. Donors and IFIs publish great quantities of information on allocations and disbursements, but the collection and systematisation of this information is not a practical proposition, for several reasons. In the first place, different donors have different definitions of PSD/Competitiveness. Secondly, donor statistics are unclear on years of programming, implementation and disbursement. Thirdly, there are several donors (e.g. Russia, various middle-east countries) who do not publicise information at all. And finally, data on success (impact) is scarce while it is dearly needed for any comparison. Given these limitations, the endeavour of the evaluators has been to confront the sample projects with comparable interventions financed by other donors.

Two statements presented for discussion to the focus groups in the various countries were:

- *EU interventions in the PSD/Competitiveness sector are unnecessary since national strategies, actions and subsidies do a better job at improving the PSD/Competitiveness sector in your country.*

- *The EU should reduce or even abandon its (financial) contributions to the PSD/Competitiveness sector in your country, and re-allocate them to other sectors, since other donors (and IFIs) sufficiently cover most or all relevant fields of assistance.*

It will not surprise anyone that the participants at the focus groups expressed their strong disagreement with both statements. In this, the evaluators found no differences between regions and countries, although it was remarked in one of the IPA countries that, gradually, the administrative costs and burdens of managing IPA funds are outweighing the benefits of the programme. Even taking into account the fact that most participants represented the PSD/Competitiveness sector and therefore had a certain bias towards it, the general opinion was that of all aid sectors, the PSD/Competitiveness sector is most in need of EU assistance, for two reasons. In the first place, because this aid is expected to have the most tangible effects in terms of welfare. Secondly, because there is no alternative for it, given strained national budgets and piecemeal contributions from other donors. Yet, it also became clear that the participants had mostly in mind the direct financial contributions the EU is providing to SMEs, directly through grants or indirectly through cooperation with IFIs in blending operations. The need for institution building, capacity building, and legislative support was pronounced as less urgent. The sample projects under the regional programme aim at business finance (2 projects), direct business advice and SME policy. Other donors do not engage in regional projects. Both in Armenia and Moldova, USAID have been very active in the field of PSD/Competitiveness during the past years. Examples are the establishment of the Innovative Solutions and Technologies Centre public private partnership with IBM, and the My Armenia cultural tourism activity. The programme for economic development in Armenia has been growing from around 6 million USD in 2011 to around 9 million USD in 2015. Equally, the World Bank/IFC spends considerable amounts in the region, in the form of loans to individual countries. Although the EU's contribution to PSD/Competitiveness under national programmes during early programming years (until 2013) has been limited as compared to other donors' efforts, the regional component (in particular the NIF and its blended loans) was large enough to offset other donor support.

IN SUMMARY

The answer to EQ20 very much relates to the reasoning made in relation to EQ19, and thus issues of complementarity, non-contradiction and areas of overlapping, already treated there, shall not be repeated here. Similarily, the extent to which EU's aid in the field of PSD/Competitiveness could be effectively replaced by other donors' aid is limited. Admittedly, EQ20 and the related judgment criteria were somewhat provocative. They have elicited expected reactions from the counterparts in the countries. From an objective point of view, it is EU support that keeps the wheels turning in the PSD/Competitiveness sector. Direct financial and non-financial support to SMEs is unanimously regarded as the best instrument. EU interventions in related fields (e.g. IPR, e-business, institution building, regional development) are considered "luxury issues" that could do with much less support. The evaluators only very partially agree with this notion, in the sense that indeed there is some evidence of projects that – in hindsight – did not have much impact. The points to make here relate therefore to the best adequacy of the EU to provide the kind of PSD/Competitiveness support it is providing, having in consideration the existing landscape of donor and IFI support in the same and related fields. One key difficulty of this analysis comes from the extreme difficulty (not to say impossibility) that the evaluators have faced in obtaining a clear picture of who is doing what, where, when, for which purpose, with which resources and to which outcomes and impacts. This obstacle was mentioned as an introduction to treatment of this EQ. In any case, some general lines may be followed:

- In relation to the donor landscape, the EU tends to be more institutional and deals less with direct actions towards the SMEs themselves. This is confirmed by both documents and interviews (including e.g. the Focus Group meetings). Donors such as USAID and GiZ are perceived as being more effective in directly targeting SMEs and also in more easily adapting to change during project execution. On the other hand, the EU is perceived as working better in, for example, institutional strengthening or policy support. Both types of interventions are necessary and useful for the ultimate purpose of fostering private sector development and competitiveness in the target countries;
- The EU is clearly the major donor when it comes to regional intervention. Hence, the EU seems irreplaceable at this level.

When it comes to IFI support, reality differs even further from case to case, and the impossibility to produce a realistic mapping of PSD/Competitiveness support (as defined, in time and scope, for the purpose of this evaluation) is a reality. Furthermore, there would exist a clear risk of double-accounting for many IFI interventions, namely those funded through EU's blending instruments (e.g. KfW, the EIB and the EBRD), as both EU- and IFI-funded cases. But some general conclusions may also be drawn:

- It stems from the analyses made in relation to several previous EQs that interventions, namely those (co-)funded by the EU, where IFIs are leading implementers tend to be well-structured, efficiently managed and very effective. Their relevance to improve financing of MSMEs (including at the microfinance level) is unquestionable. No other type of donor-funded intervention (including from the EU) would likely be able to provide the same level of results and impacts.

- As it was already noted, the fact that many financing instruments made available through IFIs integrate, or articulate with, technical assistance provision makes them particularly performant and resilient, as in fact they contribute to decisively strengthening the capacities of the stakeholders involved, being themselves intermediaries or final beneficiaries.
- On the other hand, the fact that IFIs use, as a general rule and particularly when financing facilitation is involved, due diligence rules and practices tend to make them target mostly the best performing SMEs, thus leaving aside the vast universe of MSMEs which, with the appropriate combination of soft and hard support, might also see their competitiveness and overall business performance improved. There might therefore exist a tendency to leave important groups of MSMEs behind if support would be exclusively provided through IFIs, which leads to the conclusion that the EU succeeds in complementing IFI-driven (through e.g. blending instruments) with other types of PSD/Competitiveness assistance.
- It may be concluded from the above that, in those cases where IFI's type of intervention may be successfully applicable, resorting to IFIs (through e.g. blending instruments) is a powerful (consistent, efficient, effective, impacting, sustainable) way for the EU to convey support to the private sector, particularly in the framework of regional or super-regional programmes. This is confirmed by the few ROM reports that were made available to the evaluation team regarding this type of interventions. IFIs should therefore be used whenever possible, not forgetting that, by their nature, they cannot reach the full range of MSMEs needing, and deserving, EU support for their competitive development.

4.3 EUROPEAN NEIGHBOURHOOD INSTRUMENT (ENI) SOUTH

4.3.1 Relevance

EQ01: How relevant is the EU assistance in view of the priority needs of the countries in the regions?

Judgment criterion 1.1 *– The objectives and priorities of EU assistance are in line with the policy/development frameworks for the PSD/Competitiveness sector in the partner countries in particular in terms of the needs for financial and non-financial support to enterprises, strengthening of R&D&I, stimulation of FDI and foreign trade, improved business infrastructure and better business environment in general.*

The essential issue here is the existence and content of national strategies. In the framework of this evaluation, an inventory of such policy and strategy documents was made and followed up by a thorough study. Not each selected country has an explicit PSD/Competitiveness strategy but where such strategies are lacking, there is sufficient information contained in sub-strategies to arrive at clear conclusions. The basic philosophy has been that priorities defined in policy and strategy papers are founded on needs analyses, often laid down in (the weaknesses of) SWOT analyses. The available documents have been scrutinised in order to confirm this philosophy, with encouraging outcomes. Maximum care has been given to base judgments only on strategies that were valid at the time of programming. At the same time, the evolution of strategies (and needs) over time was taken into consideration, when looking at the relevance of programmes and projects. There is in general no shortage of country and sector strategies in the ENI South region. However, once they have been produced, stagnation becomes a new problem. Despite the existence of laudable action plans, implementation of strategies by the beneficiaries is an exception to the rule, except for those parts that are financed by the EU or other donors. Evolution in strategies is many times non-existent, once the first (sector) strategy is made, following strategies highlight the same priorities and measures and only seldom add new insights. It is true that the terminology evolves over time, but this is mainly triggered by changes in EU jargon. Comparison of EU funded programmes with the analysis of country and sector needs is often a self-fulfilling prophecy. Strategy designers are competent to thoroughly check the evolution of EU priorities and adapt their needs analyses to these priorities. It is however very seldom that solid evidence-based needs analyses were really carried out. Regional programmes appear to reflect the policy needs of the Commission more than the needs of the countries in the region. The field study corroborates this finding: in the view of the beneficiaries, multi-beneficiary programmes contribute little to actually expressed country needs. It was found by the evaluators that the latter is caused mainly by the fact that too few sector specialists from the countries are aware of the multi-beneficiary programming process and therefore, cannot express their needs. Yet, taking into consideration all information retrieved from documents and interviews, the judgment is that EU programmes and interventions in the PSD/Competitiveness sector are reasonably in line with the needs of the countries, whether expressed formally in strategies or indicated less formally by other sources.

Judgment criterion 1.2 *– The quality of design of individual projects/interventions/contracts is adequate in terms of intervention logic and definition of indicators.*

For individual projects, the designs usually describe the "pathway to change", the causal relationships between inputs, activities, outputs, results and objectives. Moreover, the final objective to be reached by the project (the specific objective, or purpose) is given, and if the quality of the design is good, so are the indicators for measuring its realisation. Complex programmes, entailing a multitude of purposes, are more difficult encompass in a logical framework. The ENI instrument is by definition a multi-sector programme, and none of the strategic documents – even at the level of Annual Programmes, include intervention logic specifically for the PSD/Competitiveness sector. What can be said in general terms is that throughout the years there has been consistency in terms of programme objectives, at all levels (inter-regional, regional, national). In line with the definition of the judgment criterion above, the evaluation has focused on the quality of design of individual projects. The study of sample projects (see Annex 7.8 for details) has shown that there is a steady evolution of quality of project designs. In the opinion of the evaluators, this shows a steep learning curve on the part of the programmers, especially those within the Commission Services (EUDs and HQ). Objectives, purposes, results and activities improved in terms of their definitions and descriptions, obviously, a result of much better analyses of the implementation environment. As of – say – 2013 or 2014, fewer and fewer projects that showed serious design flaws were conceived, although the definition of indicators remains an issue to be further worked on. In terms of quality of design, regional projects tend to be less explicit in their results and objectives than the national ones. The evaluators have the impression that several of these projects are not based on a thorough analysis of problems, needs and objectives but rather, that their design was triggered by internal Commission considerations as well as prior agreement with international organisations on allocations. In such cases, needs analyses are made retrospectively to fit interventions already decided upon. This impression is corroborated by the fact that, with rare exceptions, explicit problems, needs and objective analyses were not found for regional projects. What is lacking is a clear distinction of the needs having to be tackled through country programmes, and those through the regional programmes. The basic principle should be subsidiarity, providing the countries with (budgets for) national programmes in all fields that could better be dealt with at their level, while the regional, multi-country programme should limit itself to those issues that – as is faithfully declared in the multi-country programming documents – cannot be addressed with the same efficiency at country level. The regional programmes state that their main challenges are to improve access to finance, to promote competitiveness, human resources and competence, and to improve marketing and access to markets. Perhaps with the exception of access to finance, these appear to also be the main concerns of the national programmes. Therefore, an explicit analysis of regional needs that cannot be addressed nationally should precede PSD/Competitiveness programming at the multi-country level.

EQ02: To what extent is relevance enhanced through co-ordinated programming of national and multi-country projects?

Judgment criterion 2.1 *– Programming of national and multi-country projects is a co-ordinated process at Commission HQ, EUDs and beneficiaries.*

At the level of programmes, adequate coordination between programmers should lead to both the absence of undesired overlaps or doublings, and the existence of desired complementarities and synergies. The evaluators have searched for overlaps/doublings and synergies in the annual programmes (national and regional), and especially for concrete examples in the individual (sample) projects, of course for the PSD/Competitiveness sector only. Until the second half of the first decade of the new millennium, the European Union was the only donor in the region providing a significant volume of aid for regional programmes. This gradually changed since 2005, first with USAID (in cooperation with the EU and the EIB) and the OECD. No IFIs were significantly active in the wide regional scope before 2012, and the EU Member States did not have any significant regional initiatives either. Co-ordination seems to be very much a central programming concern at both national and multi-country level: By their own nature, fundamental financial instruments such as e.g. the NIF and FEMIP, articulate with relevant IFIs, at which level overlapping is very unlikely, given both the nature of the actions and the due diligence processes that are almost always involved. In most cases, IFIs exchange, cooperate (and to an extent compete) so that project viability and success, and ultimate return on investment, are maximised. On the ENI South multi-country level, PSD support focus is much more on diversifying and strengthening SME funding solutions, boosting international (particularly trans-Mediterranean) cooperation and networks (which has an effect on internationalisation) and providing better services to SMEs (including through improving the quality and scope of services provided by Business Support Organisations). These kinds of interventions, in their main different natures, are better designed and tend to be more efficient and, particularly, effectively implemented at a supra-national (thus regional) level. In Egypt, overall, no overlaps seem to exist between the analysed projects and other national programmes. Synergies are created particularly between TDMEP – TA on trade & export and TDMEP – TA – Industry, as two projects working towards a common goal. Interventions under the programme "Promoting Inclusive Economic Growth in Egypt" are synergic with TDMEP but also with the Support to Agriculture SMEs (SASME) project (ENPI 2011), EU-funded twinning projects focusing on strengthening the competition policy and regulatory environment and the capacity of the Egyptian Competition Authority, but also with regional initiatives such as "Enhancement of the Business Environment in the Southern Mediterranean", "Enhancing Investment, Innovation and Growth in South Neighbourhood" and financial and non-financial support lent to SMEs by the EU Development Finance Institution (DFI) and NIF. According to the mainstream opinion expressed during the Focus Group meeting held in Cairo, there does not yet exist a real industrial policy involving the private sector, which leads to a degree of inefficiency in e.g. knowledge sharing and training), for which a thorough mapping exercise is needed, and accreditation & regulation systems are suggested. It was alleged, in one interview, that there is no true coordination and synergy among donors' work. One example is the idea of "one-stop-shops": Creating them is proposed in EU-funded projects, while these exist already, they were created by the USAID together with the Egyptian Federation of Chambers of Commerce. The EU has relevant and effective interventions but significantly more needs to be done. Other testimonials indicate that synergy happens mostly in implementation, after calls are launched. Efforts are made to ensure donor coordination, but this is mostly the case at national level, regional projects' designs are rarely triggered at national level. There are, at this moment, many similar interventions, implemented by different donors (because large sums of money need to be spent and each donor has its own interest), but at ground level coordination is ensured. In the Algerian case, EU's programming for Algeria is very much linked to supporting e.g. the improvement of enabling conditions (and thus development of a conducive environment) for the development of competitive companies (SMEs), Institutional strengthening in key economic areas, economic growth and lower unemployment, (economic) infrastructure development, economic diversification and strengthening of value-added sectors (including ICT) and internationalisation of SMEs. Complementarities with regional programming (see above) are thus high. As national programming, in both countries being analysed, deals mostly with country-specific themes, whilst some areas may present (risk of) some level of overlapping, as it may be the case of SMEs internationalisation, it may be concluded that complementarities is ensured to a high degree between EU's national and regional interventions. Such complementarities may only be enhanced through co-ordinated programming of national and multi-country projects, as it seems to be largely the case.

IN SUMMARY

No concrete evidence could be found on either documents or through interviews about the frequency and format of information exchange between programmers at Commission HQ and EUDs. Neither did the field research produce much encouraging information regarding coordination mechanisms. The latter may indeed exist, but their implementation in practice does not always work out as envisaged. When looking at the sample projects, the conclusion is that in all three regions, the national and the regional ones do not negatively affect each other. Concrete, out-right examples of overlaps/doublings were not found and this is corroborated by the study of overall national and regional programmes. National programming deals mostly with country-specific themes. Absence of such themes in regional programmes in itself helps avoid overlaps, but is judged by beneficiaries as one of the significant weaknesses of the regional approach. Objectively, financial instruments promoting access to finance for SMEs are best executed at the regional level, if only because this creates economies of scale, easier access to sources of funding, better risk spreading and also because of the complexity of the instruments and the contractual negotiations with financial institutions. Yet, several countries have recently made the move towards programming financial instruments under their national programmes, which indicates that the regional approach has been insufficiently tailored to their specific needs. One solution is in designing differentiated instruments for specific targets and purposes; this controls the risk of overlaps but also enhances national ownership. In view of the clear advantages presented by supra-national instruments, designing financial instruments at sub-regional (e.g. national) level should constitute an exception, to which very strict criteria related to pertinence, opportunity, inadequacy of respective needs being addressed at a wider scale, sustainability and leveraging potential should apply. One principle to decide on such ventures might be to always conduct comparative cost-benefit analyses for national and supra-national instruments (for identical purposes) and have respective results influence the outcome. Regional projects aiming at policy making score low in the perception of beneficiaries; indeed, there are only a few fields that lend themselves to joint policy making. On the contrary, regional projects assisting the regions with trade-related issues are highly appreciated, in particular when they aim at establishing regional systems and structures to facilitate trade. There is a strong need for better communication and exchange of information between regional and national programmers within the EC services. It is therefore not surprising that interventions at the regional level regularly by-pass the EUDs to an extent that undermines the credibility of the EUDs and ultimately the EU vis-à-vis the national authorities. It is emphasised that – perhaps with the exception of financial support programmes for SMEs, of which the evaluators think that there are too many – the evaluators did not find concrete evidence of conflicts or overlaps between regional interventions on the one hand, and national on the other. Yet, the overall impression is that regional projects add no or too little value to national programmes. A problem often mentioned in the field is that implementers of regional projects are foot-loose, not attached to any of the countries in the region. Their contributions are therefore perceived to have more of an academic than a practical nature. Better and more effective linkages between bilateral and regional instruments should thus be sought. To achieve this, the following lines of thought are suggested:

- Programming documents, at both levels, should include concrete activities – with specifically allocated budgets – to promote such linkages and generate specific results and outcomes (which would place a challenge at the programming level, as it would itself need to be better co-ordinated so that there would exist coherence in the two programming dimensions and practical feasibility in respective actions);
- Specific indicators, reflecting tangible results and outcomes stemming from joint/co-ordinated actions should integrate programming documents at both levels;
- Subject to coherence and intelligible reasoning, selected visibility actions would jointly involve national and regional interventions, with the focus shifting from offer (the instruments) to demand (the outcomes for the target beneficiaries);
- In donor co-ordination meetings, both national and regional levels should always be considered and a systematic requirement for concrete joint actions, bringing results with perceived value for the private sector, should be made to these meetings, with some form of visibility and accountability/public scrutiny to ensure that pressure is put on participants to be more practical and effective in the practical outcomes of donor co-ordination.

4.3.2 Efficiency

EQ03: To what extent is the preparation of interventions managed adequately?

Judgment criterion 3.1 *– The process of preparation of contracting documentation does not show avoidable delays.*

Project fiches, action documents and action fiches should state the expected timing of contracting (or, in some cases, of launch of procurement). It should therefore be relatively easy to ascertain whether contracting was "on time". However, this is not the case, as the table below show clearly. For the ENI South region, no systematic source of information was found to retrieve dates of financing agreements; and those dates are the baseline for procurement plans. In ENI South, programming documents as a rule do not contain time plans for procurement and contracting. For financial instruments, whether under the NIF or any other (national) programme, recognisable programming documents begin with a contribution agreement and a description of the action rather than with action fiches. References to the programming process and its timing are not included in those documents. No significant delays in contracting were found in relation to the 5 projects that were analysed at the ENI South regional level. In particular, and although the information is not sufficient for a thorough and accurate assessment, there are indications that not only time from programming to contracting did not exceed one year but also that actual delays in contracting in relation to what had been programmed were inexistent or minor. In this respect, and according to the indicators used, preparation of interventions seems to have been adequately managed in all projects. In the case of Egypt, the two TDMEP projects (TA on trade & export and TA – Industry), almost 4 years elapsed between programming and contracting. The reasons for delays are not clear. The Financing Agreement for TDMEP was signed in the end of the year following that of programming. The Research, Development and Innovation Programme phase II project also showed delays in implementing some of its components, the reasons for these delays having been the change of leadership at PIO and lack of strong administrative and management skills/leadership, staffing shortages at the EUD, quality of implementation of the FWC, complex administrative procedures. None of the reasons identified are acceptable. Reportedly, low quality services provided under the FWC cannot compensate for the lack of capacity (and leadership) on the Beneficiary's side. In relation to the Promoting Inclusive Economic Growth in Egypt project, delays are registered in contracting. The public procurement process only for the first TA contract (relevant for this evaluation – Support to Implementation of Strategies to Foster MSME Development in Egypt) was launched in March 2016, but cancelled and relaunched on 23rd of July of the same year. Irregularities constituted the reason for delays/cancelling. For the Algerian case, DIVECO I and PME II (3 contracts) took about 1 year from programming to signature of financing agreement. DIVECO I took additional months until project field start, whilst field start was immediate for PME II but with technical assistance only having been deployed 14 months later. This field start postponement was caused by a delay in adopting the initial Operational Programme (DPD), itself due to a delay in mobilising the project's chartered accountant. Whilst such mobilisation was certainly indispensable, such delay seems unreasonable, its underlying reason not being properly explained but probably linked to complexity/heaviness of respective administrative procedure. In the cases of the two twinning contracts (both under P3A III), ALGEX and Strategie d'Innovation Industrielle, 4 years elapsed between programming and contracting, which seems rather excessive. No relevant information was found in the documentation made available to explain the contracting delays observed in these two twinning cases. The bottom line is that the evaluators do not have sufficient information to make a judgment on the issue of efficiency of preparation of the sample projects for contracting. Yet, a general conclusion is that, even after so many years of experience, programmers remain overly optimistic about procurement procedures, although programmers at the Commission's HQ tend to be more realistic than those at relevant Ministries DGs (or equivalent, this may vary from country to country) and EUDs in the countries. Where beneficiaries (in general government agencies and ministries) are responsible for preparing procurement documents, such as ToRs and technical specifications, their persistent lack of experience results in below-quality documents, going back and forth many times between them and EUD, as appropriate. This is an almost insolvable problem given the high turnover of staff at beneficiaries and the lack of staff at government institutions responsible for EU projects. The example given for Egypt is illustrative, but the same problems appear to exist throughout the ENI South region.

EQ04: To what extent is the implementation of activities managed adequately?
Judgment criterion 4.1 *– The activities are implemented, and outputs are delivered, as scheduled.*
This judgment criterion can only be answered at the level of individual projects, mainly because annual action plans do not sufficiently differentiate between activities and outputs for PSD/Competitiveness and all other sectors, but also because they have no concrete delivery schedules. Project progress reports and minutes of steering committee meetings provide – insofar as available – reliable information on the timing of activities and outputs, but some further study was needed to understand whether they were of adequate quality. ROM reports did help, but are only rarely available. The field visits were used to obtain the opinions of EUDs, beneficiaries and in some cases, representatives of the final target groups. See Annex 7.8 for details on the sample projects. There is a significant document shortage in relation to the data necessary to assess reporting compliance by analysed projects. This aspect of implementation management is therefore not possible to be assessed. There are many factors, external and internal, that can cause delays in the execution of activities and hence, the delivery of outputs. Many such factors were observed in the sample projects. On the whole, in all countries, and in all regions, the evaluators have only found minor issues related to implementation efficiency, most of them related to three types of factors:

- Administrative issues and/or difficulties in transposing/conciliating e.g. EU and national financial regulations;
- Budgetary rearrangements (most if not all of the times with no change in overall budget implications) to better fit implementation needs and evolving implementation landscape;
- (to a minor extent) Need to extend project duration (most if not all of the times with no budgetary implications) due to e.g. problems in finding the right expertise at the appropriate time or less institutional/absorption capacity at the beneficiaries' level.

Despite this, the evaluators are satisfied with the efficiency of project implementation. Where problems occurred, the contractor and the beneficiary were able to jointly find solutions.

EQ05: How well did national projects mutually, and national and multi-country projects aimed at enhancing PSD/Competitiveness interact to reach the EU policy objectives?
Judgment criterion 5.1 *– Individual project experts have regular contact with their peers in other projects.*
This judgment criterion is informed first and foremost by interviews with staff of "live" projects. Lacking this (because the project is completed, or staff was not available) the project progress reports were used as sources. However, such reports may mention interaction, but as a habit do not enter into details on frequency and depth. For this reason, the evaluators have decided for a general description rather than entering into project details. At the regional level, inter-projects interaction at professional level seems to exist when integrating project's methodological approach. Within the projects being analysed, this is the case of those projects dealing with e.g. intermediation, networking, enhancing business environment and promotion of MSMEs in line with EU best practices. The two projects focussed on providing financial instruments and correlated technical assistance do not report significant exchanges. No data was found in relation to significant inter-projects interaction at the beneficiaries' level. There is, as it would be expected, a good level of interaction between the two TDMEP projects in Egypt. Synergies with other projects (e.g. EU TVET projects on HRD, Twinning projects on Standardisation, UNIDO projects on Green Economy, EU "Support on Implementation of Strategy to Foster MSME development in Egypt", EBRD "SMEs financing schedule") are identified but no "procedure" for experts cooperation is put in place. At the beneficiaries' level, the works of TDMEP's Project Steering Committee contribute to an effective interaction between the main beneficiary, MIT, and other relevant central institutions involved in the project, such as ERRADA (Egyptian Regulatory Reform and Development Activity), GoIEC (General Organisation for Exports and Imports Control), etc. No evidence exists of inter-project cooperation at the either experts or beneficiaries level in the two other projects in Egypt. In more general terms, the Development Partners Group (DPG) has 15-20 members, and its purpose is mainly to exchange information. Members co-share information without a clear system. Synergy is created, not so much at

direct DPG level but rather in bilateral, informal meetings. At the DPG level, coordination among donors is ensured, in the sense that here strategic discussions are carried out on directions of interventions. For instance, value chain selection, geographical coverage of interventions (more in the sense of avoiding overlap: if one donor is active in one region, other donors will implement programmes/projects in other regions). Meetings are organised every 2 months. Some ad-hoc meetings are organised to ensure coordination at project level, if needed. All donors participate in the meetings: GiZ and German Foreign Office, ILO, UNIDO, UN Women, KfW, Italy, France, EU. The biggest players are the USAID, EU, GiZ. UNIDO is among the smaller players. While USAID has been a partner with MIT, UNIDO is more closely involved with the Social Funds. The matrix for donors' coordination is still used, although it is not a public document (as it was in 2009). Coordination was necessary but synergy is difficult to ensure in any way because after 2014, large amounts of money needed to be spent (because money was previously blocked). USAID focuses its efforts on entrepreneurship, as well as the EUD. A common platform where real coordination is realised should exist, as there are plenty of resources on the market. Political dialogue is weak. Egypt is not a "classical" country and each donor has its interest. In Algeria, DIVECO I reports exchanges with e.g. interventions from other EU members states in relation to the specific sectors/value chains and regions targeted by the project, with Twinning projects being mentioned in this respect. Intentions in the P3A III (ALGEX) twinning project are apparent in the sense of establishing linkages with UNIDO's programme, launched on February 2012, to gather the most performing agro-food industries and support their internationalisation; Intentions of collaboration were also expressed in relation to IGAO and EU's Enterprise Europe Network (EEN). There are, however, no clear signs that these intentions had been materialised at the dates of producing the available reports. ALGEX was supported mainly by France (AFP/Expertise France) prior to the twinning, and Spain, under TAIEX (but this instrument is not too suitable for ALGEX due to the short missions possible – its main advantage is the dissemination of EU practices). In the case of PME II (multiple contracts), interactions were ensured with e.g. P3A and DIVECO. These included technical meetings and ensured proper definition of respective missions, assignments and actions. It was in one case mentioned that this participation was effectively articulated with/complemented by further work supported by GiZ and together the tools developed are very useful for Algerian companies. Before the EU projects (PME I & II), GiZ worked with the beneficiaries of metrology labs and this improved the corresponding landscape. EU policy objectives are clearly formulated in many policy and strategic documents; yet, it became clear that project teams had difficulty recognising policy objectives that are not directly connected with the project they are implementing. It happens that project implementation teams are many times absorbed by their own day-to-day priorities and concerns and do not invest sufficient time and effort in cross-fertilising and mutually leveraging project activities, results and effects, even if programming documents tend to always mention such interest and list other interventions (including from other donors) with which linkages should be nurtured and explored. As a general conclusion, inter-project interactions are rather linked to projects' methodological approaches and/or management & monitoring processes, while there is no evidence suggesting that they stem naturally from the projects' actions and stakeholders'/beneficiaries' participation.

Judgment criterion 5.2 *– Beneficiaries have established project-related working relations with beneficiaries of other projects.*
Judgment criterion 5.3 *– Beneficiaries succeed in capitalising on synergies between national and multi-country programmes.*

These two judgment criteria were combined after the analysis of the outcomes of document study and field visits. The Institutions Survey shows that interaction and/or establishment of working relations with other PSD project(s) and/or respective beneficiaries was high among respondents. In the ENI South region, around 75% of the responding institutions declare some kind of working relationship with other projects in the field of PSD/Competitiveness. Institutions in the ENI South region claim "exchange of contacts" as the most important reason for collaboration, while the less intensive type of interaction (excepting "other") is "co-funding actions". The desk and field research did not yield any evidence regarding interactions among project or programme beneficiaries. Meetings held during field visits gave the impression that insofar regional projects are present in the countries, the EUD provides information regarding these programmes and their activities. In a few cases, information meetings are organised by national institutions like the Ministry of Economy, the Ministry of Industry, etc. These meetings offer examples of possible contributions to regional projects and relevant national institutions endeavoured to spread the word. It was argued that the added value of regional programmes is the creation of relations between enterprises and institutions – without the regional programmes the contacts would not be maintained. Hence, contribution to regional integration is ensured. In relation to the overall needs in the region, the budget of these projects is however weak and thus their attractiveness in terms of direct benefits is generally perceived as low by local stakeholders.

EQ06: How can programming of support to SMEs projects be improved to achieve strategic objectives more effectively and efficiently?

Judgment criterion 6.1 *– Degree of programme adequacy to effectively and efficiently achieve strategic objectives.*

Egypt

In the case of Egypt, abundant evidence exists in the documents analysed on the regular dialogue between Egypt and the EU, including on PSD. This has been carried out at national level or at regional level, e.g. in different subcommittees of and within the framework of the Euro-Mediterranean Charter for Enterprises. Consultations on the NIP 2011-2013 had been held at an early stage (beginning with February 2009) with the Government, civil society, other donors and EU Member States to maximise potential for coordination and harmonisation of efforts. Dialogue and co-operation between the two parts has been stimulated also by preparatory work for a new EU-Egypt Action Plan, still to be developed and adopted. The work of the EU-Egypt Task force which was met in 2012 was an important milestone in this context. Particularly on business environment, the EU Delegation in Cairo, jointly with EU MS Embassies and Agencies, has been in regular dialogue with relevant government authorities, local think tanks and business associations on issues relevant to business and investment climate. Donors are involved in this process and their co-ordination is led by the DPG sub-group on Micro, Small and Medium-sized Enterprises development, chaired by the German Embassy and United Stated Agency for International Development (USAID); the EUD is an active member of the group.

Algeria

In Algeria, the National Indicative Programme 2011-2013 states that “the lessons of past cooperation (…) remain entirely valid, in particular (i) the emphasis put on the interventions that meet the needs expressed by the Algerian partners (ownership), (ii) the avoidance of over sizing of operations, (iii) the consideration of sector support in the interest of aid effectiveness and (iv) the adequacy of assistance to SMEs/SMIs.” A progressive evolution from a project-centred to a sector programming approach is mentioned as being desired by both the EU and the Algerian Authorities, as this would allow for more efficient and effective management and improve sustainability (through e.g. higher degree of ownership). In general terms, the analysed projects were designed with incorporation of lessons learned from previous experiences and/or give continuity to previous issues of EU-funded projects in the same/complementary fields. Also, there are signs of alignment with relevant strategic National documents. Policy dialogue and donors’ exchanges, whilst sometimes mentioned, do not appear though as clear elements of project design process, at least as institutionalised tools and processes. In relation to PME II, one remark made during field meetings may punctually downgrade the general statement made above, as it was referred that the connection between PME I and II was weak, the latter not having sufficiently capitalised on the former. It was noted during field meetings that for Algeria it was difficult to make the transition between Meda and Neighbourhood policies, as the country is reluctant to embrace changes and these tend to be frequent and significant in the EU context. When EU changes are eventually adopted by Algeria, everything changes again. In the PME II case, the CAP-PME team mentioned that CAP-PME (a National Programme funded with the cost-sharing funds paid by the PME II beneficiaries to deepen and widen its benefits) follows the best practice approach of deciding activities to be implemented based on a thorough needs analysis (the latter being the first activity under the programme).

ENI SOUTH Regional

In the case of the regional projects, two main cases may be identified:

- The two NIF-funded projects (SANAD and Preparation Framework to fast-start EBRD support to the region), programming stems from the NIF framework and precedent programming elements, such as a feasibility study carried out by the German Federal Ministry for Economic Cooperation and Development (BMZ) in the case of SANAD and long-lasting successful experience (thus learning from experience) by the EBRD in the specific fields of action of the programme in multiple other countries in the second case. Policy dialogue is clear in the EBRD’s case (the project comes as a direct response to the requests made by the European Commission, the EEAS and the EU Council in March 2011, as well as by the G8 at the Deauville summit in May 2011) and may be supposed, as well as learning from previous experience, in the case of SANAD.
- The three other projects (EuroMed Invest, Euro-Med TIFM and EBESM), which programming builds on previous initiatives (EuroMed Invest) or on signed or initialled Association Agreements with most of EU’s ENI South countries (Euro-Med TIFM), or follows the assessment to support necessary reforms in SMEs policy development in the MED region based on the Small Business Act for Europe (SBA), in the EBESM case. Policy dialogue, as well as inter-institutional co-operation, are relevant programming elements in all three projects.

IN SUMMARY

The evaluators observe an evolution in EU support from a project-based approach to a sector-based approach. ENI countries accept the sector approach since it is their pathway towards budget support. The point the evaluators wish to make is that the EU has not yet succeeded in fully clarifying the advantages of a sector-based approach to the beneficiary countries. Ownership of the concept is lacking; most beneficiary countries regard it as an obligation imposed by the EU. On the other hand, there are several cross-cutting fields, such as e.g. innovation, technological development, financial management (to which investment readiness may be linked), internationalisation (exports but not only) capabilities and strategic management, which are not necessarily best addressed under a pure sector-based programming strategy. An intelligently mixed approach might in many cases induce increased ownership and higher returns in terms of effects, impacts and ultimate sustainability potential. It is widely thought that the sector approach presents a powerful opportunity for mainstreaming a number of cross cutting issues. When the dialogue starts from the design of a sector strategy, it is possible to mainstream them to the policy framework, reform results targets, action plans, M/E systems. Regional, inter-regional (ENI-wide) and national programmes appear to be largely isolated, stand-alone (ad)ventures. The evaluation has shown that at least in the PSD/Competitiveness sector, they do not negatively affect one another, but synergies are rare, at least as far as mutual leveraging effects are concerned. The best element of regional programmes consists of its financial instruments. Thanks to the scale of operations, they manage to attract the necessary public and private capital to finance large investments, not only in infrastructure but also – many times through local banks or other regional/local players – in the private sector. The general opinion registered during field work is that initiatives such as regional entrepreneurial learning, regional policy development, regional councils, joint policy development, etc. do not succeed in fostering ownership at the national beneficiary level. There remain initiatives that do benefit from a regional approach; the earlier mentioned financial instruments are good examples.

EQ07: What was the most efficient approach in the various projects? And why was it better? How was the programming different vis-à-vis the other projects?

Judgment criterion 7.1 *– Timeliness and quality of outputs and results.*

The answers to evaluation question 04 provide insight in the timeliness and quality of outputs and do not require repetition here. In order to achieve results, however, active involvement of beneficiaries is required. For instance, delivery of a strategy by a project means little if it is not adopted and implemented by the beneficiary country; provision of training courses may be a good project output, but the implementation of the new knowledge is the real result. An analysis of results is given under EQ08 and EQ09 below, and equally does not require repetitionrsal here. The paragraphs below attempt to reveal the underlying causes of success and failure. The institutions survey shows that in terms of timeliness of delivery, the average appreciation by respondents is slightly less positive, with the majority of responses falling in the “reasonable” category. As it happens with effectiveness, there is a slightly higher score for multi-country/regional projects. Information on the sample projects can be found in Annex 7.8. As an overall conclusion, most of the analysed projects that had reached good execution level for being assessed succeeded, or are likely to succeed, in delivering quality outputs and results on time and within budgetary limits in most cases, with some minor and rather punctual exceptions. Regional projects seem stronger in terms of programming robustness, and almost similarly in the Algerian case, whilst no sufficient information exists to classify the Egyptian projects. It was noted during field meetings in Algeria that project effectiveness does not so much depend on the type or size of projects (e.g. large vs. small TA contracts) but rather on the quality of the experts involved. Algeria is not attractive for quality experts due to e.g. the unfavourable ratio between fees being practiced and perception of security risk (and language constraints further limit the options) but some measures should be taken to ensure the right expertise is made available to the clients. The most important factors related to design and implementation that are at the basis of successful performance cross all countries and regions and are:

- Clear design and intervention logic, including “S.M.A.R.T.” character of the indicators set in the Logical Framework (when it exists). This may in some cases be due to insufficient capacity from national/sector Monitoring & Evaluation systems to provide relevant information, in which cases further investing in setting up and sustaining such systems, as a matter of priority, would allow the emergence of more evidence based policy making and monitoring of results;
- Robust (and properly codified) management & monitoring processes;
- Strong capacity to induce ownership (including participatory approaches);
- Capacity to deliver tangible effects with perceived value for beneficiaries;
- Quality of the implementation teams;
- Capacity to adapt to changing realities.

Those programmes and projects involving mostly financial tools/facilities, particularly when mixed with targeted technical assistance (which is highly valued by beneficiaries and is the case of several interventions of blending nature, are among those showing the most efficient approaches in terms of both efficiency and effectiveness. In relation to more classical technical assistance projects, the level of attainment of the factors listed above depends to a large extent on the quality and professionalism of the teams involved (at design/formulation, implementation, monitoring and evaluation phases), this from all stakeholders, and the rigour and transparency (meaning actual visibility and accountability) imposed on the processes inherent to all the different stages of the project cycle. The more exposed (to outside, even public scrutiny) one is, the better one will perform.

4.3.3 Effectiveness

EQ08: To what extent has EU assistance contributed to tangible improvements in the business environment?

Judgment criterion 8.1 *– Expected results as stated in project designs, related to aspects of the business environment, are realised or likely to be realised.*

Methodological note:

In line with the established methodology (embodied in the evaluation matrix), the evaluation has looked at a few significant features making up the business environment, namely (1) entrepreneurial learning opportunities including women entrepreneurship, (2) regulatory and institutional framework for SME policy making, (3) availability of support services for SMEs, (4) existence of innovation support to SMEs and (5) green economy: availability of services to promote eco-innovation and eco-efficiency among SMEs. These are all dimensions of the SBA.

The survey among SMEs shows that 69% of the companies that have responded experienced an increase in entrepreneurial learning opportunities between 2010 and 2015, induced by the use of any kind of funding source. Furthermore, although the differences between size groups are not large, micro enterprises appear to benefit more from this kind of donor support than small, medium-sized and large ones. The EU is perceived by the respondents as the most effective funding source for entrepreneurial learning, both in general and in relation specifically to women. It is interesting that funding from national budgets is reported to be the second most important source; other donor funding obviously plays a limited role. Of the enterprises who responded to the survey, 27% confirm that they have engaged in some kind of environmentally friendly and/or energy efficiency actions as a result (or by-product) of external funding. For those who did so, the EU is reported decisively as the main source of funding. It must be taken into account that at least 25% of the invested efforts relate to energy efficiency, which is not in itself part of the PSD/Competitiveness sector. The institutions survey carried out under this evaluation indicates that considerable growth has occurred in the number of jobs in business support organisations. Having all project documentation available, from design to final report, it is relatively easy to assess whether concrete projects have in any way contributed to a better business environment in the areas defined above. Yet, this merely provides qualitative and, where existing, quantitative information in relation to effects of single projects, which cannot be extrapolated to the country or regional level. And, given the scope and the size of most projects, respective impacts in tangible national or, even less so, regional terms, are difficult, or even impossible, to estimate. Details on the sample projects are provided in Annex 7.8. From a logical perspective and based also on findings in relation to previous EQs, conjunction of a number of factors, such as:

- Positive alignment of EU PSD/Competitiveness support with national/regional policy priorities/strategies,
- Also, positive alignment of the above with the EU Small Business Act,
- General positive assessment of effectiveness in projects and programmes reaching established objectives, at least in terms of physical realisation,

point to likelihood of expected results as stated in project designs, related to aspects of the business environment, being, or having been realised to a good extent.

Judgment criterion 8.2 *– Expected results as stated in project designs in the IPA area, directly related to the adoption and implementation of the acquis, are realised or likely to be realised.*

Not applicable for this region.

4.3.4 Impact

EQ09: To what extent has EU assistance contributed to tangible improvements in access to services and in performance of supported companies?

Judgment criterion 9.1 *– Expected results as stated in project designs, directly related to access to services, are realised or likely to be realised.*

Access to services endeavours to measure (1) number of SMEs having gained access to finance as a result of EU-funded projects; (2) number of SMEs having obtained non-financial (soft) support as a result of EU-funded projects; (3) number of SMEs having received assistance from business support organisations as a result of EU-funded projects; and (4) number of SMEs having joined a cluster as a result of EU-funded projects.

In the SME survey, almost 3 out of 4 (77%) responding enterprises declared that they received support from the EU, while only 2 out of 5 declared that they benefitted from funding from another donor. Furthermore, there is a positive correlation in receiving national funds with using the EU funds. Both factors together highlight the relevance and the visibility for SMEs of EU funding to Private Sector Development and Competitiveness. Non-financial support benefitted ca. 100 enterprises, against less than 80 for hard support. EU funding was the major source for non-financial support, whilst distribution is more balanced where access to finance is concerned. National (budgetary) funding was pervasive in the case of loan guarantees while other donors were more present in equity capital. It must be noted that this corresponds to the perceptions of the respondents, whilst reality may be different. For instance, what is perceived as a national budgetary source may in fact correspond to a state-managed fund financially supported by the EU and/or other donors. In addition, more than one donor (including the EU) may be involved in e.g. equity funds made available to SMEs in the relevant markets. About 2/3 of the respondents confirm having received support from BSOs during the period 2010-2015. In terms of percentage, the highest rate is observed in micro, followed by medium-sized enterprises. Large enterprises are those showing the smallest percentage. In terms of support origin, the EU comes in first, however in the case of micro enterprises the differences among the 3 sources are minimal (with the reserve, made already, that national funding may hide donor origin of the funds used). The survey also shows some positive linkage between age of the company and the percentage of BSO support. This may point at the existence of a learning path, or a maturity level to reach, by SMEs for better benefitting from BSOs' support. Participation in clusters as result of funding was made by more than 25% of the responding enterprises. EU and national funding are clearly the most effective sources of funding for this, with other donors not even being reported in the case of large companies. Medium-sized and micro enterprises are those reporting higher levels of participation. In general terms, the EU is clearly perceived as the major source of non-financial support to SME development, and not so much so in relation to financial support to SMEs. As was already noted in relation to previous EQs, projects tend in general to deliver, in physical terms, what they promise. It may therefore be concluded that those projects aiming at contributing to achieving improvements in either access to services and/or performance of direct or indirectly supported SMEs have indeed done so. It is however very difficult to measure how these improvements do contribute to better performance by MSMEs. It was already noted that the intrinsic quality of the indicators in the upper layers of the log-frames, if they exist at all (see section on Relevance), does not often allow to reliably (i.e. where causal effect may be properly determined) and timely measure such end-user effects. And, in fact, many of the sampled projects having been completed or gone through sufficient implementation time, fail to be able to provide hard facts to demonstrate tangible achievements (other than the physical realisation of what had been planned). In addition, sustainability of many of the results generated may also be questioned (see section on Sustainability), as many of the service provision instruments/institutions are project-driven and tend to fade over time in quality and quantity. The latter has several causes, of which institutional/Human Resources weaknesses and/or lack of financial sustainability beyond the period of external funding emerge as the most frequent. All the above leads to a summary conclusion that, whilst expected results directly related to access to services, as stated in project designs, are most of the times indeed realised or likely to be realised, their sustained usefulness to the general universe of the MSMEs in the ENI South region is less certain.

Judgment criterion 9.2 *– Expected results as stated in project designs, directly related to SME performance, are realised or likely to be realised.*

The performance of SMEs can be measured in many ways; for this evaluation, the main indicators selected were the numbers of SMEs showing, as a result of EU funded projects, (a) growth in turnover and/or (b) growth in international trade and/or (c) growth in jobs.

The SME survey shows a linear relationship between the companies' sizes and the effectiveness of funding to support growth in turnover. This may be due to a combination of converging factors, for instance capacity to put in practice more effective growth strategies and the likelihood that funding specifically aiming at growth preferably targets larger companies. This tendency is especially visible in IFI-led interventions, with the exception of those few specifically supporting microfinance. Those companies that did experience growth thanks to external funding, financial support from national budgets (which, as noted before, may sometimes have been misperceived) seems to have been the most effective source, followed by EU funding. Since, however, the above mentioned IFI-led interventions are often part of EU-funded blending instruments, it may be concluded that funding initiated by the EU is the strongest among the external sources leading to growth in turnover. The survey also shows that the EU is the most effective and efficient source of funding in support of internationalisation of enterprises. Successful enterprises in terms of growth in international trade in majority attribute their success to concrete EU support, while help from other donors is reported to be less effective and/or efficient. A vast majority of the respondents reported growth in jobs in the period 2010-2015, as a result of external assistance. No clear information was obtained on the sources of funding that precipitated this growth. Men scored higher (90% of respondents) than women (70%) although the latter result is also significant. The question was asked whether respondents were aware of growth in jobs in their value chains and the response was tentative. Job increases were assumed but it must be taken into account that respondents apply a level of caution in estimating behaviours of wider groups, for which information may naturally be less accurate. In fact, for both value chains and sectors it is very likely that answers are based on perceptions rather than on hard data. Only two types of projects have the potential to truly change business performance: the ones that provide dedicated business advice (such as BAS, EGP) and those that provide business finance. They have the advantage that they allow for measuring of indicators of business performance over time, since the project implementer has a relatively long-term professional relationship with each company assisted. More details on the sample projects can be found in Annex 7.8.

IN SUMMARY
Comments similar to those made in relation to the previous judgment criterion also apply in this case, in respect to the quality and reliability of the indicators used to measure impacts and sustainability. Some projects (e.g. EBRD's TAM/BAS/EGP) provide clear data on performance improvement in SMEs having directly benefitted from projects' actions. This, being important, does not necessarily mean that a clear and incontestable causal linkage may be established between the actions of any given project and the variation in the performance of respective beneficiary SMEs. Again, in the case of EBRD, some indicators relate to data to be collected one year after completion of relevant intervention (which collection is, again, standard practice by within EBRD's SBS), however, the extent to which such important information may feed overall EU aid's performance analysis and evaluation is unclear. And in some cases, being reported, such information either does not integrate divulged monitoring data on the result indicators, or is still under preparation. Other projects only provide some vague, partial and/or physical realisation-related indicators, which do not allow to assess respective performance in relation to impacts generated under this judgment criterion. The evaluators were informed that there are efforts underway to respond to these challenges. The indicators used now in the sector can help assess/track performances. Moreover, in the last 5 years ESTAT has developed and provided a number of indicators which track PSD/Competitiveness at country level (ENI and IPA regions). More Data/Baselines are becoming available year by year. One important element of judgment complementing the above considerations comes from the SME Survey, where about 1/3 of the respondent enterprises reported an increase in their annual turnovers as a result of EU support. An interesting element – which would deserve particular attention – is that the answers received show a positive linear correlation between size and changes of annual turnover in the direction of increase, which means that the positive impact of EU support in this particular dimension is smaller for those beneficiaries most in need of support, and this in turn allows to question issues such as ownership, absorption capacity of smallest enterprises and, which may be even more challenging, how EU-funded interventions are actually able to reach out to the smaller layers of the MSME landscape.

EQ10: To what extent was the assistance to innovative SMEs effective in achieving the desired results, namely on environmentally better products manufacturing, green technologies, energy-efficient building materials, energy and environment labelling products and services, intelligent heating and cooling systems and eco-friendly products? And what possibly hampered its achievement?

Judgment criterion 10.1 *– Introduction of environmentally friendly (green) technologies since 2010.*
Judgment criterion 10.2 *– Evidence of problems with introduction of environmentally friendly technologies and products.*

This EQ is clearly connected to EQ08 (judgment criterion 8.1). The SME survey shows a rate of 27% in implementation of any kind of environmentally friendly and/or energy-efficiency actions, which on first sight is rather positive. Reference is made to the relevant table in section 3.3.2 of Annex 7.5, where the scores are shown for the various environmentally friendly actions listed in EQ 10. It shows a positive rate of only 4% to 7%, (thus in the vicinity of 1/4 of those having taken such actions), depending on the environmental action listed. EU (financial) assistance does not play a decisive role as compared to other funding sources. Most if not all the projects analysed, at both regional and national levels, do not focus specifically on environmentally better products manufacturing, green technologies, energy-efficient building materials, energy and environment labelling products and services, intelligent heating or cooling systems and eco-friendly products. It was thus not possible to evaluate these projects in relation to any of the judgment criteria under this EQ. In terms of related context and in relation to Egypt, field interviews allowed highlighting the following environment-related points:

- The energy market is functioning almost at normal levels.

- Funds are available (GiZ, EBRD, EIB also expected) but developments are in their inception phase. 15,000 certificates are issued for enterprises in the industry sector but they still need to learn to apply all norms.
- The ministry does not have capacity in this area, although some measures/legislations have been passed.
- Energy efficiency is not addressed at this moment, possibly this will happen in the future.
- GiZ has not noticed a change in the demand of SMEs in this area, they still need to be made aware of what energy efficiency means.
- There are institutions in charge with this topic, but no coherent framework exists at this point in this area.
- The Regional Programmes tried to create a platform/an advocacy group but there is low demand for such topics. The energy subsidies are still high and this topic is considered a luxury.

There is little to report on these environmental issues, since – especially in the sample projects – evidence does not exist. It may be wise to first include these topics in concrete projects, and develop a system of monitoring and reporting that meets the requirements of the Commission. From the sample programmes/projects analysed by the team, not many did focus on green entrepreneurship. In terms of related technology adoption, the rates are rather low. It may be concluded that the introduction of green products and production methods has not played a major role in the EU programmes in the relevant period, and at the same time is not perceived as a priority need by entrepreneurs. This is not illogical, since the economic situation in many of the countries scrutinised forces businesses to primarily look at methods of survival. Although a complete picture does not exist, it appears that the majority of donor-financed actions were either of soft nature or did not “force” significant structural changes in business practice.

EQ11: Are both genders equally affected by EU assistance to the PSD/Competitiveness sector? If not, why? If so, was this due to a specific element in programming or implementation?

Judgment criterion 11.1 *– Degree of gender equality/balance in projects design and implementation.*

While gender equality is referenced in the SME programme it cannot be found in more recent strategic national documents central to the competitiveness agenda. There is a standard paragraph in many of the programme fiches for gender equality but no data can be retrieved concerning real implementation to allow for a sustained generalised judgment in this respect. The most that may be said is that all evidence gathered points in the direction of projects’ real gender neutrality and that no relevant gender-related concerns are reported (i.e. no negative situations were either found in documents or mentioned in interviews), which, being positive and albeit mentions are made in (some) programming documents, does not correspond to a proactive character of EU PSD/Competitiveness policy in relation to promotion of gender balance. It is interesting to see that, while in many cases rather strict stipulations regarding gender equality are included in project fiches or action documents, these stipulations often cannot be found in terms of reference. This may be one of the reasons why contractors are not explicit on the implementation of gender equality measures. The detailed information on sample projects in Annex 7.7. shows that It is not possible to evaluate the analysed projects in relation to gender balance, other than in the sense that no relevant gender-related concerns are reported in any case. This is a positive factor, but by omission only.

4.3.5 Sustainability

EQ12: To what extent are the outcomes of the EU assistance likely to continue producing effects after the end of EU funding?

Judgment criterion 12.1 *– Sustainability of key project effects.*

In order to answer this evaluation question, the focus of the analysis rests on “effects” and their sustainability, as opposed to projects themselves and their possible continuation beyond closure, e.g. through subsequent EU/donor financing. Effects are defined as the combination of results and outputs. They have been extensively dealt with under EQs 04, 08, 09 and 10 and will not be repeated here. Each individual project has been studied to gauge the likelihood of sustainability. For the analysis, the completed projects or activities in our sample were the most relevant, as these presented outcomes (as explained under EQs 04, 08, 09 and 10) and their effects could be observed in time. Different types of projects led to different types of outcomes and effects, mostly intangible: (1) enhanced capacity of different stakeholders (individuals and institutions) at macro, meso and micro level, (2) improved business environment, (3) development of enterprises themselves (measured, in many cases through indicators such as turnover and number of jobs created and maintained), (4) improved strategic framework including through strengthening the policy-making research & evidence-base (to a more limited extent). Details on sample projects are given in Annex 7.8. All projects analysed address the issue of sustainability, but in varying degrees. In most cases the projects’ initial documents contain generic requests and commitments towards ensuring sustainability but concrete measures for this purpose are developed (if the case) in the last months of the project implementation. Preparing comprehensive exit strategies, by key stakeholders in partnership, is a good practice, but this has been the case only for a handful of projects (e.g. in Algeria). In terms of capacity building, a distinction should be made between the institutional and the individual level, which are, obviously, interrelated. The sustainability of effects of newly created institutions depends in most cases of further donors' involvement which allow them to continue their activities, even on a non-systematic basis. Overall, the institutions capacitated in the projects analysed (new or older) are confronted with threats to sustainability derived from lack of financial resources for their maintenance or development and from lack of decision-makers' involvement. For some of them the same cooperation with donors/EU guarantee their sustainability (e.g. ERRADA in Egypt) as the cases in which they are involved in replicated governmental programmes identified in this evaluation are scarce. In countries such as Egypt, where a favourable political context is not in place, or Algeria, the pace of the decision making process is still slow due to inherent complexity of the reforms undertaken and thus institutions do not reach their full effectiveness and sustainability potential (e.g. ANDPME, ALGEX and ALGERAC in Algeria). The analysis revealed that an element with strong potential to contribute to sustainability of project effects in the capacity development area is the development and retention of individuals capable of effectively furthering the activities of the institutions. This has been evident in most projects analysed. Particular attention should be paid to this element in countries where this capacity building process is under implementation, e.g. Ministry of Trade and Industry in Egypt. A contribution in this area is brought by the tools developed in different projects (e.g. databases/management systems, training kits), which continue to be used beyond the lifetime of the project and thus continue to support institutions to book results. Not the same can be said about different schemes targeting SMEs directly or through intermediary institutions (e.g. in Algeria), as these have been rarely replicated by the government with national funds. The landscape of legislation and strategies as outcomes of projects with positive effects on business environment is mixed. Differences exist also at national level and this hampers the identification of clear causal factors which determine this situation. One key factor is the political perspective on the importance of a particular area (e.g. export in Algeria) but also the demand (not the need) for a particular legislative framework. Notable examples of sustainability and potential for further effects determined by the adoption of strategies and laws prepared under the EU-funded projects analysed are the TDMEP programme in Egypt, which proposed three strategies to the government, all of them in the process of being consulted and adopted. At the opposite end, in Algeria sustainability of PME II and the leveraging/multiplication of its effects will be very much linked to the quality and the intensity of appropriation of results within the National Development Programme (Programme National de Mise à Niveau, PNMàN) and the institutional strength of the National Agency for SME Development (ANDPME). Although relatively easily quantifiable, effects on SMEs supported beyond projects are the least documented. No case was identified in which SMEs benefiting from support were monitored beyond the lifetime of the contractual relationship with the financer (i.e. at least one year after conclusion of the support), with the exception of CAP-PME in Algeria, which is a flexible tool for leveraging and monitoring the impact of completed deliverables of two major SME support programmes (PME I and PME II), intelligently using co-payments made by beneficiary SMEs during those projects as funding, in Algeria and the EBRD evaluations of TAM/BAS/SBS. However, qualitative evidences prove that many SMEs do develop in technical and economic terms and continue with the wider approach adopted as a result of the BS services they benefited from. Both SMEs and consultants gain ownership under different schemes in medium and in the long run the demand for SBSs increases. The capacity of regional programmes to have effects beyond their closure depends on the type of activities carried out and, particularly, on the link with the national governments and their ownership on activities and results, which in turn influences their replication at national level. As revealed by the fieldwork, this linkage is not sufficiently strong for a cross-fertilisation between the two types of programmes to take place. Regional programmes deploying financial instruments targeting MSMEs and, in some cases, providing complementary technical assistance (such as SANAD, the EBRD projects) are in themselves sustainable as revolving funds and sustain a high likelihood of key project effects lasting and leveraging/multiplying at mid- and long-term. Other regional programmes tend to face financial sustainability challenges and developing an exit strategy in such cases is advisable. The key threats to sustainability identified refer to the lack of political support and of adequate financing, but also to the lack of a sustainability monitoring system at project and programme level, to be put in place already in the design phase and deployed during and after the project implementation. This might consist of a set of provisions (indicators, monitoring methods and tools, for instance an observatory, for which the key beneficiary parties (particularly when of public or associative nature) would be made accountable, and which data would be made publicly accessible. Sustained funding of these provisions would need to be addressed in the project/programme design and budgeting documents. Such a system would allow the development of an adequate/customised definition of sustainability from the outset and of the necessary measures to be taken, at all levels (EU, national government, beneficiary) to ensure it when the project is completed. One of these measures would be the establishment of a stronger link between project sustainability and negotiations for the EU membership (where the case) or further funds approved.

Judgment criterion 12.2 *– Leveraging/multiplication power of key project effects.*
Effects – if any – are described under criterion 12.1 above and will not be repeated here. Each individual project has been studied to gauge the presence and power of leveraging and multiplication. For the purpose of this analysis we use, as an "operational" definition, the following concept of "leverage", which contains "multiplication": "The ability to influence the project context, in a way that its outcomes are multiplied without a corresponding increase in the consumption of resources." In financial terms "leverage" may refer to supplementary funds set in motion by a particular intervention (e.g. private co-financing a public instrument applied to SMEs). The findings in this section will add aspects particularly relevant for this judgement criteria to the comments made in relation to previous judgment criterion on sustainability, as sustainability is itself an enabler (a necessary, albeit not sufficient condition) for leveraging/multiplication of project effects. In relation to the sampled regional projects, leveraging/multiplication potential is linked to either the financial nature of the respective instruments (which is complemented by technical assistance) or, for the classic TA projects, the structural nature of the effects generated, their demonstration capacity and respective appropriation by beneficiaries, particularly in those cases where market dynamics may be generated. At the national level, in both Egypt and Algeria, human capacities and institutional strength (where twinning may play a role) are the main leveraging-enabling factors to be considered. In the particular case of Algeria's PME II (3 contracts), respective effects will be very much linked to the quality and the intensity of appropriation of results within the National Development Programme (Programme National de Mise à Niveau, PNMàN) and the institutional strength of the National Agency for SME Development (ANDPME) to guarantee appropriate push and momentum for effectively spreading the effects. Several projects analysed have either multiplied their effects or the necessary preconditions are in place for them to do so in the future. The leveraging potential is directly conditioned by the sustainability of effects in itself. National projects targeting SMEs supported either with grants or business support services are rarely multiplied but the latter have a higher multiplication effect through the further funds which are often raised. At regional level, such financial projects have a clear leveraging effect. The extent to which projects with intangible results manage to multiply their effects (e.g. to reach more enterprises in different areas IPR, e-business, overall development) depends in most cases from the willingness and capacity of the national government and involved institutions to focus and take measures for this purpose. Particularly important is for the government to develop a strategic approach in the different areas analysed (from regional development to IPR, innovation, SMEs support, trade, etc.), which takes into consideration the projects' results and lessons learned, and to implement this strategy in a result-oriented manner, in partnership with the relevant institutions and other stakeholders. In some cases, the leveraging of a project effect is ensured through a follow-up intervention, although this might not be the most effective approach, as it would risk making leveraging dependent on additional funding and thus not sufficiently self-sustained.

EQ13: How can programming of EU assistance be enhanced to improve the impact and sustainability of financial assistance?
Judgment criterion 13.1 *– Lessons learnt on sustainability success and failure factors.*
In general terms, at both regional and national levels, some factors emerge as key to improve impact and sustainability of Donors' assistance. These are:

- Simple and clear intervention logic;
- Adequate design;
- Quality of implementation strategy;
- Structural nature of project effects;
- Actions leading to increase ownership by key local/regional stakeholders and beneficiaries.

In relation to the regional projects being analysed, and as it happens in relation to other EQs, the nature of the SANAD and EBRD projects, where deployment of financial instruments targeting MSMEs (through intermediary FIs) and providing complementary technical assistance (to both intermediaries and, in some cases, SMEs and other actors in the MSME competitiveness environment, determines in itself the factors to enhance impact and sustainability. These are linked, first and foremost, to the requirement of financial return to the financial instruments being deployed. Instrumental to this are e.g. adequate design, with high level of alignment with field demand, and good governance model, and the solid experience of the main project actors in carrying out this kind of activities. The EBRD, for instance, is now solidly established in its 4 countries of operation in the region, which provides local institutional strength and high degrees of proximity with key local players, at institutional, financial and business levels. Another factor leading to higher impact and sustainability (which may be verified in the EuroMed TIFM case), is the project's capacity to generate outcomes capable of inducing value-added effects it will potentially induce on beneficiary SMEs. This means that the project benefits become tangible for the SMEs, which in hand incentivises demand. At the Egyptian national level, there is very scarce information in relation to the 4 projects under scrutiny. Some of the projects have not started yet. It seems anyway that sustainability is sometimes not addressed as a relevant factor in its own right at the concrete Action Planning phase (even if it may be mentioned in e.g. the contract). Another factor that may be noted is that mentioning a number of Institutions to involve in project implementation may not necessarily mean that such players will have the de facto capacity to ensure an appropriate level of involvement. Hence, a better diagnosis of institutional capacities (linking this to institutional strength and ownership levels, mentioned in relation to EQ12), would be recommended. Field interviews allowed however to enumerate a number of factors learnt from projects' implementation experience:

- Common to both TDMEP contracts:
  - The MIT does not have the capacity or the funds to fully push the reform through, as its internal resources, including at the human level, are under-dimensioned for the tasks and responsibilities it implies.
  - Donors usually do not accept equipment as eligible expenditure and the public institutions and private actors must purchase these themselves. TDMEP did this under one component (laboratories, especially in the energy efficiency area) but this is far from sufficient.
  - Inter-ministerial cooperation needs to be enhanced, e.g. with the Ministry of Agriculture or in the field of innovation, where more ministries are involved. Equally important is the cooperation with the governorates. Without this enhanced cooperation and coordination, the value chain approach may not be adopted.
  - In the next TA project financed by the EU, local experts should be involved as well in the implementation. Apparently, this was not possible under TDMEP due to some legal aspects. The involvement of local experts would enhance the supply side of expertise in Egypt.
  - A champion on the field of trade needs to be identified.
  - It would be essential to reach a final decision on the economic model proposed by the strategies in the negotiation phase (to follow), and identify funds for their implementation.
  - The creation of a platform where the public and private actors interact, communicate and agree on policy measures would be useful.
  - Reform of the Ministry of Industry and Trade and its affiliates in the context of an overall process of capacity building: the ministry, its departments and affiliates should have clear tasks, not overlapping, and they should know how to carry out their tasks.
- Points gathered from the interview with the EUD in Cairo:
  - In relation to the need for institutional reform and streamlining of institutions involved and their tasks, TDMEP works with the MIT Central Unit for Regulatory Reform, which is located at Ministry level. ERRADA (or the matter in itself) should be moved up, under the coordination of the government, to have an impact across administration and entire legislative body in Egypt.
  - At this point ERRADA remains an institution funded by donors only, not by the government, which does not want to be in the front-line either. Although the Government does some things with a lot of money, these might not have an impact, and this is not something that may be placed under the control of the donors.
  - However, donors in general ensure that their funds, spent by ERRADA, are spent effectively.
  - Under TDMEP a Regulatory Reform Strategy is designed – hopefully institutional and decision-making arrangements will be clarified.

In Algeria, the DIVECO I project's participatory approaches and exit strategy are contributors to sustainability. The reinforcement of inter-sectorial continuation work is recommended. A well-planned and carefully implemented transfer of competences, skills, materials and tools to key stakeholders for improved ownership also increases sustainability. In the P3A III (ALGEX) Twinning case, quality of the capacity building and adaptation of the intervention logic to the Algerian context and field/institutional reality are the most relevant design factors for the project's impact and sustainability. In relation to PME II (three contracts), a positive point is the care taken by in ensuring transfer of project results to relevant institutions. Weakness of e.g. Algerian professional Associations would require having been better addressed within the design of the initiative (see similar note about institutional capacity in relation to Egypt). Overall, the most important lessons to be learnt at policy level for improving sustainability, impact and their prospects are:

- Generally, ensuring national government and other stakeholders involved, including beneficiaries, ownership of interventions implemented and their outcomes. This translates especially to a strong correlation between EU-projects and national strategies and measures in the sense that the latter are built on or at least take fully into account the former.

- Specifically, ensuring national governments' commitment to measures to be taken in order to guarantee the sustainability of projects outcomes and their effects. This is possible only if such measures are project-specific, identified already in the project/programme development phase and systematically monitored, together with possible risks, during and after project implementation. Efforts at full speed are needed in order to solve the challenge of data availability and quality.
- In all cases a project-specific mechanism needs to be designed for this purpose during the project development phase and an exit strategy should be a part of it. Such a measure would increase the design and logic of intervention of the projects, as well as the quality of its implementation strategy and would, consequently, strengthen their sustainability and impact potential.
- In terms of project design and implementation strategy, it is essential to ensure a better alignment between the different types of contracts provided for (i.e. TA, equipment, works) as incoherent contract implementation (e.g. equipment and TA not timely available) still undermines the projects impact and sustainability.
- This is particularly important for projects registering intangible effects, at both national and regional level, as the financial types of interventions are mostly sustainable in themselves. For the latter, however, a mechanism for monitoring the effects and their sustainability beyond the intervention itself (e.g. loan, BSB) at beneficiary level is sorely needed.
- If regional programmes are not better articulated with the national level (institutions, policies) their prospects for sustainability are rather low. For this purpose, adequate governance systems, including national presence might be needed, e.g. as in the case of EBRD which is currently solidly established in 4 countries of operation in the region, and therefore provides local institutional strength and high degrees of proximity with key local players, at institutional, financial and business levels. Adequate mechanisms should be designed also in the case of this type of projects for monitoring sustainability of effects.
- Increased attention needs to be paid to capacity building at individual level and its capitalisation at institutional level and in time. For this purpose, an adequate evaluation system is needed, e.g. based on Kirkpatrick model3.
- The sustainability of interventions and their effect positively correlates with the ownership of local experts and enterprises on the PSD process and measures and thus their partnership at strategic level and contribution at intervention level needs to be ensured.

EQ14: Is there enough ownership over R&D and innovation activities? If so, how was this managed? If not, why?

Judgment criterion 14.1 *– Degree of ownership over R&D and innovation activities.*

There are two levels of ownership: policy ownership as shown by national and sub-national authorities, and ownership of actual systems and tools as expressed by final beneficiaries, such as universities, technology institutes, science parks, technology brokers and others. Ownership of R&D and innovations by SMEs is taken for granted; they would not engage in any such activity, whether spontaneous or induced by an EU-funded project, if they could not see the commercial benefits. Details on the sample projects are given in Annex 7.8. The factors listed above in relation to EQ 07 (most efficient approach) and EQ13 (better programming of EU assistance to improve impact and sustainability), when considered in the framework of those projects that have provided concrete innovation support at any level, provide a good part of the response to this Evaluation Question. But there are elements that are specific to R&D and Innovation, which add to and/or leverage the other, and these may be summarised as follows:

- Long-term commitment to R&D and Innovation support, as key drivers to enhance value-addition by businesses in target countries and regions – this must result from an intelligent combination of sustained national policies and Donors' co-ordinated continued support.
- Capacity to contribute to creating and strengthening, and only preserving and sustaining, R&D and/or innovation-support institutions that demonstrate capacity to generate and secure a sustained stream of own revenues: If R&D and innovation are value-generating activities, and respective benefits are to be ultimately be perceived by the private sector, this latter must be convinced that there is a price to pay for continued provision of R&D and/or innovation-related services provision. Cases such as the IP Institute in BiH, IPR protection and enforcement in Serbia and, to an extent, the R&D&I project(s) in Egypt, seem to illustrate this point well.
- Stakeholders inclusion and active participation in R&D and Innovation promotion, as it seems to be the case of Support to SME Development in Armenia: In fact, innovation in particular must be understood as a societal value, not just as a profit enabler for businesses.

[3] See http://www.kirkpatrickpartners.com/OurPhilosophy/TheKirkpatrickModel.

- Finally, the capacity of the EU to attract participation in e.g. R&D Framework Programmes (the FP7 for the period in consideration, now the H2020) and innovation-related networks and activities (CIP for the period in consideration, now COSME) represents an important leveraging factor, which may however suffer from significant barriers to entry (e.g. formal adhesion by the countries, which implies paying respective shares) and must overcome perception (sometimes very real) of high opportunity costs for R&D and/or business candidates.

In the context of PSD, support to R&D and Innovation is, in respect to R&D, mostly at the crossroads between offer and demand of technology (and/or all forms of valorisation of R&D results), and, in relation to innovation, dealing with value creation through entrepreneurial attitude in the adoption of change. It deals with universes (e.g. Universities, researchers, start-ups, interface agents, business incubators, Science Parks) that are largely not coincident with those of the wider support to existing (even mature) enterprises. It thus requires specific support frameworks and actions, as well as targeted indicators. It seems in this framework that awarding a significant degree of autonomy to R&D and/or innovation specific interventions from wider programmes/projects, if combined with appropriate levels of effective co-ordination, collaboration and mutually leveraging with other PSD/Competitiveness interventions, may be the most cost-effective way to provide sustained R&D and Innovation support.

EQ15: How likely is it that beneficiaries at policy and implementation levels will continue to demonstrate ownership of the results of EU-interventions?

Judgment criterion 15.1 *– National and sub-national legislation, institutional and administrative provisions are in place that guarantee financial and technical sustainability.*

As for ENI SOUTH, although respective NIF contribution is set to have limited duration, neither SANAD's nor EBRD's actions in the region have established ending dates. The EBRD is now solidly established in its 4 countries of operation in the region and continues widely extending and increasing its work in the SEMED region. This implies continued, if not widened and deepened, involvement of all relevant institutions. The three non-financial regional projects that were analysed do not provide information in relation to continuity in institutional, organisational and staffing provisions related to their respective interventions. Hence, considerations made above in relation to EQ12 and EQ13 apply in this context. It should be noticed, however, that in all three cases the majority of the organisations involved in implementation of these projects are traditionally operating European cooperation projects in the same field, either as leader or partners, and often together in consortia. One of the consortia (EuroMed Invest) includes members of the Enterprise Europe Network, and ICT, the implementation leader of EuroMed TIFM, has a long track record in the project's field of action and would thus have interest in further proceeding to implement EU-funded trade enhancement activities in the region. In Egypt, despite political turmoil, it seems that the same institutions have been involved in the area of PSD/Competitiveness since 2010. The Ministry of Industry and Trade (named also Ministry of Industry and Foreign Trade or Ministry of Industry and Trade and Small Enterprises in the time-frame of this evaluation) is the central institution responsible in the area and the main beneficiary of support, next to the Ministry of Scientific Research and Technology (currently Ministry of Scientific Research) in R&D area. The institutional framework remains fragmented, with SME policy responsibilities assigned to several institutions with limited coordination between them. Measures have been taken to counteract this fragmentation, i.e. the transitional cabinet formed by President El-Sisi created a specific ministerial portfolio to coordinate SME policy; however, the number of institutions involved in the area studied is high. There are no indications of staff turnover in the documents analysed. In one case (RDI II), staff implementing previous programmes (RDI I) was taken over and ensured the transition between the two interventions and implemented the second. It must be noted that the number of staff at the Ministry of Science decreased significantly, from 20 to 4, while the 26 grants still need to be managed. The staff left mainly because no R&D&I III programme is envisaged. The focal points are still in place, with universities paying for their salaries. Sustainability may however be questioned if they do not start running on success fees. For Algeria, in a wide programming level and covering the whole evaluation period, the progressive evolution, noted also in relation to EQ06, from a project-centred to a sectorial programming approach, favours stronger ownership by National stakeholders. In this respect, the high number of TAIEX and Twinning operations carried out in the country, and the continued demand for this type of actions as is demonstrated by the P3A Programme going in its third release (P3A III), are also strong elements for increased ownership. The attention given to the implementation of the Association Agreement, as well as the progress noted in relation to multiple SBA dimensions (see EQ08 and EQ17), further sustains the structural character of EU cooperation with Algeria. The issues of Institutional capacity and Human Resources sufficiency and adequacy, linked to the levels of appropriation the projects can achieve, remain at the core of all sustainability-related indicators. It was for instance noted, during the field visit to Algeria, that the situation of ANDPME has not changed. Insufficient ownership seems to have been created and this is also one major challenge from a sustainability perspective. Better project preparation can enhance ownership and, automatically, sustainability. It was suggested in Algeria that in final reports the EU should make clear recommendations on how sustainability should be ensured and an institution (with the adequate capacity) should oversee the monitoring of these measures, their implementation and effectiveness. One key challenge to impact and sustainability is the slow pace of needed measures, e.g. a series of pieces of legislations should have been enacted to facilitate the ANDPME activity. The government needed two years to complete this process. The budgetary framework is allegedly not an encouraging factor either. The PME II project seems not to have had a real exit strategy and this is a matter of less adequate design. In this phase, more ownership should be taken about the expected results and their preservation. As an external factor, the interventions need to consider the new law on SMEs with the changes it brings. In a nutshell, it may be said that, whilst with variance at both regional and national levels, the judgment criterion 15.1 tends to be met in most cases, subject to persistence of enabling conditions, such as Institutional capacity, Human Resources sufficiency and adequacy, and sufficient levels of appropriation.

Those programmes and projects involving financial instruments, particularly when mixed with targeted technical assistance (which are typically funded through blending instruments) demonstrate a high degree of ownership of the results of EU-interventions, in the first place within the supported SMEs, but also within local financial institutions. No doubt the effects will continue within the SMEs (barring unforeseen external developments). Although only an impression, the propensity of local financial institutions to continue advantageous credit facilities for their clients seems limited, because they will not be compensated for lower income or even losses by EU/IFI programmes. The strategic documents making up the ENI South instrument do not formulate sustainable solutions except for annual expansions of the funds available under the NIF. There is a need for local systems to gradually take over the donor role. For the other projects, persistence of enabling conditions, such as institutional capacity, human resources sufficiency and adequacy, and sufficient levels of appropriation (all points raised already in previous EQs) constitute key factors for increased ownership. Lack of (insurance of) financial resources after EU intervention completion is, on the other hand, a key hurdle in many cases. What is very seldom seen in these projects is clear and well-sustained (kind of business plan) exit strategies for the instruments, tools and services created or nurtured by EU projects. What is many times written in project design and reporting documents is, to a large extent, insufficiently sustained in hard and real facts and data, where the factors enumerated above are treated lightly at best. A higher degree of rigour and exigence in this respect (including, as previously noted, higher levels of transparency and accountability) would contribute to higher degrees of ownership of the results of EU-interventions. Another point, noted in several projects that were analysed, is the slow pace, or even real lack, of adoption, by relevant authorities, of national and/or sub-national legislation, institutional and administrative provisions so dearly needed to embed results of EU interventions in the national institutional environment. Administrative and legislative processes are often too complex and slow to efficiently conciliate with programmes' and projects' limited time-frames and resources. Also, multiple political, economic and social interests stand in the way of timely resolving sustainability-related issues. The above is by no means a new topic, nor is it typical for the PSD/Competitiveness sector. It has been broached by many evaluation reports over the past decades and is still not closer to a solution, while in reality, it is perhaps the main factor impeding long-term effectiveness. More efficient awareness raising and stakeholders' inclusion in the projects' processes and activities would likely contribute to reduce – but by no means eliminate – this negative element.

4.3.6 Coherence

EQ16: To what extent is the EU assistance coherent with other interventions which have similar objectives? To what extent is EU assistance coherent with other action in the field, such as SMEs support in relevant areas of the European programmes, namely the Seventh Framework Programme and the EU's Competitiveness and Innovation Framework Programme (CIP)? Is EU assistance coherent?

Judgment criterion 16.1 *– Clear strategic and operational links exist between EU assistance and the SME support embedded in the (former) Seventh Framework Programme.*

FP7 was the European Union's Research and Innovation funding programme for 2007-2013. The current programme is Horizon 2020, but there are many projects funded under FP7 which are still running. Under FP7, SMEs were actively encouraged to participate in all research actions, especially those under the themes of the Cooperation programme and Joint Technology Initiatives. The rules for Participation in FP7 specify a funding rate of 75% for research and development activities of SMEs.

Judgment criterion 16.2 *– Clear strategic and operational links exist between EU assistance and the SME support embedded in the (former) Competitiveness and Innovation Framework Programme (CIP).*

DG Internal Market, Industry, Entrepreneurship and SMEs promotes industrial cooperation, SMEs, entrepreneurship and inclusive sustainable development with Mediterranean and Eastern neighbouring countries as part of the European Neighbourhood Policy. CIP was the European Union's Competitiveness and Innovation Framework Programme for 2007-2013 and had an overall budget of EUR 3.6 billion. Under CIP, SMEs have (had) opportunities to obtain better access to finance, as well as support for innovation, and regional business support. The current programme is COSME, the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises running from 2014 to 2020 with a planned budget of EUR 2.3 billion. Participation in CIP (now COSME) and FP7 (now H2020) is promoted by the EU through financing part of the entry tickets to the programmes. Not all countries have signed agreements with the respective programmes, but most have. Only a few national projects have specific activities aimed at promoting operational participation in the programmes, and none of the sample projects supports strategic links. It was found during the field visits, however, that the establishment of national infrastructures (contact points, etc.) for H2020 and COSME, which was a precondition for, or part of, the agreements with the programmes, has at least boosted the operational links with them. To date, no formal expression of interest to join COSME has been received from any of the southern neighbourhood countries. Currently, only three countries could legally join COSME: Israel, Jordan and Morocco. Algeria, Lebanon and Tunisia are in different phases of negotiating or approving the legal basis which would give them the possibility to apply to join European Union programmes, including COSME. None of the regional samples projects have any visible linkage with EU's (former) Seventh Framework Programme. The same applies to the sample projects in Algeria. Egypt, on the contrary, was very active in the FP7 Programme. Every year, around 50 partners and more than 100 participants participated in FP7 projects and attracted a total budget of MEUR 10-13 in R&D&I in the country, thus seemingly above the national contribution. According to the 7th FP7 Monitoring Report, the "number of applicants in retained proposals (in MEUR) and corresponding success rates for FP7 calls concluded in 2007 – 2013" (page 99) in Egypt increased in 2009 (42) and 2010 (43), but declined in the following years – 21 in 2012 and 12 in 2013. In this country, only the Research, Development and Innovation (RDI) phase II project is relevant for FP7. Under its component 2, a network of focal points and National Contact Points with thematic focus worked to enhance Egyptian researchers' participation in EU funded programmes, particularly FP7. It may thus be said that alignment with FP7 was high only when the projects were specifically linked to this Programme, having been inexistent, or nearly so, in the other PSD/Competitiveness projects. At the regional samples projects level, the NIF-funded projects do not have any visible linkages with the Competitiveness and Innovation Framework Programme (CIP). In relation to the TA projects, one case, although not mentioning any linkage, would have benefitted from having been linked with the Enterprise Europe Network (EEN), integrated in CIP. The other project indicates linkages with e.g. COSME and the European Forum for Science and Industry, as well as with the Enterprise Europe Network (EEN). The sampled national projects in both Egypt and Algeria do not present visible linkages to CIP, even if Egypt is part of the Enterprise Europe Network (EEN). Regarding CIP (but not specifically related to any of the sampled projects), Egypt is only a part of the Enterprise Europe Network (EEN), about which the IMC Representative referred:

- IMC became a member in 2008. It played the role of linking different institutions.
- Research was becoming increasingly important in this context and different actors were already working in this area, with the support of the Chamber of Commerce, World Bank, different associations, technology centres and their associations.
- Initially EEN was a hub to put the two worlds together, now networking is the key activity (partnership agreements are obligatory if one wants to remain part of the network). This was perceived by the IMC Representative as a burden, especially under COSME, and as an obligation that will decrease effectiveness. Participation is very often a matter of internal management, rather than of technical knowledge.

EQ17: To which extent are national and regional programmes complementary and aligned with the principles of the EU Small Business Act?

Judgment criterion 17.1 *– Representation of the SBA principles in programming documents and project designs.*

Methodological note:

As for the allocations to PSD/Competitiveness, the data in the tables below stem from the information contained in Annex 7.4 to this report. References to the SBA can be found in practically all sample projects. The tables below, in the second column, only refer to projects that have included concrete activities to foster SBA principles in the respective countries/regions. The projects themselves are listed in the above-mentioned sections.

As far as PSD/Competitiveness support is concerned, the ENI South instrument heavily leans on the principles of the Small Business Act. Reference is made to either the complete Act, or specific dimensions, in all strategic and programming documents. More importantly, where strategies are translated in more concrete intervention policy (namely in the MIPDs), the relationship with the SBA principles/dimensions is made still more specific. The result is that nearly no concrete action, project, intervention is designed that does not actively support the strengthening of one or more of the SBA dimensions. Thus, at the level of the overall ENI South instrument, the SBA and its individual dimensions are adequately represented in strategy and programming documents. This is particularly visible at the regional level, where dimensions 6, 7 and 10 assume particular relevance. Within these, access to finance (through a comprehensive range of complementary instruments and partnerships, where cooperation with IFIs is significant) takes a major share. EU support to advancing the SBA at the national level is spread over a higher number of SBA dimensions, with relevance for those which either demand proximity actions and/or are linked to nation-specific contexts or frameworks, as for instance institutional and regulatory framework, operational environment for business creation, public procurement and, to an extent, enterprise skills and innovation.

Programming	Advancing the SBA (M€)	Total PSD support (M€)	SBA/PSD (%)	Main SBA dimensions addressed
ENI South Regional (multi-country)	1,840	1,975	93%	4, 5, 6, 7, 10
ENI South National (all countries)	1,522	972	64%	1, 2, 3, 4, 8, 10
ENI South Total	**3,362**	**2,947**	**88%**	
Egypt	38	55	70%	3, 5, 6, 8, 10
Algeria	44	74	59%	1, 3, 5a, 8b, 10

All the 5 sampled regional projects are relevant to advancing the SBA. In Egypt, and in relation to the sampled projects:

- "TDMEP – TA on trade & export" in its entirety contributes to advancing the SBA, particularly dimensions 3, 5.a and 10.
- "TDMEP – TA – Industry" in its entirety contributes to advancing the SBA, particularly dimensions 3, 5.a and 10.
- "Research, Development and Innovation Programme phase II" in its entirety contributes to advancing the SBA, particularly dimensions 5.a and 8.b.
- "Promoting Inclusive Economic Growth in Egypt" has a lesser contribution to advancing the SBA, as the activities directly dedicated to SBA do not constitute a significant amount of % in the programme budget (1–2%). Other activities do, indirectly, contribute to dimensions 3, 5a, 6, 8, 10. The project will carry out a study on SBA in Egypt.

In Algeria, and in relation to the sampled projects:

- "P3A III (ALGEX) Twinning" contributes to advancing in SBA dimension 10;
- "P3A III (Stratégie d'Innovation Industrielle) Twinning" contributes to advancing in SBA dimension 8b;
- "PME II" (three contracts) contributes to advancing in SBA dimensions 3 and 5a.

It is noticeable that, on the basis of the information gathered from the projects that were identified by the team at both national and multi levels, SBA dimension 9 (SMEs in a green economy) is relatively under-represented in the overall context of EU support to advancing the SBA.

EQ18: To what extent has the EU assistance enhanced the visibility of EU aid, and promoted innovative approaches to aid delivery?

Judgment criterion 18.1 *– Contribution of programming and implementation to EU visibility.*

In general, and putting aside small omissions or mistakes in implementing EU visibility rules, all projects that were analysed comply with applicable regulations. The capacity of such compliance is however not the same when we look at financial instruments, such as those mentioned above, and more typical Technical Assistance projects, which tend to better convey the message of the crucial importance of EU's support to achieve respective goals. This is mostly due to the nature of the support provided and, most particularly, to the fact that, in the case of financing projects, particularly those funded by blending instruments such as the WB EDIF and the NIF, respective end-user actions and instruments are most of the times delivered through more than one layer of intermediary institutions (e.g. an IFI and a local Bank), which tend to dilute EU's visibility. The programming documents related to all sample projects, in all three regions and all six countries, contain the obligatory chapter on EU visibility. In implementation, vast differences were noted between individual projects. Without any exception, all credit line and other SME financing projects funded by instruments of blending nature, which are implemented by IFIs such as EBRD, EIB, KfW, etc., lack effective visibility measures, in terms of respective end beneficiaries/users. This was confirmed in the field; neither SMEs, nor BSOs or responsible public authorities were aware of the EU financial inputs in SME funding instruments established to blend grants and loans. The problem is in the system. Each project separately is obliged to carry out its own visibility measures, while in actual fact the team of experts was hired for different, specialised services. They cannot be expected to be also visibility experts. Even when visibility measures are carried out dutifully, the overall effect on "EU visibility" is confusing. For example, each project produces its own website, with its own lay-out and functionality, but often without direct links to other EU funded projects. It was found on several occasions that websites of projects already completed years ago, were still online. This is not the best advertisement. Furthermore, respecting EU visibility rules does not necessarily guarantee that EU assistance through these projects enhanced the overall visibility of EU aid. None of the projects provide, as far as the documents made available to the evaluation team show, any assessment in this respect. It would have been appropriate to include, towards the end of the projects' implementation periods and/or shortly after respective conclusion (and naturally within final evaluation exercises), surveys targeting the wider generality of project beneficiaries (including indirect and potential ones), and/or for instance the SME community in the various countries, including a question on this issue. In relation to the ENI SOUTH regional projects that were analysed, available reports on SANAD and the EBRD projects, for instance, do not allow for confirmation of respective compliance. The same happens, to different extents, in some of the national projects in Egypt. Some of these projects have specific visibility & communication strategies, therefore compliance and contribution to increasing EU visibility should be easy to measure. The two TDMEP projects analysed show that, although EU visibility rules are complied with, no information is presented in Inception or Progress reports on how EU visibility will be enhanced through project activities. Visibility actions are in these cases planned at "programme" level, implemented by the EUD, and this may contribute to less accountability by the project teams in making all possible efforts to use visibility as a leveraging factor for better impact of EU support. Testimonials received during the field meetings in Cairo complement the above, in the sense that visibility of EU assistance may have increased through TDMEP. This encompasses several crucial aspects of competitiveness development. Visibility is well perceived at the macro level. Perception at the ground level is minor due to the fact that the EU does not normally approach small businesses directly. However, EU's visibility in the private sector is higher in the latest months/year. Furthermore, according to one Researcher interviewed, R&D&I (I&II) were known by every researcher in Egypt. The second project was born as a result of the success of the former one. In Algeria, the existing monitoring or evaluation reports assess positively the notoriety to EU support by the various projects' communication and visibility actions. It was, however, possible to verify that some of the projects' websites (or references in respective hosting/beneficiary Institutions' websites) was not always visible or given appropriate relevance. For instance, no mention of the relevant twinning project could be found on the new ALGEX website, and a negative note should be made about the PME II's Web site and its level of content updating. It may therefore be said, on a moderately positive note, that compliance with applicable rules is normally observed, but actual contribution to enhance the visibility of EU aid may in many cases not have been a major concern.

Judgment criterion 18.2 *– Contribution of programming and implementation to promoting innovative approaches to aid delivery.*

Innovative character of EU assistance is understood, for the purpose of this evaluation, as the extent to which projects, in their design, implementation and/or outreach, manage to detach from mainstream project tradition and/or landscape in EU assistance and, in particular, in the relevant region and/or countries. At the regional level, there are several innovative elements in both NIF-funded projects (SANAD and EBRD). The EU-NIF, being a blending instrument, is in itself an innovative instrument, but exists already for many years. SANAD's both Debt Sub-Fund's and Equity Sub-Fund's capital structures favour public-private partnerships and public funding leveraging. Furthermore, SANAD itself innovates in e.g. issuing shares (the "L" shares, subscribed exclusively by Donors) that specifically absorb the impact of local currency situations, thus making investment more appealing for those investors not willing to accept exposure to such kinds of risks. EBRD's project in itself is not totally innovative, however it must be considered as an innovation (as a complement to other IFIs' actions in the region) in regional terms, as it provides a more comprehensive approach, mixing more intensively financial and hands-on advisory support to SMEs, Financial Institutions and e.g. Municipalities. "EuroMed Invest" is innovative in regional terms, as it provides a rather comprehensive approach, involving a high number of actors through a rather dense, albeit simple, set of activities, including e.g. network animation, capacity building, and sector- and regional-based approaches. Likewise, "Euro-Med TIFM" is also innovative in regional terms, in the sense that it provides complementary informational and contextual services to what already exists. The "EBESM" project may not be considered innovative in the considered context. In the Egyptian case, some innovative ideas are considered in the Inception Report of the "TDMEP – TA on trade & export" project:

- The full support of an Electronic Single Window (eSW) System and the implementation of two pilot projects to test its functioning;
- EGYTRADE is considered an innovative tool as it provides the needs information on a wide scale and cuts red-tape;

- Definition of the cooperation and coordination process among involved institutions in the trade area and the establishment of a National Export Facilitation Council in this context;
- The establishment of a MTI Policy Unit, to support he elaboration of the MTI's strategies and plans;
- Development of an export promotion package of activities "The right product for the right market", including needs identification, customised solutions and training. Business organisation and SMEs might participate in this activity, as well;
- TDMEP's Trade Portal is an innovative approach. Inclusiveness of the technical assistance contributes to its sustainability.

Also in Egypt, the "Promoting Inclusive Economic Growth in Egypt" Programme an innovative framework characterised by:

- A combination of interventions at strategic policy level (including policy and regulatory reforms) with local initiatives supporting local socio-economic development;
- Financing innovative flagship interventions on the ground to foster inclusive growth, contributing to decent job creation and local socio-economic development;
- Considerable scale: "This is the first time since the 2011 uprising that the EU engages at this scale on these sectors [PSD and tourism] in Egypt, while the needs and the opportunities in the sectors in concern are substantial";
- Focus on financing Flagship Projects that will deliver "quick wins", high impact at local level and great visibility to the EU, thus demonstrating the added-value of the approach;
- Financing complementary actions with high impact at both national and local levels, by feeding successful practices, approaches, projects, stories, etc. into the policy decision-making processes.

In Algeria, no specific innovation factors in EU assistance were identified in any of the projects being analysed. The list of PSD projects for the period 2010-2015 does not suggest such kind of character in any other project either.

Judgment criterion 18.2 is thus met to some extent in the ENI South region, particularly if the innovative character of EU assistance is considered in the relevant regional context. At the national level, the indicator is not met in Algeria, whilst in Egypt Serbia some projects do present some innovative approaches which, unlike what is noticed at the regional level, appear to be linked rather to implementation than to pure design, which shows that it is possible to promote innovative approaches to aid delivery even when the design itself of the interventions does not necessarily imply so. The most obvious innovation in EU aid delivery is that of financial instruments and especially that of blending of grants and loans. However, in one form or another, such instruments have already existed for at least a decade, so it is arguable whether they still can be considered innovative. Furthermore, it is observed that as of 2014, programming in several countries in other regions (Armenia and Montenegro are good examples) is geared towards simplified implementation, at least from the perspective of the EU services. This happens through complete transfer of financial, management and implementation responsibilities to accredited national, but mostly international, institutions, reducing the obligations of the EUDs to performance monitoring; even ex-ante approval procedures are rarely required in such cases. This tendency, however, was not observed in the ENI South region. Finally, it is acknowledged that what is an innovation in aid delivery in one country, has already become standard procedure in another. Both the Commission Services and the national authorities appear to be constantly searching for new and better mechanisms, which is deemed a good sign.

4.3.7 EU added value

EQ19: What is the added value resulting from the EU interventions, compared to what could be achieved by the beneficiary countries without such interventions?

Judgment criterion 19.1 *– Complementarity and non-contradiction or overlapping between beneficiary and EU programmes.*

The SME survey does not directly address this judgment criterion, but provides some interesting information on how EU assistance is perceived as compared to national budgetary support or other donor support. More than 50% of the respondents report significant or very high satisfaction with the EU-funded projects they participated in, with about half (28% of total) stating that expectations were totally met or even exceeded. Caution is required here: few respondents have a clear view of actual donor sources, so this finding probably does not only relate to EU inputs. Only 11% of the implementers are absolutely not satisfied with the results. Small and medium-sized enterprises express the highest satisfaction. It is noted that all participating large enterprises report only partial satisfaction, whilst data shown in previous points confirm that large enterprises are not among those having less benefitted from donor support. This lower level of satisfaction may be linked, on the one side, to the small sample size (for large firms) and to a higher degree of expectations from these bigger, more organised and better structured companies. At the regional level, all relevant project documents provided for the 5 projects under evaluation sustain the conclusion that these projects were to a large extent designed, and are implemented, with a high degree of complementarity and non-contradiction or overlapping with national or regional programming: None of the projects show significant overlapping and only one (Euro-Med TIFM) would have benefitted from a better linkage with the Enterprise Europe Network, which is not mentioned in the respective project documents. By presenting, in several cases, a degree of innovation in their approaches (see EQ18) and ranking high in non-overlapping and complementarity with national or regional programming, the projects must be positioned at an also high level in terms of EU added value. It should also be noted that these projects, in their two main different natures (financing tools, on the one hand, and support to internationalisation, business linkages, networking and other competitiveness soft factors of supra-national dimension), are better designed and tend to be more efficient and, particularly, effectively implemented at a supra-national (thus regional) level. In Egypt, based on evidences at disposal, EU funding rather complements than overlaps with other programmes, financed at regional level or by other donors. Thus, they add value to the extent to which they are effective. Strategic multi-annual documents seem to look to a more limited extent into the matter of coherence between national/bilateral and regional programmes. The regional ENPI programme for the South neighbourhood contributed to achieving objectives set up in the CSP 2007-2013 complementary to bilateral operations, however, in the PSD sector the CSP refers only to the Euro-Mediterranean Charter for Enterprises. The same is the case with the NIP 2011-2013. In the Focus Group meeting held in Cairo, the following opinions were generally expressed:

- The EU absolutely necessarily and successfully preserves political neutrality, whilst USAID, which, after 3 years of relative standby, is resuming pace on a flexible and demand-driven approach, may be more comprehensive in their funding approach. The GiZ is very visible and active in the private sector.
- The EU very well matched in partnering with the Government. USAID and GiZ for instance are more efficient in directly addressing business problems and engaging in direct activities, formulating solutions and recommendations. Hence providing a certain level of complementarity.

TDMEP and the progress achieved in terms of strategic approach could not have been reached without EU support. EU's relevance is particularly high in terms of its focus on institutional capacity building and policy-making. The added value resulting from the EU interventions in Algeria is clear and not subject to reasonable doubt. The EU is a key player in Algeria's development in terms of strengthening the private sector, promoting internationalisation of Algeria's businesses and supporting job creation and inclusive development. The monitoring and evaluation reports for the projects under analyses sustain this assessment. In this context, there does not seem to exist significant, if any, contradiction with national or regional programming, including in relation to other donors. One important result of the EU projects is the regional integration of the agri-food industry in Algeria.

To a large degree, complementarity and non-contradiction with national or regional programming are ensured at both regional and national programming, in relation to both national- and other donor-funded PSD/Competitiveness support interventions. A few cases of overlapping may be detected in some areas, such as:

- Provision of training to SMEs and/or BSOs;
- Consultancy/advisory provision to SMEs;
- Financial/funding provision to SMEs.

Of the above, the latter is not problematic, provided that EU's State-Aid rules are respected and transparency and accountability are ensured in relation to the instruments being put in practice and respective management. Furthermore, except for grants (for which State-Aid limitations should be able to impose appropriate limitations), most if not all the financial instruments being placed at the service of SMEs are managed and regulated by principles and mechanisms applicable to the IFIs that have the role of implementing them, and this includes, among many others, proper due diligence. Freedom of choice (with respect for equal opportunities) may in this respect have a much higher value than possible negative effects caused by overlapping or competition among instruments. Furthermore, most of the IFIs involved are very keen in not practising market conditions that might distort local financial markets, their role being more of complementarity and coverage of market gaps than of conquering market share. Finally, the technical assistance provided to local banks, consultants and beneficiary SMEs plays a crucial role that classical financial markets and institutions do not in any way ensure, thus increased added value from EU-funded interventions. Overlapping in relation to consultancy/advisory provision to SMEs does happen at times, among both EU-funded and other donors-funded interventions (national funds are very seldom used to support this kind of provision, except in very niche cases where there are clear market failures).

The problem here may exist more in terms of market distortion (which would tend to harm the commercial, mainly local, consultancy market) and might, if not properly monitored and controlled, risk inducing negative consequences in terms of donor-dependency by SMEs, particularly those less competitive, in relation to resorting to consultancy services. Whilst the evaluators did not detect any specific case where this is actually happening to a significant degree, it seems clear that more effort should be given to monitor structural effects of this kind of aid (and particularly of possible effects of overlapping among interventions) and, whilst the importance of continued investing in it to support PSD/Competitiveness sustained improvement, efforts should continue to search for the best possible approaches to minimise and control the identified risks. The case of overlapping in provision of training to SMEs was mentioned in some interviews, namely in countries within the ENI South region. The consequences here may be market flooding (i.e. incapacity of the beneficiaries to absorb, to maximum appropriation and benefit, the outputs of the trainings being provided) and, particularly when training is free of charge, low retention rates in terms of participation. Some of the reasons for existence of this overlapping may be linked to e.g. insufficient/insufficiently targeted and/or professionally executed training needs assessments (TNA) and/or to training in management- and business-related issues being a rather straightforward activity guaranteeing a number of advantages for project implementers, such as large number of beneficiaries, involvement of local experts and significant budgetary effects. It seems therefore clear that, as for consultancy/advisory provision, more consistent and sustained (real-time) monitoring and (ex-ante, mid-term, ex-post) evaluation of the overall PSD/Competitiveness-related training landscape in each country, which would necessarily imply more efficient and effective donor co-ordination. Inclusion of better structured and professionally executed TNAs as a prerequisite for implementing training actions would also very likely pay out in terms of value for money. A second aspect in this EQ relates to self-sufficiency of beneficiary countries, i.e. the extent to which the added value resulting from the EU interventions could be achieved by the beneficiary countries without such interventions, and here the results of the evaluation exercise made are rather straightforward:

- In relation to what could be replaced by other donors' support, the conclusions on relevance, complementarity and non-overlapping provide a clear and absolutely uncontested idea that inexistence of EU funding would have a very negative impact and could not be fully and effectively replaced by other donors. There are countries, such as Algeria, where the EU is by far the strongest donor in PSD/Competitiveness support, and many donors are either lightly, or even not at all, present in regional terms. Furthermore, in themes such as e.g. the SBA no one but the EU would be appropriately positioned to provide the necessary support.
- In relation to what could be achieved without any donor intervention, the conclusion is even more overwhelming and is that most if not all the beneficiary countries lack the budget to provide the kind of support that the EU (and the donor community in general) is providing, at national level and even more so at the regional level. Hence, the EU added value is absolutely undiscussable.

EQ20: Which areas within the PSD/Competitiveness sector can do without or with reduced EU assistance because they are well covered by other donors?

Judgment criterion 20.1 *– Areas/sub-sectors effectively covered by non-financial assistance from other donors.*

and

Judgment criterion 20.2 *– Areas/sub-sectors effectively covered by financial assistance from IFIs.*

Methodological notes:

Regarding EU added value, both the overall PSD/Competitiveness-related documents and the sample project documents have been scrutinised. Donors and IFIs publish great quantities of information on allocations and disbursements, but the collection and systematisation of this information is not a practical proposition, for several reasons. In the first place, different donors have different definitions of PSD/Competitiveness. Secondly, donor statistics are unclear on years of programming, implementation and disbursement. Thirdly, there are several donors who do not publicise information at all. And finally, data on success (impact) is scarce while it is dearly needed for any comparison. Given these limitations, the endeavour of the evaluators has been to confront the sample projects with comparable interventions financed by other donors.

Two statements presented for discussion to the focus groups in the various countries were:

- *EU interventions in the PSD/Competitiveness sector are unnecessary since national strategies, actions and subsidies do a better job at improving the PSD/Competitiveness sector in your country.*
- *The EU should reduce or even abandon its (financial) contributions to the PSD/Competitiveness sector in your country, and re-allocate them to other sectors, since other donors (and IFIs) sufficiently cover most or all relevant fields of assistance.*

It will not surprise anyone that the participants at the focus groups expressed their strong disagreement with both statements. In this, the evaluators found no differences between regions and countries, although it was remarked in one of the IPA countries that gradually, the administrative costs and burdens of managing IPA funds are outweighing the benefits of the programme. Even taking into account that most participants represented the PSD/Competitiveness sector and therefore had a certain bias towards it, the general opinion was that of all aid sectors, the PSD/Competitiveness sector is most in need of EU assistance, for two reasons. In the first place, because this aid is expected to have the most tangible effects in terms of welfare. Secondly because there is no alternative for it, given strained national budgets and piecemeal contributions from other donors. Yet, it also became clear that the participants had mostly in mind the direct financial contributions the EU is providing to SMEs, directly through grants or indirectly through cooperation with IFIs in blending operations. In relation to Egypt, it is challenging to create a coherent image of donors active in the PSD sector. The 2015 Action Programme "Promoting Inclusive Economic Growth in Egypt", in the section "Complementarity, synergy and donor coordination", does not mention any donor for the MSESs components, only EU-funded projects/programmes, national and regional. On the other side, the Country Strategy Paper 2007-2013 specifies: "The Commission's Delegation in Cairo is instrumental in donor coordination." A Donor Coordination Matrix Egypt 2009 is inserted in the 2011-2013 NIP, but it is not present in further, more recent, documents. Analysing OECD's database[4], it may be said that the United Arab Emirates are the largest donor in Egypt case, followed by Germany, Turkey, EU, USA, Arab Fund, France, Japan, Kuwait, OPEC Fund. One can also see that almost 1/3 of the ODA in 2013-2014 was dedicated to economic infrastructure, with 11% more to production, sectors which we can assimilate to PSD as understood by this evaluation. More relevant projects might be implemented under "programme assistance" and "multi-sector assistance", or even "education" – R&D&I-related interventions. In the Focus Group meeting held in Cairo, it was suggested that situational analysis should be carried out, to see where financial assistance is most effective. Complementarity is essential. Sustainability through project-based interventions may sometimes be questioned. Still in Egypt, the TDMEP's two sampled contracts refer some donors as active in the area covered by the project, including UNIDO, USAID projects on Trade Facilitation, GiZ Business Process Analysis projects, EBRD project on "SMEs financing schedule" and World Bank/IDA. Two initiatives of other donors are presented in detail as relevant for the "TDMEP – TA – Industry" project: the IFC EASE project, which addresses the role of the IDA as a licensing and registration authority as well as the allocator of land, and the UNIDO-developed roadmap for the development of an industrial strategy ("Unlocking the industrial potential of Egypt"/Road-map for the Development of an Industrial Strategy for Egypt, July 2015) and the Green Trade Initiative. Co-operation with the IFC EASE project is expected to facilitate the work on industrial regulatory reform, administrative simplification and in developing the One-Stop-Shop Portal under the "TDMEP – TA – Industry" project. Some of the projects proposed by UNIDO in the above-mentioned road map are implemented under the "TDMEP – TA – Industry" project, the most important being the Industrial Strategy Unit set up with the project's support. In summary, and as much as Egypt is concerned, it may not be concluded from the above references that EU's PSD-related areas of intervention are effectively covered by either non-financial assistance from other donors or financial assistance from IFIs (which own interventions are themselves, in some cases, partial or totally EU- and/or other donor-funded). In Algeria, in general terms and as was noted in relation to EU added value, there is a limited number of donors involved in PSD support as it is still considered that Algeria does not need donor funding because it has sufficient financial resources of its own. This might change in medium term should the oil market slowdown persist. Existing donors contribute less than the EU and are marginal in terms of funds and effects relating to PSD support. The allocation of IFIs to Algeria that may directly relate to PSD development, as understood in this evaluation and although it could not be accurately measured, is not much significant. As a conclusion from the above, it may be said that the success (impact) of EU assistance in Algeria is higher than that of other donors' and/or IFIs assistance.

The answer to EQ20 very much relates to the reasoning made in relation to EQ19, and thus issues of complementarity, non-contradiction and areas of overlapping, already treated there, shall not be repeated here. The same applies to the extent to which EU's aid in the field of PSD/Competitiveness could be effectively replaced by other donors' aid. Admittedly, EQ20 and the related judgment criteria were somewhat provocative. They have elicited expected reactions from the counterparts in the countries. From an objective point of view, it is EU support that keeps the wheels turning in the PSD/Competitiveness sector. Direct financial and non-financial support to SMEs is unanimously regarded as the best instrument. EU interventions in related fields (e.g. IPR, e-business, institution building, regional development) are considered "luxury issues" that could do with much less support. The evaluators only very partially agree with this notion, in the sense that indeed there is some evidence of projects that – in hindsight – did not have much impact. The points to make here relate therefore to the

[4] http://www2.compareyourcountry.org/aid-statistics?cr=302&cr1=oecd&lg=en&page=1

best adequacy of the EU to provide the kind of PSD/Competitiveness support it is providing, having in consideration the existing landscape of donor and IFI support in the same and related fields. One key difficulty to this analysis comes from the extreme difficulty (not to say impossibility) that the evaluators have faced in obtaining a clear picture of who is doing what, where, when, for which purpose, with which resources and to which outcomes and impacts. This obstacle was mentioned as an introduction to treatment of this EQ. In any case, some general lines may be followed:

- In relation to the donor landscape, the EU tends to be more institutional and deal less with direct actions towards the SMEs themselves. This is confirmed by both documents and interviews (including e.g. the Focus Group meeting in Egypt). Donors such as USAID and GiZ (and maybe also AfD) are perceived as being more effective in directly targeting SMEs and also in more easily adapting to change during projects execution. On the other hand, the EU is perceived as working better in e.g. institutional strengthening or policy support. Both types of interventions are necessary and useful for the ultimate purpose of fostering private sector development and competitiveness in the target countries;
- The EU is clearly the major donor when it comes to regional intervention, particularly in the ENI and IPA regions, which comes as a natural consequence of the proximity of these regions to the EU and the specific purpose of IPA support. Hence, the EU seems irreplaceable at this level.

When it comes to IFI support, reality differs even further from case to case, and the impossibility to produce a realistic mapping of PSD/Competitiveness support (as defined, in time and scope, for the purpose of this evaluation) is a reality. Furthermore, there would exist a clear risk of double-accounting for many IFI interventions, namely those funded through EU's blending instruments (like e.g. KfW, the EIB and the EBRD), as both EU- and IFI-funded cases. But some general conclusions may also be drawn:

- It stems from the analyses made in relation to several previous EQs that interventions, namely those (co-)funded by the EU, where IFIs are leading implementers tend to be well structured, are efficiently managed and very effective. Their relevance to improve financing of MSMEs (including at the microfinance level) is unquestionable. No other type of donor-funded intervention (including from the EU) would likely be able to provide the same level of results and impacts.
- As it was already noted, the fact that many financing instruments made available through IFIs integrate, or articulate with, technical assistance provision makes them particularly performing and resilient, as in fact they contribute to decisively strengthening the capacities of the stakeholders involved, being them intermediaries or final beneficiaries.
- On the other hand, the fact that IFIs use, as a general rule and particularly when financing facilitation is involved, due diligence rules and practices tend to make them target mostly the best performing SMEs, thus leaving aside the vast universe of MSMEs which, with the appropriate combination of soft and hard support, might also see their competitiveness and overall business performance improved. There might therefore exist a tendency to leave important groups of MSMEs behind if support were exclusively provided through IFIs, which leads to the conclusion that the EU does well in complementing IFI-driven (through e.g. blending instruments) with other types of PSD/Competitiveness assistance. Further investing (including through IFIs) in developing financial literacy, basic business planning, cash-flow management skills and investment readiness at the level of micro and very small enterprises would constitute a positive lever for better access of these smallest firms to finance.
- It may be concluded from the above that, in those cases where IFI's type of intervention may be successfully applicable, resorting to IFIs (through e.g. blending instruments) is a powerful (consistent, efficient, effective, impacting, sustainable) way for the EU to convey support to the private sector, particularly in the framework of regional or super-regional programmes. This is confirmed by the few ROM reports that were made available to the evaluation team regarding this type of interventions. IFIs should therefore be used whenever possible, not forgetting that, by their nature, they may sometimes not reach the full range of MSMEs needing, and deserving, EU support for their competitive development.
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5. MISCELLANEOUS ASPECTS

5.1 BUDGET SUPPORT

Budget support programmes for the PSD/Competitiveness sector only exist in the ENI South region. In both other regions, relevant interventions are at maximum "hidden" – as complementary measures – within overall budget support programmes that are not visibly or tangibly aimed at promoting private sector development. The main corpus of budget support programmes, to be implemented by national authorities, as a rule does not include PSD/Competitiveness, with the exception of some remotely connected legislative and institution building activities. One example the evaluators have had a closer look at is the project ESRA in Moldova. It appears with a series of interesting lessons related to accompanying business support programmes:

- ESRA BSP functioned best when the Policy Matrix and correlated specific conditions were geared towards few rather than many line ministry beneficiaries;
- Beneficiaries respond better to/are more interested in “hard core” specific conditions (such as number of grants provided, number of businesses created, numbers of jobs created, etc.) than “soft core” specific conditions such as training of departmental staff, etc.;
- Involvement of key decision-makers at the highest level of the BSP beneficiary (such as a Minister and Vice Minister explicitly instructing which ministerial department is responsible for achieving which specific condition(s) by which deadline) is key for a successful implementation of a BSP;
- The translation and dissemination of a BSP Policy Matrix and correlated specific conditions throughout all the beneficiary levels, greatly enhances the involvement of the beneficiaries in and the effectiveness of implementation of the BSP;
- Internal M&E-ing at a 3 or 6 monthly basis, assessing the attainment of specific conditions is key to success.

5.2 DCFTA

Although many experts claim that DCFTA interventions should be considered – at least partly – to belong to the PSD/Competitiveness sector, the evaluators have their doubts. Work on DCFTA aims at preparing the country for free trade with the European Union, which comprises many legislative and regulatory actions, institution building efforts, quality infrastructure improvements and preparations for/assistance with negotiations. Naturally, as an end result, the private sector will benefit from the agreement but there is little to no tangible evidence on the impact of the interventions proper. Of the sample countries in ENI East, only Moldova is geared towards adopting the DCFTA. Armenia terminated the process in 2013, by opting for membership of the Eurasian Customs Union.

5.3 FINANCIAL INSTRUMENTS

The need for better access to finance is not disputed. Regional programmes (and lately, also some national ones) allocate considerable sums of money to financial instruments for recipient businesses. Each year, new EU implementing decisions related to blending instruments emerge, for various amounts and with various conditions. It can only be assumed that these decisions are based on thorough studies of the needs of the SME sector in a particular country, but evidence for this is absent. At first sight, interventions related to access to funding have evolved over time into an unnecessarily complex system. Its main disadvantage is that the final recipients (SMEs), unless they have established a separate department for research of EU funding opportunities, have little chance to gain a complete picture of what is available, let alone that they can make informed decisions on which financing instrument to choose. They are confronted with funding schemes such as EFSE, WB EDIF, NIC, ENIF, ENEF, WeBSEFF I, WeBSEFF II, WeBSEDFF, GGF, GGF TAF, GF, FEMIP, Flagships, European Western Balkans Joint Fund, REEPWB, and still several others. At best, this setup is highly client unfriendly, at worst, individual entrepreneurs are likely to make wrong choices. Another, related issue is that many of these financial instruments are being implemented by either EBRD, of EIF, or EIB, or KfW, or – to make things more complicated – by combinations of them. They have disparate distribution mechanisms (each organisation has its own local financial partners), while the products they deliver are basically identical, give or take some small specific features. Client SMEs tend to be loyal to their bank which limits their opportunity to utilise perhaps more suitable EU-funded products at other banks. Implementing organisations (basically the IFIs) are free to select the local financial intermediaries they wish to work with. For this, they have developed elaborate due diligence systems, while in several cases they also provide technical support to the banks, and in all cases, monitor their performance. One issue has not become clear during the evaluation and the evaluators bring it up since it was mentioned in several local interviews. This concerns the costs local banks charge to their clients for administering the credit. There are complaints that these costs are artificially augmented with the effect that they largely eliminate the financial advantage of the EU-supported loan. Investigation is in order. Finally, the work on this evaluation has revealed that various IFIs practice different reporting procedures on activities and impacts. Financial reporting is generally satisfactory, activity reporting has some flaws, but reporting on impacts is mostly absent. Especially when taking into account the enormous amounts of EU money invested, it is rather incomprehensible that the Commission Services continue providing considerable funds to these facilities without having independent, objective proof of their effectiveness and impact.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 CONCLUSIONS

6.1.1 On relevance

C01 Relevance of EU assistance is high in general terms when measured against relevant national priorities and needs. This statement is particularly true when it comes to the individual countries' national programmes, whereas the EU's regional assistance seems to be reflecting the wider priorities of the EU rather than the needs as felt by individual countries. It can be alternatively claimed that said assistance programmes are based on the Commission's assumptions of the individual countries' needs (see also **C03**), which is *per se* not necessarily an incorrect conclusion.

C02 Where national needs are expressed in strategies, the links between those needs, on the one hand, and EU interventions under national programmes addressing them, on the other, differ greatly among the countries. Some national programmes (e.g. for Albania, the former Yugoslav Republic of Macedonia, Montenegro, Moldova) provide limited answers to the needs, others (such as for Algeria, Egypt, Armenia in recent years, Kosovo, Serbia, Turkey) adequately reflect the formulated needs.

C03 While consultation mechanisms are exercised with the countries affected by regional (multi-country) programming, this is still, however, predominantly dealt with at a Commission level. Country needs are addressed in EU regional programmes and interventions although it seems that at times these needs are perceived better at the Commission HQ than by the countries themselves. Since approval by individual countries is not required, these countries are left to opt in or out of regional interventions in spite of the consultation mechanism engaged.

C04 When it comes to the programming process, the relevant 2014-2020 period has succeeded into rectifying some of the deficiencies found earlier. These 2010-2013 exercises have been found to lack the adequate level of structure and focus in their programming, particularly in Eastern and, to a lesser extent, Southern countries. In the former programming period the team found that some action fiches/action documents have been rarely bound to specific sectors; they have allowed interventions of diverse nature and aim not always incorporating the aspect of PSD/Competitiveness, providing global and too general objectives and tentative performance indicators. Monitoring and evaluation exercises related to these interventions have inevitably ended up in generalised statements.

C05 A shared concern with stakeholders in regional projects is that their implementers are often too loosely attached to any of the countries in the region, leaving to perceptions that their contributions are more of an academic than a practical nature.

C06 A logical consequence from the perceptions listed in conclusions 03 and 05 is that some of the designed regional interventions enjoy limited support from the beneficiaries at a national level. This statement implies that ownership is at stake.

C07 For national projects the Commission requires the beneficiaries to perform a thorough needs analysis, stakeholder analysis, problem analysis and description of objectives. As a principle *per se*, this is a sound basis for decision-making. When this exercise is to be applied to regional projects, and especially when contribution agreements are foreseen with international institutions, there is an impression rarely substantiated in documentary evidence that said international institutions perform most of the design documents, starting with the project/action fiche, leaving to conclude that prior agreements between the EU and international organisations on yearly allocations strongly influence the types and contents of regional interventions.

C08 There is a clear positive evolution in the quality of project designs at all levels, in all regions, indicating continuous (and effective) work within the Commission Services to iron out weaknesses. The formulation of measurable indicators (and eventually the establishment of adequate systems for their monitoring) is historically a point of concern. As opposed to earlier years, programming under the 2014-2020 financial perspective has strongly gained in quality in this respect.

C09 Regional and national programmes have not been detected to contain overlaps. On another positive note, these programmes also share elements of complementarity and synergy to a certain extent, although these may be a fortunate 'side effect' to their initial design. Handbooks and protocols do exist for the coordination between national (EUD) and regional (HQ) programmers, however more awareness should be raised with regards to the progress of regional programmes and projects both with direct and indirect stakeholders.

6.1.2 On efficiency

C10 Programmers remain overly optimistic about procurement procedures and – due to high staff turnover – beneficiaries with responsibility for preparing procurement documents persistently lack the necessary experience, resulting in below-quality documents and lengthy administrative procedures.

C11 When individual projects are found to have elements of complementarity with other assistance exercises, be them funded by the EU or by other donors, individual experts are free to use their professional judgment into making out any need to coordinate activities and learning outcomes among them. When such a cooperation mechanism is left to discretionary practice, it may entail certain deficiencies that leave further room for more formally established synergy mechanisms.

C12 On a knowledge sharing note among various inter-institutional departments benefiting from EU assistance, it should be pointed out that IPA countries, that have benefited from more institution and capacity building support, are well underway at overcoming problems related to lack of interaction and/or capitalisation on synergies among project or programme beneficiaries. This acquisition should be also absorbed in the two ENI regions to avoid compartmentalisation of public institutions, externally and even internally. Assistance beneficiaries should be more aware of the obstacles arising from communication deficiency among organizational units within their own structures.
When it comes to regional programmes, their awareness and inter-institutional cooperation levels seemed to lack the requisite degree.

C13 Country beneficiaries in all three regions in general provide lip service to the Commission's desire to introduce a sector-based approach. Despite interviews conducted with policy makers, it has not been possible to unearth the real reasons for their reluctance and most probably, there are no stronger arguments against the sector-wide approach than that it is new and upsetting traditional practice in the countries. The knowledge that a sector-based approach can contribute to solving the major problem of inadequate mutual communication between national ministries and agencies has limited appeal.

C14 The PSD/Competitiveness sector as defined by the Commission combines actions in the field of approximation, public administration reform, legislative adaptation, foreign trade, DCFTA, business environment. From the point of view of the beneficiaries, this comprehensive and challenging set of sub-sectors, while essentially important, is difficult to capture under one overarching PSD/Competitiveness sector. Rather, beneficiaries prefer to perceive PSD/Competitiveness as all actions directly benefitting the business sector.

C15 The long lists of interventions under the IPA and ENI annual programmes (see Annex 7.4) show a great ambition on the part of the EU to solve as many as possible of the PSD/Competitiveness problems and needs in the countries. Yet, the real actions that can be financed each year specifically by the EU appear not sufficient to realise the entirety of itsambitions. In that sense, it is concluded that the EU programmes per definition foresee too many strategic objectives to achieve on EU assistance alone. This statement has, however, been already detected and rectified as – in particular in the ENI East and the IPA region – programming as of 2014 has been much more realistic in this respect.

C16 Efficiency is to a large extent a function of how smart a project is designed. The most important factors related to design and implementation for successful performance are; clear design and intervention logic; robust management & monitoring processes; strong capacity to induce ownership; capacity to deliver tangible effects with perceived value for beneficiaries; quality of implementation teams; capacity to adapt to changing realities.

C17 It is a foregone conclusion that indicators included in older programmes (2010-2013) in most cases lacked the "smartness" to allow for appropriate monitoring. Apart from the ROM system, which can only address part of the interventions, no other national or regional monitoring systems were found for that period, not even at the EUDs. The latter were explicitly asked to provide internal monitoring information, without result. The problems mentioned above are widely known and do not merit detailed rehearsal. Measures have been taken, as reflected in the programming documents for the new financial perspective 2014-2020 (and even in some of the 2013 documents) and reportedly, better indicators for tracking SME/Competitiveness performance at country level were developed by ESTAT and introduced in programming and project documents. Still, no locally-based monitoring systems were encountered, which may or may not be attributed to the fact that evaluators happened to overlook any documents and interviewees able to report on this.

C18 DG NEAR has a sound evaluation programme that covers themes, programmes and instruments over time. There are instances where EUDs commission evaluations that are also covered by DG

NEAR's programme. An example in the PSD/Competitiveness sector is the evaluation of the Local Economic Development grant scheme in BiH, which was also part of the project sample for the present evaluation. This seems to indicate that there is room for improvement in the coordination of evaluation activities between Commission HQ and the EUDs.

6.1.3 On effectiveness

C19 PSD/Competitiveness programmes within the three instruments are largely effective, although the active support to interventions given by the national authorities (i.e. to turn outputs into results) is still inadequate. Where for a long period the volume of EU interventions has been too small to bring about wider effects in the economies, the new financial perspective 2014-2020 gives PSD/Competitiveness increased attention. Still the fact remains that the EU can do only so much to resolve the vast sector shortcomings in the three regions.

C20 Despite the vast amounts spent on improved access to finance, the reporting by IFIs in publicly available documents is – with one or two exceptions – insufficient to measure wider results and impact, which undermines the justification for continued financing of these operations.

C21 Of all relevant aspects of the business environment, the programmes and their sample projects show positive outcomes for entrepreneurial learning opportunities, regulatory and institutional framework for SME policy making, availability of support services for SMEs. Innovation support to SMEs is also a successful sub-area but it must be borne in mind that the number (and size) of projects is rather small to bring about wider impact.

C22 The aspect of green economy (availability of services to promote eco-innovation and eco-efficiency among SMEs) was perhaps too premature to address in the 2010-2013 programming period for ENI East and ENI South, although the evaluated sample provided more positive results in the IPA countries. This aspect should be more accentuated throughout implementation of the 2014 and 2015 projects regardless of its emphasis in the project design stage.

C23 Although arguably, the IPA instrument and its sample projects per definition affect the countries' development towards EU membership in one way or another, the majority of them do not have this as an explicit objective. Only IPR projects and a project on e-business had a direct relationship with the *acquis* and these projects have been successful in preparing the countries for accession.

C24 With all diplomatic endeavours pursued by the EU in the affected regions and their political implications which do not explicitly form part of their country or regional programmes, the EU not always requires on-par degree of involvement from the beneficiary countries. Having said that, any result achievement is a two-way street requiring absorption capacity to be exercised by the assistance beneficiary in a larger context. The list of preconditions for better absorption are, but not limited to, adoption of legislation, appropriate staffing of business support organisations, well absorbed adoption of strategies, streamlining of administrative procedures. The good practice of budget support programmes, where beneficiary contributions and mandatory results are described in detail in a performance matrix, could also be deployed in other delivery methods. Such an approach would help in raising awareness with the countries as to performance expectations from them.

6.1.4 On impact

C25 Several of the sample projects have provided direct non-financial support to SMEs. Numbers of SMEs that have concretely benefited are hard to come by. Importantly, the majority of these sample projects in parallel focused on the development of systems and structures for service provision to SMEs, which potentially would lead to impact. Expected results directly related to access to services, as stated in project designs, are most of the times indeed realised or likely to be realised, but impact varies according to capacities and (absence of) policies in the sample countries. BiH and Moldova score especially low in this respect, Serbia and Armenia score high, Egypt and Algeria take an average position.

C26 Relevant sample projects have generated hundreds of millions of EUROs of direct financial support to SMEs. This is judged a great success and it is likely that the impact of these financial instruments is considerable. It may be considered less positive that all countries studied (with the exception perhaps of Serbia and Turkey) have come to rely on these external sources of finance for their businesses and hence, do not invest much energy in establishing their own financing schemes.

C27 A positive conclusion can be issued as to whether assisted SMEs have contributed to perform better in terms of growth of jobs, growth in turnover, growth in international trade. Said conclusion is, nonetheless, based on the available report from a single project (ENPI 2012 SBS I), which leaves to presume that this type of approach has a strong positive effect on business performance.

C28 The SME survey carried out as part of this evaluation shows that around one third of responding SMEs report an increase in their annual turnover thanks to EU support. This is a positive outcome, taking into account that respondents were chosen at random.

C29 The same survey leads to the conclusion that positive effects are predominantly experienced by medium-sized enterprises. This confirms the practice of IFIs aiming their (financial) assistance to the already best performing companies, which typically are not micro enterprises. The question is justified how to better channel financial instruments to beneficiaries most in need of support.

C30 There is no evidence that any of the sample projects has led to the introduction of environmentally friendly (green) technologies. If the results of the SME survey may be considered indicative, such environmental effects were also hardly achieved at the level of the instruments.

C31 Gender equality is covered by standard paragraphs in the strategic documents for the ENI and IPA instruments, and also in the majority of design documents. Interestingly, these paragraphs do not return in ToRs for projects, which may well be one of the reasons why only a small minority of the sample projects invest effort into this issue, and provides gender-specific reports. The maximum that can be concluded is that instruments and projects succeed in maintaining gender neutrality.

6.1.5 On sustainability

C32 The sustainability of effects of newly created institutions depends in most cases on further EU involvement allowing them to continue their activities, even on a non-formalised basis. Overall, the institutions capacitated in the projects analysed are confronted with threats to sustainability due to lack of financial resources for their running costs or development and due to lack of active involvement of decision-makers. An element with strong potential to contribute to sustainability of project effects is the development and retention of individuals capable of effectively furthering the activities of the institutions.

C33 Regional programmes such as EFSE, deploying financial instruments targeting MSMEs and providing complementary technical assistance, are in themselves sustainable as the revolving funds they support point to a high likelihood of key project effects to last and leverage/multiply their effects in the mid- and long-term.

C34 Additional sustainability enhancing factors specific to R&D and Innovation are (i) long-term commitment to R&D and Innovation support; (ii) contribution to creating and strengthening R&D and/or innovation-support institutions that demonstrate capacity to generate and secure a sustained stream of own revenues thus being preserved and sustained; (iii) stakeholders inclusion and active participation in R&D and Innovation promotion; (iv) capacity of the EU to attract participation in e.g. R&D Framework Programmes and innovation-related networks and activities, etc.

C35 There is in general a slow pace of adoption, by relevant authorities, of primary and secondary legislation, institutional and administrative provisions as conditions for technical and financial sustainability of the institutions, tools and services created by EU projects: Administrative and legislative processes are many times too complex and slow to efficiently conciliate with programmes' and projects' limited time-frames and resources, and it is not uncommon that multiple political, economic and social interests hamper timely action.

C36 Not much evidence is available with regards to the ownership of R&D and innovation activities. While the designs of relevant sample projects all include actions to enhance the involvement of institutions at the meso and macro level, which would lead to strengthened ownership, still higher priority should be given to this aspect in implementation and positive trends already present (such as the establishment of a comprehensive innovation support infrastructure in Serbia, for instance) should be taken note of in other countries of the regions (such as Algeria, for instance), where R&D and Innovation are not (yet) considered a priority. .

6.1.6 On coherence

C37 Specific activities aimed at promoting strategic and operational participation in the FP7 (now H2020) and CIP (now COSME) programmes were not encountered in regional programmes, and only seldom in national programmes. On the other hand, almost all countries enjoy considerable financial support for their entry tickets. It was found during the field visits, however, that the establishment of national infrastructures (contact points, etc.) for H2020 and COSME, which was a precondition for the agreements with the programmes, has at least boosted the operational links with them.

C38 The vast majority of EU interventions to PSD/Competitiveness in the three regions targets fields related to advancing compliance with the SBA. Regional programmes particularly focus on dimensions 6, 7 and 10, with an emphasis on access to finance. National interventions in one way or another target all SBA dimensions. A clear exception is dimension 9 (SMEs in a green economy) for which few to no interventions have been found.

6.1.7 On EU added value

C39 National and regional programming under all three instruments duly exhibit complementarity and non-contradiction in the field of PSD/Competitiveness support interventions. The question is whether this is by design, or by coincidence, since it was concluded that the cooperation and communication between programmers at regional and national levels was found to be less systematic than claimed by EU internal programming instructions.

C40 The fact that some EUDs have decided to include financial instruments in their national programmes is a sign that beneficiary countries are not content with the financial instruments under regional programmes. This is understandable from their perspective: they have little influence on how much of the aid lands in their country, they cannot formulate the conditions most applicable to their situation, and in cases where there are no local offices of the IFI they are at a physical and psychological distance of the delivery mechanism. As maintained elsewhere, financial instruments should preferably belong to the regional programmes, as is the predominant practice now. But action is needed to reverse the current trend; see recommendations R12, R13 and R15.

6.2 RECOMMENDATIONS

This evaluation is meant to give judgments on various aspects of the ENI and IPA instruments, rather than on the individual sample projects. This is already reflected in the above conclusions. The recommendations below endeavour to avoid details on projects and are limited to the ones that are deemed most crucial for the future programming exercise. The Terms of Reference (Section 2.3, ad.2) for this assignment present a framework for this recommendations section, and this framework is followed below.

A. the future programming of EU assistance for PSD/Competitiveness recommended for upcoming assistance, and "weaknesses" as "negative" programming examples.

R01 PSD/Competitiveness encompasses many sub-sectors (e.g. SME development, public administration reform, trade regulations, etc.) which are managed by different parts of the government administration. Whether it lends itself to a fully-fledged sector-wide approach is a question that cannot be easily answered. Yet, compartmentalisation of policies is inherent to the public administration in IPA and ENI countries; communication and cooperation among ministries and public agencies on policy making are not yet at an adequate level. The establishment of a Regional Cooperation Council in the Western Balkans, and Platforms and Panels under the regional programme may be a good way to achieve common policies at the regional level, but does little to further the integrity of PSD/Competitiveness related policies at the country level. Therefore, whether this is called a sector-wide approach or not, it would be advisable to establish, jointly with the national authorities, PSD/Competitiveness councils consisting of high-level representatives of all ministries possibly related to the sector. They would design policy to be implemented both with national funds and donor funds. In this context, it is emphasised that the evaluators do not know everything regarding the current institutional organisation surrounding PSD/Competitiveness programming. In those countries where comparable councils or committees have already been established, this recommendation would be void.

R02 The quality of future programming would benefit from a more transparent and explicit link with actual needs expressed in country strategies, as one of the important justifications for engaging in certain interventions. Although in most countries, the programming documents for PSD/Competitiveness do refer to needs formulated in national strategies, they often limit themselves to generalised statements instead of – for instance – reproducing the weaknesses in SWOT analyses and justifying why certain needs are, and others will not be covered. Such practice is expected to enhance ownership and to increase beneficiary involvement in interventions.

B. the cooperation with other actors in the field of enterprise development and innovation facility.

R03 In line with C19, C24 and C35 above, the evaluators recommend a more stringent enforcement of the conditionality of beneficiary involvement during and after an EU-funded intervention. This would require, in the first place, more prominently including it in financing agreements and following that, in individual project or action fiches, along the lines as followed for budget support programmes. The ultimate sanction in those programmes is that tranches of EU financial support are withheld and this should also become practice in non-budget support. Project fiches/action fiches/action documents should contain a section on “inescapable” obligations of the recipient country, with clear description of sanctions, such as discontinuation of projects, temporisation of programming for future periods and even financial sanctions. The existing ROM system can be used for this without much change; ROM experts should be given the possibility to include proposed sanctions in their reports.

R04 The recently contracted “Evaluation of regional organisations in the Western Balkans” is a very promising initiative. The rationale behind it is that *“it is no longer sufficient that the Western Balkan countries organise meetings and discussions. They also need to ensure that each of the initiatives help them address specific problems which they could not have managed on their own”*. As such, the evaluation is expected to feed into the process of programming and implementation of regional programmes and perhaps – eventually – lead to (a) changes in roles of regional organisations/initiatives and (b) stronger focus of regional programmes on issues that cannot be tackled at the country level. For this reason, it is recommended to also launch such an investigation in the ENI East and ENI South regions.

C. the key policy priorities within the PSD/Competitiveness sector.

R05 It is recommended that ENI programming become more focused on all those interventions that have direct tangible effects on individual businesses. Legal, regulatory and fiscal modernisation are perhaps just as important but it could be maintained that in the ENI regions (without accession factors) this is mainly a task of the national authorities. Rapid effects can be “scored” by concentrating on the business sector and their immediate environment (BSOs, private consultants).

R06 It is recommended to investigate how the existing financial instruments can be “opened up” to micro enterprises with a need for micro loans. EFSE does something in this field, although 24-29% of micro loans go to private households for housing needs. ENI South has no comparable arrangement.

D. relevant practices on cross-cutting issues, such as environment & climate change and equal opportunities.

Based on the findings in this evaluation, the recommendation on cross-cutting issues is self-evident. Environment, climate change and gender equality are issues high on the EU’s agenda but do not always find their way to implementation. Two alternatives are recommended, that do not mutually exclude each other.

R07 The first one is to design, for each programming year and for each individual country, at least one project dealing with PSD/Competitiveness environmental issues, one with PSD/Competitiveness Climate Change issues and one project dedicated to women entrepreneurship or another aspect of gender equality. There are reasons to think that the best solution could be to have such projects at the regional level.

R08 The second alternative is to enforce the mainstreaming of cross-cutting issues in EU interventions, by introducing the institution of “environment, climate change and equal opportunities audits”, to be performed by an internal unit or external independent institution on all programming and procurement documents. This audit should also produce cross-cutting indicators to be used throughout implementation.

E. areas that do not require the involvement of EU assistance because they are well covered by other donors or require partial assistance to be coordinated with other donors present in the field.

R09 The answer to the related EQ was that in fact, there are in the PSD/Competitiveness sector no areas that can be deleted from EU support without damage. The “fundamentals first” approach in the 2014-2020 enlargement strategy has nevertheless succeeded in setting priority intervention areas that reduce the overall width of the programme. We recommend not changing this principle for the IPA region.

F. improvement of the monitoring and evaluation frameworks, namely with regards to appropriate indicators.

R10 Assuming that – as reported by DG NEAR – indicator systems for PSD/Competitiveness have substantially improved, it is recommended to thoroughly embed them in the roles of national authorities. The NIPAC system in IPA countries already provides for this, or so it is assumed. Such clear responsibilities are not yet attributed to national coordinating institutions in ENI countries. In line with recommendation R05, such monitoring (its quality, its frequency, its substance) should be made an obligatory condition in all financing agreements, with sanctions attached to it.

G. strengthened thematic support on economic governance/competitiveness through DG NEAR centres of expertise.

R11 As regards access to finance, it is recommended that the Commission undertake regular studies that inform these interventions, in terms of the needs for money, broken down for countries, types and sizes of funding instruments, priority sectors, types and sizes of individual companies most in need of external funding, repartition over (in-country) regions. This will have many positive effects, one of them being that regional funds (NIF, WB EDIF) are properly allocated to individual countries according to real needs.

R12 Also, on access to finance, it was concluded (section 5.3) that interventions have evolved over time into an unnecessarily complex system. There are (too) many separate schemes such as EFSE, WB EDIF, NIC, ENIF, ENEF, WeBSEFF I, WeBSEFF II, WeBSEDFF, GGF, GGF TAF, GF, FEMIP, Flagships, European Western Balkans Joint Fund, REEPWB, and still several others. It remains the choice of the Commission whether or not to keep all these separate programmes, and whether or not to have agreements with each IFI separately. But the recommendation is to ensure that in each country, networks of their client banks are integrated, so that each micro, small and medium-sized entrepreneur (who typically does business with one bank in her/his village) has access to all instruments, not only to those that happen to be agreed with her/his bank.

H. other aspects of the PSD/Competitiveness sector.

Visibility is an always recurring issue in evaluations. Apart from the techniques of fostering visibility, the handicap is that a good definition of its objective is lacking. Should visibility actions lead to awareness of the general public of the positive contributions of the EU and if so, to what extent? Or should these actions contribute to better knowledge of policy makers in the field of intervention, or of the general principles the EU stands for? The current system asks contractors to “advertise” their project to the outside world, however, they are experts in their particular fields, not in marketing and PR. Only few of them hire separate short-term experts for these tasks. The recommendation, that may be at odds with the ENI and IPA implementing regulations as well as with the financial regulation, is as follows.

R13 Take 80% of the visibility budget from individual projects (20% is needed for a few direct project-related visibility actions) and organise visibility per country, where it counts most. This applies not only for PSD/Competitiveness, but for all sectors. The recommendation is to hire a professional organisation in the country that makes standard website designs for all projects, maintains them and – very importantly – ensures links between them. Currently, all websites look unlike each other and worse, they are not dismantled when projects are completed. The professional organisation will produce standard designs and formats of brochures, leaflets, training materials, press releases, to be used by all projects. It will establish and keep up-to-date address lists for distribution of visibility materials. It will organise press conferences, TV and radio interviews for the individual projects, based on its contacts with the media. One other task is to ensure that all technical reports (insofar as not confidential) are uploaded to one database, preferably regional. The experience of the evaluators is that many technical reports are distributed over limited number of persons/institutions, and are not easily available to other contractors. This leads to repetition of the same studies, the same TNAs, the same training programmes and the same presentations. Important savings can be made.

R14 Coordination and fine-tuning between regional and national programmes needs improvement, as concluded in this report (C03 and C07) but also acknowledged by the Commission Services themselves (see ToR section 2.4.1). This is most effective in the identification stage of the programme cycle, when all options are still open. It is recommended to divide the process into a few sequential steps, and to delineate the roles of the EU staff. Step one would be a three-day session of EUD task manager for PSD/Competitiveness and the manager of the regional PSD/Competitiveness programme at HQ, including thematic experts from other units. This would end up in a (non-exhaustive) definition of sub-areas the EU would and could spend money on in the upcoming programming period, for regional as well as national programmes. The second step is consultation, by the EUD task manager, of national authorities and a wide group of other national stakeholders. This would become a series of potential interventions in priority sub-areas according to evidenced needs in national strategies. Step three is the division of potential interventions over national and regional programme, according to the subsidiarity principle. It may be desirable to rubber-stamp the outcome during a programming session with national authorities and stakeholders. After this, the usual process of preparation of financing proposals, project/action fiches, annual programmes etc. ensues, with one important difference: the contacts and further consultations on both national and regional programmes are conducted by the EUD.

The evaluators realise that they tread on thin ice with this recommendation. Too little is known of the actual internal processes to judge whether this proposal does not conflict with long-established internal *procedures. Yet, elements of the recommendations may be introduced to ensure that regional and national programming becomes a joint process.*