

EVD SPECIAL STUDY

Small Business Support Programme (2011 to 2015)

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This report was prepared by Regina Husakova and Chiara Bocci, Principal Evaluation Managers, supported by Olga Mrinska, Principal Evaluation Manager, and Stephanie Crossley and Sofia Keenan, Senior Officers – EBRD Evaluation department. Nicholas Burke, consultant, provided comments on draft report. An external peer review was performed by Dileep Wagle, consultant

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One Exchange Square

London EC2A 2JN

United Kingdom

Web site: www.ebrd.com

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Abbreviations

ASB team	Advice for Small Businesses team (formerly called SBS team and TAM/BAS team)
BAS	Business Advisory Services
BEEPS	Business Environment and Enterprise Performance Survey
E2C2	Energy Efficiency and Climate Change team
EGP	Enterprise Growth Programme (formerly called TAM)
ETC(I)	Early Transition Country (Initiative)
EU	European Union
EvD	Evaluation Department
LEF	Local Enterprise Facility
MSME	Micro, Small and Medium-Sized Enterprises
OCE	Office of the Chief Economist (part of which was renamed in EPG)
SBI	Small Business Initiative
SBS	Small Business Support (renamed into ASB in 2015)
SECO	State Secretariat for Economic Affairs – Switzerland
SEMED	Southern and Eastern Mediterranean
SIDA	Swedish International Development cooperation Agency
SME	Small and Medium-Sized Enterprises
SSF	(EBRD) Shareholder Special Fund
TAM	Turn-Around Management Programme (renamed EGP)
TAM/BAS team	Renamed into SBS team in 2012 and into ASB in 2015
WiB	Women in Business

Executive summary

The Small Business Support Programme (SBS) has been the EBRD's main programme to support development of small and medium enterprises since its inception in the mid-1990s. Comprising two different but interlinked programmes (Turn-Around Management/Enterprise Growth Programme TAM/EGP; Business Advisory Services BAS) SBS historically had several distinctive features, such as significant reliance on donor funds and separation from core Banking. In 2010 and in connection with the Capital Resource Review 4, SBS agreed a Strategic Plan for 2011 to 2015 intended to sharpen its strategic focus and simultaneously integrate more fully with Banking.

Over the course of the plan SBS delivered operations in 26 countries amounting to over €95 million funded by donor (€63 million) and client (€32 million) contributions. This included about 6,500 individual projects with SMEs for BAS with an average budget of €10,000, some 600 projects for TAM/EGP with an average budget of €50,000, complemented by market development activities. Additional donor funding of over €18 million directly supported SBS staff in the field and headquarters. The EBRD's Shareholder Special Fund contributed almost one fifth of total donor resources. The incorporation of SBS in 2015 into the newly established EBRD Small Business Initiative represented closure of the Strategic Plan and initiation of a new chapter.

This evaluation focuses primarily on the relevance, effectiveness and efficiency of the 2011 to 2015 SBS Strategic Plan. The analytical framework for the evaluation was developed along these criteria; the evaluation made use of both qualitative and quantitative data through documentary review, interviews, portfolio analysis, and country as well as thematic case studies.

Main Findings

- SBS has been clearly **relevant** to the Bank's mandate and strategy, and broadly consistent with national strategies for private sector development.
- SBS has worked to provide a distinctive **development dimension** to the EBRD's overall offering in countries of operation, and to innovate and adapt to increase effectiveness.
- SBS and overall EBRD **strategic planning and prioritisation** at the country level were essentially **independent** of one another for most of the strategic period, although this did not lead to contradictions in priorities.
- SBS planning was driven strongly by **donor priorities** reflecting its essential dependency on donor resources. Although the **EBRD Shareholder Special Fund (SSF)** has become an increasingly important provider of resources for SBS projects and staff this has not triggered an assessment of how/whether EBRD priorities might be reflected in SBS operational priorities.
- SBS together with the Office of the Chief Economist piloted a framework to prioritise interventions and guide exit strategies but this **did not become a part of**

standard EBRD assessments of transition challenges at country level, limiting SBS ability to formulate and monitor specific objectives and targets at local consultancy market level.

- Criteria and mechanisms for SBS exit were not adequately identified and **no exits** occurred in the period. With the integration of SBS into the SBI the link between country exits and market level objectives is no longer explicit.
- Financial sustainability concerns early in the period under evaluation due to low donor **funding predictability** were addressed by **improved/effective SBS fundraising**, donor shifts to multi-year commitments, and growing support from the EBRD SSF.
- **Steering Committees** established at donors' request have been essential to coordinating SBS with other key players involved in the Programme and ensure complementarity and convergence of priorities and expectations of the parties, especially in instances where the SBS in a given country is funded by multiple sources.
- SBS's main achievements have been registered at the client level in terms of contribution to **growth and competitiveness**. While there are other contributors to clients' growth and performance, there is sufficient qualitative evidence to conclude that SBS projects consistently achieve their objectives at client level and positively reinforce clients' growth potential.
- There is some evidence of achievement in the development of **local business advisory markets**. SBS has contributed to the growing demand for, supply and quality of local consultants, and in some cases to the consolidation of the industry. However, objectives were rarely specified, and market and context level analysis was missing.
- **Integration with Banking** was improved significantly through: physical relocation of SBS to EBRD resident offices from separate premises; process improvements; joint products; increased client cross-referrals; and formal incorporation of SBS into the Small Business Initiative in 2015.
- SBS remains completely **separate** from EBRD **IT systems**, which brings risks at different levels (accounting, reporting, transition impact monitoring).
- **Access to finance** has not been a primary objective of SBS but along with the strategic objective of closer integration with Banking, it has been given more prominent focus:
 - the EGP Programme started successfully targeting high growth potential companies, with the prospect of future bankability, and in close cooperation with Banking teams;
 - BAS linking with Banking products has so far proven more challenging. While the Accounting Improvement Programme has had clear benefits in terms of enhancing clients' access to finance, there is little evidence of systematic

referrals of BAS clients to partner financial institution credit lines and other SME-financing products, which was a sustained commitment of BAS over the period. New joint products such as Women in Business do not seem to have yet identified ways to explicitly link the advisory and financing components to create synergies.

- SBS has a clear system of **project-level monitoring, evaluation and learning** focused on assessing the deliverables/outputs of the advisory provided, and has made significant efforts to develop and share best practices to ensure quality and consistency. In contrast, there is little to no evaluation and lessons learning at portfolio level.
- Donors see **reporting** as dense in project-level detail and largely **output focussed**, but lacking narrative/qualitative treatment of the SBS contributions/results at the market level, contextual analysis, risk analysis and mitigation measures.
- SBS has put substantial resources into meeting donors' **visibility** requirements. However resources have been more focused on **marketing** activities to raise its own profile with (potential) clients and local consultants. There is scope for improvement in donor recognition at the level of clients and local consultant.

Recommendations

Although the SBS Programme of 2011 to 2015 as evaluated here has been recast and re-situated within the SBI, the findings and issues identified are relevant to the work ahead. On the basis of its review EvD offers the following recommendations.

1. **SBS planning and fundraising should be rooted in EBRD country-level transition priorities and results frameworks.** The integration of SBS into the Small Business Initiative (which is explicitly driven by country strategies), coupled with the growing weight of programme financing from the SSF, provide both the means and context to accomplish this.
2. **The transition rationale for developing local consultancy markets should be made explicit.** Prospective SBS support for local business advisory should explicitly be based on a market analysis and assessment of transition gaps, with objectives and monitoring specifically set out. At present these issues are not prominently featured in SBI and EBRD country strategy documents. On the same line, SBI should clearly specify what will in the future guide exits of the SBS Programme from countries.
3. **Ensure effective programme coordination with external partners at the country level.** Good coordination of SBS activities with governments, donors, multilaterals and other key stakeholders has been accomplished through steering committees. Coordination events with all relevant stakeholders and partners, regardless of their financial contributions, to ensure complementarity, confirm priorities, and clarify expectations should be planned and budgeted. Similar arrangements should also be planned and included in the budget for specific regional products such as Women in Business.
4. **Reporting to EBRD Board and donors should be enhanced.** There is scope and need to improve the value and effectiveness of SBS reporting that is now fragmented and mainly donor-driven. A comprehensive annual reporting on SBS activities and outcomes at the country level and through the lens of SBS's articulated strategic/transition priorities is needed; a regular occasion for Board review would be valuable. Formal occasions of discussions for the EBRD Board (Info Sessions) should be planned for the proposed annual SBS report and similar opportunity should be given for specific products, such as Women in Business.
5. **Country-level outcomes should be periodically evaluated.** SBS monitoring and performance assessment systems should be strengthened to enable capture of outcome results data at the country and programme level; they should illuminate causal links between SBS project elements and client performance or access to finance. Full independent evaluation of SBS activities should occur at country level and in the context of the country strategy on a regular cycle. Similar evaluations should also be planned and included in the budget for specific regional products such as Women in Business.
6. **Synergies from joint SBS–Banking products should be identified clearly at the design stage.** Joint products such as Women in Business (WiB) aim to integrate programmes and both financial and non-financial products, and explicitly anticipate programme-level synergies. However the assumed interlinks have historically (and in the case of the WiB Programme) not been sufficiently embedded into design beyond efficiency aspects in fundraising, reporting, or visibility. Clarity at the design stage is essential for effective monitoring, accountability, and execution.
7. **Ensure consistency of internal approaches to EBRD fundraising.** The Bank should ensure that it operates its formal fundraising framework as effectively as possible, and should address any issues to do with misalignment of communication, delayed engagement during fundraising processes and lack of systematic sharing of information between SBS and DCF. This will ensure consistency, better internal coordination and streamlined partnerships with donors.
8. **Enhance donor visibility at final beneficiary level.** A review of SBS processes and resources devoted to donor visibility should be conducted in order to ensure awareness of donors' role in all SBS activities at the level of clients and consultants.
9. **Integrate SBS management information system with the EBRD IT systems.** Separation of the SBS Management Information Systems from the rest of EBRD IT systems brings both risks and inefficiencies. It should be fully integrated.

This evaluation has benefited from the constructive cooperation established with the SBS team in EBRD headquarters and in the countries of operations visited by the evaluation team – Armenia, Croatia, Kazakhstan, Kyrgyz Republic, Serbia, Turkey and Ukraine. The evaluation team also extends its gratitude to all EBRD Banking and non-Banking teams who shared their views and resources for the purpose of the evaluation.

1. Introduction

This report is the main output of the process carried out by the Evaluation Department of the EBRD to evaluate the EBRD Small Business Support (SBS) Programme as described in its Strategic Plan for 2011 to 2015.¹ This is a strategic level evaluation that assesses the implementation of the Strategic Plan in terms of the relevance, effectiveness and some aspects of efficiency of the SBS Programme. The specific approach and methodology of the evaluation were proposed and agreed with the EBRD's Management in the [Approach Paper](#),² and are described in details in the annexes of this report.

Three evaluation questions were formulated, and related judgment criteria were developed to guide the data collection and analysis for the evaluation. The main findings section of this report is structured along these judgment criteria, as presented in Table 1.

Table 1: Evaluation questions overview

	Evaluation Questions	Judgement criteria
RELEVANCE	1. Has the SBS strategic planning been aligned with the EBRD's evolving SMEs strategic agenda and the needs of SMEs in the countries of operations? (section 1.1)	Alignment/integration of SBS strategic and business plans with SME components of the EBRD's country strategies (section 3.1.1)
		Implications of donor priorities on SBS strategic planning/ prioritisation (section 3.1.2)
		Consistency of SBS strategic planning/ prioritisation with country needs (section 3.1.3)
EFFECTIVENESS	2. Has the SBS Programme delivered demonstrable and sustainable results in its countries of operations? (section 3.2)	Improved performance and competitiveness (section 3.2.1)
		Improved access to finance (section 3.2.2)
		Progress towards sustainable and commercially viable infrastructure (including consolidation of advisory services industry) (section 3.2.3)
		Progress towards institutional SME infrastructure (section 3.2.4)
		Adequate exit strategies (section 3.2.5)
		Monitoring and evaluation system used for learning and making adjustments in planning/design/implementation (section 3.2.6)
EFFICIENCY	3. Has SBS governance and management design effectively supported the expectations of its donors and the EBRD? (section 3.3)	Fundraising and donor relations (section 3.3.1)
		Reporting (section 3.3.2)
		Visibility (section 3.3.3)
		Adequacy of SBS management information systems (section 0)

In the timeframe under consideration (2011 to 2015) the EBRD strategic context in which the SBS Programme has operated has changed significantly. From an independent fully donor funded programme, SBS has been increasingly more deeply incorporated in the EBRD, receiving a growing share of resources from the EBRD Shareholder Special Fund, and, in the countries of operations, SBS staff and offices integrated in the EBRD resident offices. This process culminated at the end of the strategic period in the full integration of SBS in Banking as Pillar 4 of the Small Business Initiative.³

For this reason, this evaluation can be considered a final external assessment of the SBS Programme operating with its own strategic directions. The conclusions of this evaluation are based on the assessment of the implementation of the TAM/BAS Strategic Plan 2011 to 2015, guided by the analytical framework developed based on the main directions and objectives of the paper. The recommendations address the EBRD system within which the programme operates.

The structure of the report is the following:

- Section 2 provides a descriptive snapshot of the SBS Programme in its objectives and strategic orientation, and its key developments in the period under evaluation. An overview of the SBS portfolio analysis is available in Annex 4.
- Section 3 presents the main findings of the evaluation structured by evaluation questions and related judgment criteria. Country and thematic case studies are presented in the Annexes.
- Section 4 presents the conclusions and recommendations.

¹ TAM/BAS Programme Strategic Plan 2011 – 2015 as approved by the EBRD Board of Directors on 7 December 2010
² Circulated in August 2015

³ Small Business Initiative Review 2013 as approved by the EBRD Board of Directors on 17/18 December 2013

2. SBS overview

The Small Business Support (SBS) Programme, recently renamed as Advice for Small Businesses (ASB), is the flagship EBRD/donor funded programme to support (M)SMEs development. SBS consists of two separate but interlinked programmes existing since the early days of operations of the EBRD: the Enterprise Growth Programme (EGP – rebrand of the previously called TurnAround Management Programme – TAM) launched in 1993 and the Business Advisory Services (BAS) Programme launched in 1995. The two programmes have different goals and delivery mechanisms. EGP provides management advice to mid-sized companies utilising international consultants; whereas BAS works to develop the local SME consulting sector and targets its support primarily to micro and small companies utilising local consultants. While by design BAS projects have always included cost-sharing by the clients, EGP has introduced it only recently. SBS includes market development Activities under the BAS Programme, and sector development activities under the TAM/EGP Programme.

The two programmes have coexisted in the EBRD’s countries of operations but differed in the planning and implementation of their activities based on the countries’ contexts and the donors’ priorities. Historically, the two programmes have operated separately but with a common management at EBRD headquarters level. More recently they have been brought together under the SBS umbrella and further consolidated as Pillar 4 (Advisory Services) of the newly established EBRD Small Business Initiative (SBI) as indicated in figure 2.

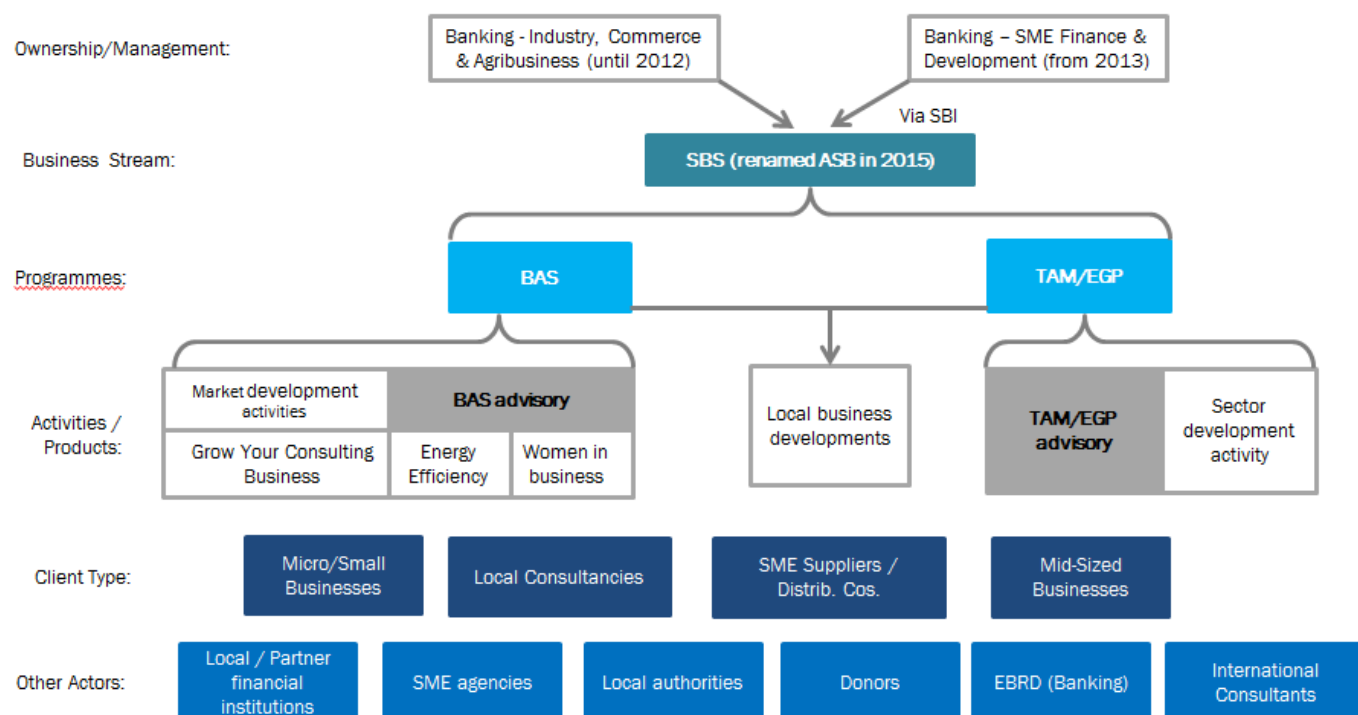
Figure 2: SBI five pillar structure

Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5
Indirect Financing	Co-financing /Risk-sharing	Direct Financing	Business Advisory	Policy Dialogue
Financing of financial intermediaries for on-lending to MSMEs, investments in equity funds with focus on SMEs	Co-financing of or risk-sharing on SMEs with local partners, whether banks, equity funds (for corporate)	Direct, tailor-made debt and equity financing of SMEs with strong post-investment value creation potential	Various business advisory activities in support of MSMEs	Policy dialogue initiatives aimed at improving SMEs business environment and access to finance

Source: Small Business Initiative Review 2013, page 22

Note about Programme names and abbreviations: Given the change of names that occurred to the programme and its team in the period under the evaluation, an effort has been made to use the name related to the timeframe the evaluation team is writing about. As a matter of general rule TAM/BAS refers to the timeframe 2011 to 2012, SBS to the timeframe 2013 to 2015, and ASB from 2015 to date.

Figure 1: Schematic representation of SBS Programme



2.1 TAM/BAS Programme Strategic Plan 2011 to 2015

This evaluation focuses on the SBS Programme's implementation of its most recent strategic plan, which covers the period 2011 to 2015. The strategic plan had an implicit theory of change that was made explicit by the evaluation team (and validated by the SBS team) to spell out the hierarchy of results of the SBS Programme and form the basis to develop the analytical framework of this evaluation. The theory of change is available in Annex 1.

In order to achieve the expected results, the Strategic Plan 2011 to 2015 has brought renewed focus on alignment of the programmes' activities with Banking and creating synergies while continuing to collaborate with donors in setting priorities. Table 2 provides a snapshot of the key improvements foreseen in the TAM/BAS Strategic Plan 2011 to 2015.

Table 2: Key directions of the TAM/BAS Strategic Plan 2011 to 2015⁴

Programme	Key directions
TurnAround Management	<ul style="list-style-type: none"> – Assist emerging mid-sized corporates to become more creditworthy and bankable (pre and post-investment) for the EBRD and others lending support – Working with clients approved by Banking teams – Sector Development Activities using lessons learnt from direct enterprise assistance to strengthen backward and forward linkages – Introduce cost-sharing for clients – Making greater use of local managers and experts to reduce the costs – Replace tied donor resources with untied sources in line with the EBRD's policy – Transferring TAM contracting to the Consultancy Services Unit (now Technical Cooperation Team)
Business Advisory Services	<ul style="list-style-type: none"> – Work closely with the EBRD's partner financial institutions to improve access to finance for BAS clients and facilitate engagement of advisory services by the SMEs receiving funding from financial institutions – Continues to prioritise its contribution to the development of a sustainable and commercially viable infrastructure of local business advisory services through Market Development Activities – Develop a comparative framework to priorities interventions at the market level and guide exit strategies, thus allowing BAS to shift focus to market segments that remain additional
Local Business Development	<ul style="list-style-type: none"> – New joint product aimed complementing the Banking offer to EBRD clients in the natural resources sector – Work through coordinated contribution of TAM/BAS to strategic management to the EBRD client, local suppliers' development, local SMEs development, and institutional capacity building for local consulting services – Reducing costs to the EBRD's clients and enhance their corporate social responsibility

2.2 Key data 2011 to 2015

In the course of 2011 to 2015 SBS implemented activities in 26 countries with international and local consultants for a total budget of over €95 million, including donor commitments of €63 million complemented by clients' contributions of €32 million. In addition, more than €18 million of donor resources have funded SBS staff in countries of operation. Among donors, the EBRD's own Shareholder Special Fund contributed almost one fifth of the resources for projects and staff.

Table 3: Overview SBS data 2011 to 2015

	Donor grants (€ million)	%	Clients' contributions (€ million)	Total
EGP	25.6	31%	2.8	28.4
BAS	37.2	46%	29.3	66.5
Subtotal SBS activities	62.8		32.1	94.9
SBS staff	18.4	23%	0.0	18.4
Total	81.2	100%	32.1	113.3

Source: EvD analysis based on SBS management information system and EBRD's Datawarehouse

Detailed information is presented in the portfolio analysis available in Annex 4.

2.3 Key developments 2011 to 2015

In the period under evaluation SBS invested considerable resources to make effective changes and developments to address the directions set in the Strategic Plan 2011 to 2015 as well as to adjust to the context of the real sector. This concerned:

- Integration with Banking and identification of synergies
- Review of the governance and management structure
- Review of the planning process
- Strengthening existing and developing new donor relationships

The tables below outline the details of the key developments of the Programme in general (Table 4) and specifically for TAM/EGP (Table 5) and BAS (Table 6).

⁴ President's Recommendation pp. 1-2

Table 4: Key developments of the SBS Programme (2011 to 2015)

Area	Key development
Governance/Management structure	<ul style="list-style-type: none"> – Until end 2013 part of the Banking – Industry, Commerce and Agribusiness Business Group – As of end 2013 incorporated under SME Finance & Development group reporting the Banking Country Business Group
One team	<ul style="list-style-type: none"> – From TAM/BAS to a single team named SBS – As of 2015 BAS National Programme Manager are supervising also EGP, not only BAS as in the past
Planning process: Business Plans	<ul style="list-style-type: none"> – Annual updates and country business plans for the following year submitted to the EBRD Management and Board⁵ – As of 2015 business plans are developed at regional and not anymore at country level as in the past, and considerably reduced in scope
Planning process: Operational Plans	<ul style="list-style-type: none"> – Internal country specific annual operational document derived from business plans – Include the targets for project delivery, the grant guideline matrix, planned market development and visibility activities, referrals to Banking teams, and donor reporting obligations, as well as finance and administration performance objectives – Initially completed only for the BAS Programme – From 2014 Operational Plans completed for both BAS and EGP
Geographic expansion	<ul style="list-style-type: none"> – Belarus, Egypt, Jordan, Morocco, Tunisia and Turkey – Preparation activities started also in Cyprus
Integration with Banking and non-Banking teams and products	<ul style="list-style-type: none"> – See EGP (Table 5) and BAS (Table 6)
Integration in EBRD resident offices	<ul style="list-style-type: none"> – In 2011 a process of physical integration of SBS staff in EBRD resident offices started and it was completed, implying the transfer of some costs from the donors to the EBRD budget – For Turkey and SEMED the physical integration was implemented from the start of activities in those countries
SBS staff	<ul style="list-style-type: none"> – In 2011 to 2015 over €18 million were committed from donor resources to fund almost the entirety of SBS staff in the countries of operations and in one instance in EBRD headquarters. Over 20% of that amount was committed by the EBRD Shareholder Special Fund – With the support of HR, donor-funded fixed-term EBRD employment contracts were introduced in 2012 for SBS field staff – SBS Academy under development in collaboration with EBRD learning and development team
Marketing	<ul style="list-style-type: none"> – 2014: Launch of the new marketing campaign based on the concept of know-how – Objective is to promote more widely and more effectively the value of external advice for small business – Intended to result in a greater number of applications for projects, a reduced number of projects sourced from consultants, and an increase the client recall of the brand in the market

⁵ Annual Updates and country Business Plans were submitted to the EBRD Technical Cooperation Committee before the discussions at the EBRD Board Financial and Operations Policies Committee (FOPC). This practice was implemented for SBS Business Plans for 2012, 2013, and 2014. The 2013 Business Plan was also submitted to ExCom (after TC Com and before going to FOPC), while the 2014 Business Plan was submitted also to SP Com (before TC Com). In contrast, the SBS Business Plan for 2015 was submitted only to TC Com and not discussed by any primary level Management Committee and/or Board Committee – this was due to the uncertainty of processes and procedures when SBS became part of SBI. The SBS (ASB) Business Plan for 2016 was submitted to TC Com and then attached as Annex to the SBI Review for 2015 and Operational Modalities for 2016.⁵ Also, starting from 2015, Business Plans were developed at regional and not anymore at country level as in the past, and considerably reduced in scope.

Table 5: Key developments of the TAM/EGP Programme (2011 to 2015)

Area	Key developments TAM/EGP
Data from portfolio analysis (2011-mid 2015)	<ul style="list-style-type: none"> – 560 projects for almost €28 million (90% donors; 10% clients) – Average budget of an EGP project €50,000 – The first five countries ranking in terms of number of projects are: Kazakhstan (8%), Ukraine (7%), Egypt (7%), FYR Macedonia (6%), and Mongolia (6%)
EGP donors 2011 to 2015	<ul style="list-style-type: none"> – Main donor was the European Union - EU (44%) followed by the EBRD's SSF (16%), multi-donor funds (15%), United States of America (8%), Japan (7%), Luxembourg (3%) – Germany and Portugal decreased and ended their cooperation – The Government of Russia has become a donor for the EGP Programme implemented in Russia
Target clients	<ul style="list-style-type: none"> – Shifted focus towards assisting emerging mid-sized corporates to become more creditworthy and bankable – Because of that renamed in 2012 from TAM to EGP – Mandatory sign-off by Banking (Head of resident offices or Senior Bankers)
Integration with Banking teams and products	<ul style="list-style-type: none"> – Since 2012 Advice for Agribusiness Programme aimed at improving and integrated offer of advice and direct finance to SMEs clients in SEMED, and then extended to Early Transition Countries and Ukraine (negotiations are in place in Albania) – Ad hoc collaboration with other Banking teams
Sector Development Activities	<ul style="list-style-type: none"> – Introduced to use lessons learnt from direct enterprise assistance to strengthen backward and forward linkages – 32 sector development activities have taken place: nine did not imply any financial contribution; €0.4 million of resources were committed to implement the other 23
New Sector Approach	<ul style="list-style-type: none"> – In 2015 EGP identified the need to launch a broader sector approach: six sectors were identified (Information and Communications Technology; pharmaceuticals; retail; agribusiness; automotive and fast moving consumer goods) – New pool of eight specific EGP Team Coordinators has been selected following a competitive procedure
Client cost-sharing	<ul style="list-style-type: none"> – Introduced and increased over the years: from 2% at year-end 2011 to 12% at year-end 2014
Contracting consultants	<ul style="list-style-type: none"> – Transferred to the EBRD Consultancy Services Unit (now called Technical Cooperation team) for Team Coordinators, Senior Industrial Advisors, Specialists
EGP staff	<ul style="list-style-type: none"> – Started hiring Local Managers in the countries of operations where budget allowed (in the past there were no EGP staff in the countries, and only the international consultants represented EGP in those)
EGP management information system	<ul style="list-style-type: none"> – Launched 31st May 2012
EGP Operations Manual	<ul style="list-style-type: none"> – Updated August 2014 and including the introduction of the EGP projects evaluation taking place one-year after completion – Best Practice Guide for EGP developed

Table 6: Key developments of the BAS Programme (2011 to 2015)

Area	Key developments BAS
Data from portfolio analysis (2011-mid 2015)	<ul style="list-style-type: none"> – 6,472 projects for almost €61 million (52% donors; 48% clients) – Average budget of a BAS project €9,400 – The first five countries ranking in terms of number of projects are: Kazakhstan (7%), Kyrgyz Republic (7%), Armenia (6%), Ukraine (5%), and Moldova (5%)
BAS donors 2011 to 2015	<ul style="list-style-type: none"> – Main donor was the EU (42%) followed by the EBRD's SSF (17%), multi-donor funds (7%), Austria (6%), Sweden (5%), Luxembourg and Japan (4%) – Historical donors such as Japan and the Netherlands ended their cooperation with BAS, but continued supporting EGP – The Governments of Croatia, Kazakhstan, Russia, and Turkey have become donors for the BAS Programmes implemented in their own countries – 0.4% of contribution is coming from a private sector donor in Kazakhstan
Market analysis and exit	<ul style="list-style-type: none"> – 2011: Assessment of Transition Challenges on Infrastructure of Micro, Small and Medium-Sized Enterprises (MSME) Support – to develop a comparative framework to prioritise interventions at the market level and guide exit strategies – Exercise not repeated after 2011 – BAS did not exit from any country in which it was operating
Integration with Banking and non-Banking teams and products	<ul style="list-style-type: none"> – Women in Business (jointly managed with the financial institutions and gender teams) – Financial management and reporting (joint initiative with the Local Enterprise Facility - LEF and Early Transition Countries Initiative - ETCI teams) – Energy efficiency (joint initiative with the Energy Efficiency and Climate Change E2C2 team) – Local Business Development Programmes (with Natural Resources) which have not developed on a large scale
Market Development Activities	<ul style="list-style-type: none"> – Streamlined with an identified market development activity cycle and made available to all SBS teams in the countries of operations – 2013: Launch the Grow Your Consulting Businesses series of courses aimed at improving the professionalism and supply of consulting services as well as running a successful consulting business – Cost-sharing by training participants introduced – 815 events organised. 85% received donors' commitments for a total amount of €5 million
BAS management information system	<ul style="list-style-type: none"> – Launched 1st July 2010
BAS Operations Manual	<ul style="list-style-type: none"> – Updated September 2014 and reflects all changes that happened over the years about BAS project cycle, its main tools such as the grant guideline matrix, Annual Consultant Review and related activities such as market development activities – Best Practice Guide for BAS developed

3. Main evaluation findings

3.1 Has the SBS strategic planning been aligned with the EBRD's evolving SMEs strategic agenda and the needs of SMEs in the countries of operations?

Box 1: Summary findings for Evaluation Question 1

SBS core objectives - SME and local advisory services development – are fully complementary with the EBRD's private sector development mandate. The SBS 2011 to 2015 Strategic Plan was intended to sharpen alignment with the EBRD's strategic objectives and the work of the Banking Department.

However, the EBRD and SBS planning processes at the country level were separate and unsynchronised. SBS annual country business plans were developed independently from EBRD multi-year country strategies for most of the period under evaluation.

SBS activities were generally responsive to government priorities and the needs of both SMEs and local providers of business advisory services. Use of special steering committees has aided complementarity of SBS with other country programmes. However, comprehensive analysis of country needs and markets was generally lacking, with reliance instead on the embedded knowledge of the local context within experienced SBS country teams.

At the end of the strategic plan period the SBS was integrated within the SBI and fully integrated within the EBRD country strategies under new thematic priorities and their results frameworks. This offers a potentially significant improvement in alignment and coordination.

Coverage of SBS work in local consultancy markets and MSME support infrastructure and objectives has been dropped following this integration into SBI; this reduces clarity around a stated source of transition impact.

The SBS Programme has been dependent on donor funds and largely donor-driven. Activity-focussed business plans were drawn up based on availability of funds and donor priorities as specified in contribution agreements. Where donors did not have specific requirements SBS implemented its standard model which provided for no specific prioritisation. Donor resources have fully funded local operational (and one headquarters) staff and implementation of advisory services projects. The donor-driven approach continued even while direct EBRD funding through the Shareholder Special Fund increased substantially; this was consistent with the use of SSF funds (pre-reform) primarily as back-stop funding to cover gaps in donor resources rather than for financing specific EBRD priorities.

3.1.1 Alignment/integration of SBS strategic and business plans with SME components of the EBRD's country strategies

As indicated in the EBRD President's recommendation

"A new [TAM/BAS] Strategic Plan for the period 2011 to 2015 seeks to bring these programmes fully in line with the Bank's objectives in [Capital Resource Review 4] CRR4 and to better align them with the work of EBRD's Banking Department, while continuing to collaborate with donors in setting priorities".⁶

In line with that, the document provided indicative directions for each of the regions in which TAM/BAS was operating at that time.⁷ However, the TAM/BAS Strategic Plan did not give indication on how a prioritisation and strategic planning exercise was supposed to follow from it at country level.

In fact, strategic planning was not synchronised at country level between the EBRD and SBS, and therefore there was little alignment of the SBS country directions and EBRD's country strategies in terms of any specific priorities, as these documents were essentially developed independently of each other. This reflected the historically separated status of SBS within the EBRD structures, which was still the case at the beginning of the period under evaluation.

In the timeframe 2009 to 2011, TAM/BAS developed in collaboration with the Office of the Chief Economist a set of country briefs which were presenting the main transition challenges of the MSME sector and the recommendations for TAM and BAS interventions based on those challenges. These country briefs were developed independently of the existing EBRD country strategies and did not contain any references to them. The priorities in the country briefs were set very broadly (in terms of sectors or types of advisory to be pursued) but linked to the description of country context and needs (including transition challenges in the advisory sector). Common feature was a link to Banking by committing to increase cross-referrals of clients (such as providing pre- and post- investment advisory, and linking clients to partner financial institutions or direct instruments such as the Direct Lending Facility - DLF, Direct Investment Facility - DIF, Medium-sized Co-Financing Facility - MCFF), but not to any specific EBRD priorities. A shortened version of the country brief was attached to the EBRD country strategy for those countries for which a new EBRD country strategy was approved within the period of the validity of its SBS country brief.⁸

⁶ Page 1

⁷ Namely: Early Transition Countries; Western Balkans; Ukraine; Kazakhstan; Turkey; Russia; the European Union. At that time the EBRD had not yet started its activities in South Eastern Mediterranean region.

⁸ There are 19 TAM/BAS Country Briefs available to the evaluation team: Albania, Armenia, Belarus, Bulgaria, Croatia, FYROM, Georgia, Kazakhstan, Kyrgyz Republic, Moldova,

After the expiration of the country briefs, no new TAM/BAS multi-year country strategies were developed. This was mostly due to limited resources available for their development, on the side of TAM/BAS combined with limited support available from the Office of the Chief Economist. Therefore, the annual business plans became the main (and only) prioritisation/planning document at country level, developed by SBS country teams under the coordination of the central SBS management. The business plans (with an update on the implementation of the year before) were submitted to the EBRD Board Financial and Operations Policies Committee (provided they had prior approval from the Technical Cooperation Committee - TC Com)⁹ with an indication about the implementation modalities for the year to come *vis a vis* existing funding sources and initiatives, and indication of activities for the upcoming year. The business plans focused on activities to be completed provided that donors' resources are secured, and were linked to a briefly described country context. Where priorities in terms of sectors or types of advisory were identified in the business plans, they were linked to the country needs or to donor-specific priorities; references to EBRD country strategies were not made. For EBRD country strategies approved after 2012, SBS prepared a separate annex based on existing assessment of SME sector challenges, and the existing current business planning. The main text of the country strategy would usually contain short reference to the implementation of the SBS programme.

The SBS business plans were operationalised through internal annual country operational plans. As indicated in the operations manual,

"SBS country teams prepare an operational plan that outlines the main objectives for the following year consistent with the relevant country strategy."¹⁰

Normally it would be expected that this alignment comes from the general alignment of the business plans with the country strategies, as the operational plans themselves should not be setting new priorities but focus on operations modalities and activities planning. Nevertheless, this link between business plans and operational plans was not always obvious. For example in the case of Armenia all operational plans from 2011 to 2015 contained energy efficiency as a priority (special initiative), but this priority was not identified in any of the business plans over the period, nor was it mentioned in SBS annexes to the EBRD country strategy.

Finally, since end 2013 SBS became integrated within the Bank's Small Business Initiative (SBI) as one of its pillars. At the same time, EBRD country strategies underwent a substantial redesign, and those approved from about end of 2014 contained results frameworks for

each priority sector identified in the strategy. These changes led also to a complete review of how SBS was integrated within the EBRD country strategies and prioritised at country level. In the newly approved EBRD country strategies, SBS is fully integrated within the relevant priority sectors and their results frameworks through links to specific objectives and indicators, as a standardised 'catalogue of SME related indicators' has been developed for all pillars of the SBI (including SBS)¹¹ and these are used in the Country Strategies results frameworks. On the other hand, this development led to the loss of the discussion of country context and transition challenges with respect to the local business advisory services at country level, which had previously been part of the SBS annexes to the country strategies and SBS business plans, at least in a fleeting manner. Through the integration to SBI and the new country strategies, the main focus of SBS has shifted towards access to finance and client-level competitiveness and performance.

Consequently, starting from 2015 SBS business plans have been regrouped by region, significantly reduced in scope, and fully focused on the integration within the EBRD Small Business Initiative at activity level, and on sources of donor funding. The 2015 SBS business plans, still falling under the Strategic Plan 2011 to 2015, were never submitted to a Management or a Board Committee, due to the uncertainty of processes and procedures when SBS became part of SBI. The SBS (ASB) business plans for 2016 (not falling anymore under the Strategic Plan 2011 to 2015) were submitted to TC Com and then attached as Annex to the SBI Review for 2015 and Operational Modalities for 2016.¹² In this sense SBS has lost visibility before the EBRD's Board of Directors, and most of all the discussion about its scope and relevance at country level against transition challenges in the consultancy sector has vanished.

Overall, there has not been a systematic alignment of SBS business plans with EBRD country strategies, as the planning processes were unsynchronised and essentially independent for most of the period under evaluation. Yet there was also no obvious contradiction of the priorities as both were broadly set, and SBS broad objectives (SME sector development, local advisory services development) are essentially complementary to the EBRD's wider work in the private sector development. Integration between Banking and SBS was progressively strengthened at an operational level through co-location of offices, change of processes (such as inclusion of Banking approval on EGP clients), and increased focus on cross-referencing of clients in both directions (see section 3.2 for more

Mongolia, Montenegro, Romania, Russia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan

⁹ This practice was implemented for SBS Business Plans for 2012, 2013, and 2014. The 2013 Business Plan was also submitted to ExCom (after TC Com and before going to FOPC), while the 2014 Business Plan was submitted also to SP Com (before TC Com). In contrast, the SBS Business Plan for 2015 was submitted only to TC Com and not discussed by any Management and/or Board Committee.

¹⁰ Advice for Small Businesses, Operations Manual - Delivering business advice (September 2014), page 11 – emphasis added

¹¹ Regional: Small Business Initiative – Restructuring and Consolidating EBRD Operational Facilities for SMEs (approved on 25 March 2015) Annex 4. According to that, SBS is contribution to the objectives of: 'Improved Business Environment that Supports SME and Entrepreneurship Development', 'Improved skills and investments in knowledge/technology', 'Privatisation and restructuring/commercialisation in sectors dominated by public sector', 'Strengthening competitiveness of private sector through gains in efficiency, competition, skills/productivity and innovation', and 'Development of an export sector including through access to finance increased in productivity/innovation/standards'.

¹² Annex 6, approved by the EBRD's Board of Directors on 6 April 2016

information). At the end of the period under evaluation, SBS was integrated within the SBI and fully integrated within the EBRD country strategies under new thematic priorities and their results frameworks. One specific area that has been weakened as a result of this is clarity around specific objectives at market level and in terms of MSME support infrastructure.

3.1.2 Implications of donor priorities on SBS strategic planning/prioritisation

Grant agreements were the formal occasion in which donors and the EBRD negotiated priorities on which to focus activities to be implemented by the EBRD through its SBS Programme.

SBS existence in the countries where it operates depends fully on availability of donor resources, which not only support the implementation of the advisory services projects, but also fund almost the entirety of the SBS staff working in the countries of operations (and in one instance also in EBRD headquarters). Inevitably, when asked about that, the SBS country teams indicate the availability and any thematic/geographic restriction placed on the use of donor resources as the first driver of the annual planning process, (on fund-raising function see section 3.3). Consequently, Business Plans were drafted primarily based on the availability and forecast of funds. As a context element it is worth mentioning that in the period under evaluation the EBRD approved a policy that did not allow anymore for tied donor resources, which was also a feature of control of priorities by the donors especially for EGP, through the use of international consultants of specific nationality. Tied resources decreased and eventually were exhausted in the period under evaluation.

In terms of identification of specific priorities within the general SBS mode of operations (for example in terms of sectors, types of advisory services, or geographical locations), where donors did not have specific requirements SBS implemented its standard model without really embarking on a prioritisation exercise. In contrast, in cases where donors expressed clearly their own priorities, SBS showed to be flexible, embracing them fully – in some instances leading to commitments falling outside the EBRD's transition impact focus, as indicate below in the case of Turkey. Evidence is provided via examples from the case studies selected for the purpose of this evaluation and via interviews held by the evaluation team as presented below.

In the case of Mongolia, the European Union (EU) has fully shaped the SBS Programme through its own needs assessment and Terms of Reference (ToR) development and requested SBS to apply a holistic approach to SME development in the country, extending the usual SBS model. The EU funded project 'Support to SME Sector Development in Mongolia' is composed by three components with related expected results: (i) macro component (the SME business enabling environment is improved through facilitation and support to key reforms in the policy, strategic and legal-regulatory framework); (ii) meso component (access to Mongolian SME sector to appropriate and affordable advocacy, business development and financial services is increased); and (iii) micro component (strong demand for local advisory

services through demonstration of enterprise-level performance improvement in assisted MSMEs). This approach was fully driven by the donor as it is uncharacteristic for SBS, especially for the inclusion of the 'macro' level activities.

A notable example of EBRD/SBS flexibility over donors' priorities is the case of Turkey and the Women in Business (WiB) Programme. In fact, due to the donor (via the Government of Turkey) mandatory focus on employment and women, the donor agreement signed between the EBRD, the EU and the Government of Turkey foresee specific objectives in terms of jobs creation, which have not been included in the approval document by the EBRD Board of Directors for the same WiB Programme.¹³ The specific reference to job creation was removed as falling out the transition impact methodology. This difference does not necessarily indicate a contradiction in stated priorities of the Programme towards different stakeholders, but shows at least a big degree of flexibility of the EBRD in adjusting to and meeting donor priorities to secure donor funds. Presenting the same Programme to the EBRD Board of Directors omitting some key objectives and indicators as presented to the donors inevitably creates room for different expectations. Doubts also remain about how the EBRD will be reporting on those (extra) benchmarks to the donors as no information about jobs creation has been provided in the reports so far and there is not a set methodology for that, as confirmed by the SBS team itself. More details about this point are provided in the thematic case study about the WiB Programme in Annex 9.

The recently signed contribution agreement between the EU and the EBRD for the implementation of the 'EU4Business: Network of Business Support Centres in Ukraine' provides another interesting example of donors' influence over the shaping of SBS. Already in June 2015 the Government of Ukraine announced the opening of 15 regional business centres to support SMEs. It also announced plans to launch an outreach programme on how to start a business and how to get support for business development. If implemented, this programme called EU SURE (EU Support to Ukraine to Re-launch the Economy) was perceived to be the first step in filling the gap in the provision of SME business development support.¹⁴ While originally the EBRD was supposed to implement only a part of the activities through its SBS Programme, the EU eventually decided to assign the entire budget (€43 million for four years) to the EBRD/SBS thus greatly extending the scope of SBS normal activities.¹⁵ The result of the negotiations with the EU is that the EBRD and its SBS team will be the implementing agency of a broad action in which it will implement the standard SBS related activities but also support the creation and functioning of Business Support Centres in 15 pre-selected regions across Ukraine, up to

¹³ Turkey Women in Business Programme approved 28 May 2014

¹⁴ OECD, SME Policy Index Eastern Partnership Countries 2016 – Assessing the Implementation of the Small Business Act for Europe, page 341

¹⁵ The EU SURE grant is €40 million, out of which €28 million allocated to SBS, and the remainder allocated to direct finance. Additional €3 million of the budget are expected to come from client contributions.

four of which to be located within EBRD resident offices (subject to necessary EBRD Board approval):

“Over a period of 3.5 years, the Action will provide assistance to around 30,000 SMEs and entrepreneurs by providing information, assistance, tailored advisory services as well as supporting the organisation of training and events. The action will also promote initiatives such as Horizon 2020 and COSME [EU Programme for the Competitiveness of Enterprises and SMEs].”¹⁶

Despite the huge achievement in terms of fundraising point of view and return in visibility and reputation for the EBRD (if successful) this project is an example of the EBRD/SBS fully aligning with donors’ priorities to the point where it moves away from the standard implementation modalities and enters an entirely new area of operations, for which it has no previous experience or established operational processes.

In contrast, in the cases of Armenia and Serbia the main donor (EU) did not present any specific priority in either country. The grant agreements represent the standard description of SBS objectives and activities, including the usual indicators of success, not tailored to accommodate any specific donor, EBRD or national priority. SBS was operating then without targeting special sectors or regions, and it was planning its activities based on local context at operational level.

The case of the SBS Programme in Central Asia (Kazakhstan, Kyrgyz Republic, and Tajikistan) is illustrative as well. In that region SBS was focusing on export-oriented SMEs programme funded since 2012 by the United States Department of Treasury over two phases. The focus of the programme on export – assisting SMEs who are either exporters or have potential for export expansion, and help them adopt international standards and best practices – was fully the choice of the donor that approached the EBRD/SBS with the intention to fund a programme focused on companies exporting products ready to be supplied to the military mission in Afghanistan. The 2010 TAM/BAS annex to the EBRD Country Strategy for Kazakhstan did not specifically mention export as a priority sector while the following 2013 SBS annex to the EBRD Country Strategy embraces this priority retrospectively. In this sense, the donors’ priority shaped the SBS Programme in the country and influenced also the EBRD to have that priority included in the Country Strategy and resources pledged by the EBRD Shareholder Special Fund (SSF).¹⁷

The same export promotion programme funded by US Treasury was extended to Ukraine in 2015. Differently from the case of Central Asia, it was the SBS team approaching the donor to implement the export promotion programme in Ukraine, as, given the recent political events in the country and almost complete closure of Russian and other Commonwealth of Independent States - CIS country markets, SMEs were in need for new markets where to export. In this case SBS identified a priority which the donor was inclined to fund

given the positive experience in Central Asia and indeed it can be said that it responded to a country need.

To conclude, where there was a prioritisation/planning exercise conducted by SBS this was to respond to donors’ requirements, if existing. Fully recognising the importance of the donors and their views, this approach has implications and does not allow SBS (and the EBRD) to set its own priorities but acting as simple implementing agency. Stretching the concept, it could be argued that the ownership of the SBS Programme is with the donors (especially in countries where there is a single donor) rather than with the EBRD. The same comment was already made in 2007 by the EBRD Task Force on Advisory Assistance to SMEs – TAM-BAS, that concluded that

“The TAM-BAS programmes are currently constrained in their strategic abilities by a reliance on donor funds; Funding from EBRD net income is an opportunity for strategic freedom, but Engagement with donors must be maintained and the main vehicle for this will be a TAM-BAS Donor Forum which will seek input at the country strategy level and seek to standardise funding approval and reporting requirements.”¹⁸

While a TAM-BAS Donor Forum was never created, in 2008 the EBRD established its Shareholder Special Fund (SSF) to broaden the scope and deepen the intensity of its transition impact, focussing on the most important transition challenges. The 2007 Task Force was writing its recommendations based on the hope that ‘strategic freedom’ from donors could have come from the priorities set for the EBRD SSF. However, as pointed in the [interim evaluation of the SSF](#) (November 2014), the Fund was used as supplemental source of funding dedicated to covering gaps outside donor priorities and where resources were distributed among teams (including TAM/BAS) without linking to priorities based on transition challenges. Therefore, it could be said, that the opportunity for strategic freedom for SBS was not utilised.

3.1.3 Consistency of SBS strategic planning/prioritisation with country needs

Some elements of local context analysis are present in the TAM/BAS Country Briefs (for countries where this was piloted), the SBS Annexes to the EBRD Country Strategies, and SBS annual Business and Operational Plans. Sources for those include, for instance, the EBRD Management Organisation and Innovation (MOI) survey,¹⁹ the Business Environment and Enterprise Performance Survey (BEEPS) survey,²⁰ SBS own survey of consultants (Annual Consultant Review) and the Office of the Chief Economist (OCE) Assessment of Transition Challenges (ATCs). However, these documents provide information about the context and local needs in a rather cursory manner, and rarely provide more detailed information for example on the fit and synergies of SBS within the broader SME development context, with national strategic documents, with the programmes offered by the

¹⁶ EU Delegation Agreement for the implementation of the Action “EU4Business: Network of Business Support Centres in Ukraine”, Annex I

¹⁷ Regional: Shareholder Special Fund – TAM/BAS programme for export-oriented SMEs in Central Asia (Kazakhstan, Kyrgyz Republic and Tajikistan)

¹⁸ EBRD Task Force on Advisory Assistance to SMEs – TAM-BAS, Chairman’s Report, August 2007, page 22

¹⁹ EBRD’s management, organisation and innovation survey 2008/09

²⁰ Business Environment and Enterprise Performance Survey; <http://ebrd-beeps.com/>

Governments and with activities of other donors or international financial institutions. This can be mostly considered a presentation/communication issue, as the knowledge exists within SBS, but the lack of an adequate context analysis can only corroborate the already mentioned finding of lack of a structured prioritisation/planning exercise for the SBS Programme – if not donor driven.

A good case made available to the evaluation team is the one of Turkey (see Annex 8). In fact, as the EBRD and SBS were not operating in the country before 2009, in late 2010 the EBRD commissioned a feasibility study for the implementation of the BAS Programme in Turkey provided that donor resources were made available for its implementation. A thorough needs assessment was carried out in terms of SME challenges, and analysis of the business development obstacles and differences at regional level. The feasibility study also stressed complementarity of the BAS Programme with key strategic documents of the Government of Turkey in terms of SMEs development as spelled out in the Regional Competitiveness Operational Programme (RCOP) and the national SME Strategy and Action Plan. In this case then the evaluation team observes a genuine effort to assess the SMEs needs at country level, though such an analysis has not been repeated systematically afterwards. Similar feasibility studies were also prepared for new countries of operations, namely Belarus, Egypt, Morocco, Tunisia, Jordan, and Cyprus.

The general absence of a structured prioritisation exercise based on a comprehensive context analysis has been mitigated by the deep knowledge of the SBS teams of the country context thus contributing to the creation of the SBS niche and building a very positive dialogue with national counterparts and other key stakeholders, as confirmed in all interviews held by the evaluation team in the countries visited. This is particularly true for small countries, less developed in terms of SME infrastructure, and where there is some continuity in the SBS team based in the country. During the evaluation missions to selected countries of operations, positive remarks (on different aspects) have been made by national authorities about the SBS Programme (and its country teams) and how it complements with governments' programmes aimed at supporting SME development. Positive remarks came also from local consultants associations, individual SBS clients, and other stakeholders.

In Armenia, the Ministry of Economy and Small and Medium Entrepreneurship Development National Centre (SME DNC), the main institutions responsible for SME development and in charge of coordination of activities, confirmed the relevance of SBS activities, including its fit within the local and international programmes. The importance of SBS and the unique nature of its services within the donor landscape have also been confirmed by consultants and the consultants' association, and by individual clients whose needs were addressed by BAS.

The Government of Turkey has implicitly confirmed its appreciation for the SBS Programme deciding to use and co-fund available EU Instrument for Pre-Accession resources under the Human Resources Development Programme for the Women in Business Programme, provided the focus on creation of employment. In this case the priorities were set by the Government of Turkey

together with the EU and, where negotiations happened with the EBRD/SBS, were purely on legal matters as confirmed in the interviews held by the evaluation team during the mission in Turkey.

In Serbia the Government has recognised the value and the relevance of the SBS Programme and for this reason it has proposed it for the 2012 EU Instrument for Pre-Accession National programme. The Ministry of Finance and Economy especially recognises the value of SBS in terms of capacity building and the development of the local consultancy market. Most importantly, given the ongoing reorganisation of the MSME infrastructure in the country, the SBS Programme is particularly valuable because it is providing a continuous and reliable support to SMEs and inducing an entrepreneurship culture that is missing in Serbia and that the Government is not yet able to address fully with its own programmes. In this context it is worth mentioning that the Action Plan for the implementation of the 'Strategy for Support the Development of SMEs, Entrepreneurship and Competitiveness (2015-2020)' specifically mentions the implementation of the SBS Programme.

In Kazakhstan the BAS Programmes is part of the Government Strategy supporting the development of the SME sector – the Business Road Map 2020 which in its 4th Direction Enhancing the entrepreneurial potential indicates

“Support for leading small and medium-sized businesses in the implementation of consulting projects – BAS programme”

in one of its ten actions of State non-financial support to SMEs. This is the result of the Government' financial contribution to the BAS programme and it amounts to more than an alignment or consistency of SBS with the national SME Strategy; it is a direct integration of the SBS Programme in the Government Strategy.

An important tool that helps to ensure complementarity of SBS with other programmes is the establishment of Steering Committees. Examples of that have been seen for the SBS Programmes at country or regional level at the request of the donor, mainly the EU, but also, for instance, in Kazakhstan at the request of the Government – which is donor and beneficiary country at the same time. A Steering Committee comprising of core stakeholders from industry, government, business associations, as well as the EBRD and State Secretariat for Economic Affairs of Switzerland (SECO) was introduced in Kyrgyz Republic, and was a '*valuable innovation*' according to the evaluation of the programme. The evaluation report also notes that this practice had been copied to programmes in FYROM and Moldova.²¹ From the feedback provided by national and local stakeholders, such Committees constitute a very good occasion to share among key stakeholders how country's and donors' needs and priorities are met at implementation level.

In Serbia the Ministry of Finance and Economy has shown deep appreciation for the Steering Committee's role (set up as per contribution agreement with the EU) as an occasion to exchange information among stakeholders in the SME development, though it is not a place where priorities are actually defined. However, it provides the

²¹ EBRD-SECO, External review: BAS – EBRD Business Advisory Services Kyrgyz Republic, June 2013, page 19

opportunity to give a no-objection to the pipeline of EGP projects, discuss the market development activities, and it gives the chance to meet and update on relevant SME related developments, not only strictly correlated to the implementation of the EU funded SBS programme.

Where EU resources are allocated at regional level, Steering Committees are established at regional level, such as the case of the Eastern Partnership countries. In that case the Steering Committee is tasked with: i) programme steering and coordination; ii) verifying and approving programming proposals; and iii) assessing reports on implementation. The regional Steering Committee could also take decisions on programme alterations. Also it should ensure coordination with financing institutions and other stakeholders providing guidance on priority sectors or types of interventions. In addition, annual progress meeting at country level are established to guide and coordinate activities in each country.

In Kazakhstan, the already mentioned integration of the SBS Programme in the Government Strategy facilitates the coordination of SBS with key national stakeholders as the Steering Committee established by the Contribution Agreement comprises of representatives of

“The EBRD and the Ministry of National Economy, its Entrepreneurship Development Department, EDF Damu, the National Chamber of Entrepreneurs, the Consortium of Consulting and Research Institutes of Kazakhstan, private donors of the ASB program, namely BG Kazakhstan and TengizChevroil”.²²

The case of Kazakhstan is to be considered as a best practice: in fact, all donors and stakeholders involved in the SBS Programme are invited to the Steering Committee, regardless of their contribution or part in it. This will ensure complementarity of the activities of the SBS Programme (export promotion, Women in Business, etc.). In addition, SBS undertakes regular information meetings with some of the Committee members as well as other relevant stakeholders.

The case of the Women in Business (WiB) Programmes is interesting in this context of ensuring coordination at national level. In fact, the establishment of Steering Committees has not been considered at design of the concept of WiB Programmes. However, in the case of Turkey and Kazakhstan Steering Committees were created at donors' request. In the case of the Western Balkans, Eastern Partnership Croatia and Egypt there are no Steering Committee meetings. In the case of Western Balkans and Eastern Partnership the EBRD is organising regular meetings with one of the bilateral donors for the two regions (at its request) to discuss the implementation of the WiB Programmes. The same bilateral donor, as interviewed by the evaluation team, requested the possibility to establish a Coordination/Steering Committee meeting at regional level, but this was not followed up.

The main reason behind the existence of Steering Committee meetings is to look at the SBS Programme at macro level, an opportunity to share ideas and comments on the programmes in which many stakeholders are

involved with different roles (SBS, donors, beneficiary country, associations, etc.), and most of all help to clarify expectations of all parties in terms of results. Even if the practicalities to organise a multi-country multi-donor event are demanding there is an added value in that to be considered as a standard practice, not only at donors' request.

In summary, SBS activity in a country is generally considered to be consistent with the country's strategic objective for the SME sector and reflecting the needs of both SMEs and of local providers of business advisory services. However, such complementarity is generally not explicitly substantiated by a comprehensive analysis of the country's needs, but relies on a deep knowledge of the local context that comes from the experienced SBS country teams. Moreover, formal occasions to ensure complementarity and convergence of priorities and expectations of the parties, such as Steering Committee meetings, are perceived to be useful for national authorities to have an overview of the SME sector development, though this is not yet a standard SBS practice.

3.2 Has SBS delivered demonstrable and sustainable results in its countries of operations?

Box 2: Summary findings for Evaluation Question 2

SBS programme objectives at the level of individual SMEs were expected to be achieved through accelerated growth and improved performance in terms of competitiveness. While client growth and performance reflect many factors, there is sufficient qualitative evidence to conclude that SBS projects are consistently achieving their objectives at client level and positively reinforcing clients' growth potential captured in key business indicators improvements.

Access to finance has not generally been a primary SBS objective, but did feature increasingly during the strategic plan period. Closer integration with EBRD Banking operations aims to increase access to finance for EGP and BAS clients though results differ between them. In the case of EGP, there has been a clear evolution towards closer integration with Banking, and growing shared portfolio. For BAS the integration with Banking products has so far proven more challenging, and there is little evidence of attributable increased financing. While the Accounting Improvement Programme has had clear benefits in terms of enhancing clients' access to finance, there is little evidence of systematic referrals of BAS clients to partner financial institution credit lines and other SME-financing products, which was a sustained commitment of BAS over the period. New joint products such as Women in Business do not seem to have yet identified ways to explicitly link the advisory and financing components to create synergies.

SBS has been active in developing local markets for SME advisory services, contributing to growth of demand, supply and quality of local consultants, and in some cases to consolidation of the industry. However, more precise assessment of achievements is often hindered by

²² Annual Progress Report to the Ministry of National Economy of the Republic of Kazakhstan (January – December 2015), page 11

unspecific objectives, as well as limited analysis of the overall market developments and other contextual determinants.

The Strategic Plan linked BAS exits to the level of development of the SME consultancy markets, and intended to phase down based on specific market segments. However, there is little evidence of systematic implementation. No country was fully exited during the period under evaluation, and the approach was abandoned during in the strategic period.

SBS cooperated with local SME institutions (SME Agencies and Ministries), but has not established any specific objectives for policy dialogue or contribution to regulatory or legal changes, and generally had no specific activities in this area.

SBS has a well-developed system of project-level monitoring, evaluation and learning, and has invested significant efforts into the development and sharing of best practices to ensure quality and consistency of its services across countries. In contrast, there is little to no evaluation and lessons learning at portfolio level.

3.2.1 Improved performance and competitiveness

Improved SME performance is one of the key objectives of SBS at enterprise level, for both BAS and EGP. SBS collects monitoring data on several indicators relating to client performance, and systematically follows projects with an evaluation at one year after project completion, which allows it to collect update on the key indicators. Indicators collected for all clients include most notably the turnover and number of employees, and aggregate average changes along these indicators are routinely reported at portfolio (overall or country level) in SBS annual Updates and various donor reports.

In addition, other performance indicators are collected based on the project objective for BAS, for example for projects aimed at improved market performance the change in sales, exports or the introduction of a new product line would be monitored. Such disaggregated data by project objective are reported less frequently but can be found in some donor reports.²³

In the data available to the evaluation team, out of 651 initiated in the 2011 to 2015 period, there are 131 EGP projects (20%) for which data are available from the SBS self-evaluation at one year after completion.²⁴

For these (self-evaluated) projects the data on the growth of their turnover and the number of employees are available. While some outliers are indicative of some data input inconsistencies, the median values and the distribution of values provide an insight into the

developments of EGP clients.²⁵ Nevertheless, calculating median values and considering the value distribution can present a helpful picture of the growth trajectory of EGP clients.

It is worth mentioning that the data are at project, not client level. This means that repeat clients (those who received more than one BAS project or a combination of BAS and EGP projects) were still only evaluated for each single instance separately, and no additional system was in place to assess the combined results of all projects at client level and identify possible synergies systematically. Therefore, the data presented in the tables below could include double counting.

The median turnover growth reported at one year after project completion was 33%, and three quarters of clients recorded positive growth (74%). With respect to employee growth, the median of evaluated projects was 6% and almost 60% of clients reported positive growth.

Table 7: EGP aggregate performance indicators (2011 to 2015)

Performance indicator	Number of projects	Median	% of projects with positive growth
Turnover growth	128	33%	74%
Employees growth	122	6%	59%

Similar data is also available for BAS projects. In the data available to the evaluation team out of 6,472 projects initiated in the 2011 to 2015 period there are 3,558 BAS projects (55%)²⁶ for which data are available from the SBS self-evaluation at one year after completion. The most common objective of the project was improved management effectiveness (37%) and improved market performance (36%), which together account for nearly three quarters of projects (see Table 8). The most common type of advisory is information communication technology (28%) followed by marketing (23%) (see Table 9).

Table 8: BAS projects (evaluated) by objective (2011 to 2015)

Objective	Number of projects	%
To Improve Management Effectiveness	1,326	37%
To Improve Market Performance	1,277	36%
To Introduce Quality Management & Certification	432	12%
To Improve Environmental Management	309	9%
To Reduce Costs	168	5%
To Improve Financial Management & Reporting	46	1%
Total	3,558	100%

²³ Such reporting was e.g. present in the Final Report to Japan: Business Advisory Services (BAS) in Far East Russia, Kazakhstan, Mongolia and Uzbekistan (2013), in the bi-annual reporting to the EU for the Eastern Partnership region (2011-2015), reporting to SECO for Kyrgyz Republic (2013-2014), reporting to Austria for Romania (2014), or reporting to EU Instrument for Pre-Accession for Bosnia and Herzegovina (2013)

²⁴ Several were not included in the calculations due to data problems, leaving the dataset at 128 for turnover and 122 for employee growth.

²⁵ The data contains some significant outliers, which skew the average values, and indicate mostly incorrectly entered 'before' values. The evaluation team does not have enough background information and resources to clean the data but calculating median values presents a reasonable solution.

²⁶ Total of 3,616 evaluated BAS projects, 58 removed from the dataset due to data problems

Table 9: BAS projects (evaluated) by type of advisory (2011 to 2015)

Type of advisory	Number of projects	%
Information Communication Technology	1,010	28%
Marketing	828	23%
Strategy	455	13%
Quality Management	448	13%
Organisation	261	7%
Environmental Management	177	5%
Energy/Resource Efficiency	155	4%
Engineering Solutions	116	3%
Operations	76	2%
Accounting and Financial Reporting	32	1%
Total	3,558	100%

Table 10: Aggregate performance indicators for BAS clients (evaluated projects) 2011 to 2015

Performance indicator	Median	% of projects with positive growth
Turnover growth	23%	82%
Employees growth	9%	61%
Productivity (turnover/employees) growth	10%	67%

As Table 10 shows, the median turnover growth was 23% and 82% of clients recorded positive turnover growth one year after project completion. The median client employee growth was 9% and positive growth was recorded by 61% of clients. Considering a simple measure of labour productivity with the data available to the evaluation team (turnover/number of employees), as a proxy for competitiveness, the median productivity growth was 10%, with two thirds of clients (67%) having experienced a positive growth one year after project completion. The corresponding data disaggregated by countries and regions presented in Annex 11 show some variance within and between regions.

Aside from collecting data on key indicators, the SBS self-evaluation at one year after completion also assesses the projects against criteria of effectiveness, efficiency, relevance and impact, arriving to an overall success rating (on a scale 0-10 for BAS, and 0-5 for EGP).²⁷ According to the data available, projects under both programmes score very high in these assessments – BAS project average is over 8 (successful) and there are virtually no projects rated below 5 (unsatisfactory); for EGP practically all projects are evaluated with the two highest scores at 4 or 5 (see Table 11).

²⁷ The processes and methodology for the implementation of the self-evaluations are described in detail in the two Operations Manuals, see also section 3.2.6 of this report

Table 11: BAS and EGP self-evaluation final scores

BAS evaluations			EGP evaluations		
BAS final rating	Number of projects	% of projects	EGP final rating ²⁸	Number of projects	% of projects
Highly Successful (rating 10)	617	17%	5	52	40%
Successful (rating 8-9)	2,176	61%	4	68	52%
Satisfactory (rating 5-7)	764	21%	3	11	8%
Unsatisfactory (rating 0-4)	1	0%	2	0	0%
			1	0	0%
Total	3,558	100%		131	100%

The absence of unsatisfactory projects is also caused by the fact that projects which experience serious difficulties are cancelled in the implementation period, and evaluation is not carried out for them. Nevertheless, the proportion of cancelled projects is very low overall (around 3%), which serves as an indication of careful screening and selection process of SBS clients.

As evident from the interviews held by the evaluation team, one of the main aspects where SBS is seen as bringing strong value added is the engagement in the needs assessment and design of personalised solution through advisory – this is especially in contrast to other support programmes that might be available to SMEs, which provide access to grants but no involvement in the design of the projects. For EGP specifically, the transfer of know-how from international senior experts has been often viewed not only as central to the success of the projects but also something that would be difficult to obtain locally. In addition, diligent oversight of the project implementation and problem resolution/mediation by the SBS team where necessary, are viewed as an important contribution to the successful achievement of the advisory objectives. SBS processes are seen as not overly bureaucratic and SBS team is described as always approachable and helpful. On this note it is worth mentioning that in the period under evaluation, where donor budgets allowed for that, EGP-dedicated staff (local manager) has been introduced in some countries of operations. These proved to have a positive effect on EGP projects implementation (in other cases followed up from distance by Team Coordinators based in their home countries) and increased opportunities for companies' screening in collaboration with Banking and with BAS colleagues.²⁹

In terms of SME performance objectives and their achievement in aggregate, the annual Business Plans (at country level) presented to the EBRD's Board of

²⁸ The final rating for EGP projects is done to two decimal points. Here, the ratings were rounded to the nearest integer.

²⁹ For instance, the Evaluation of the activities under the SIDA-EBRD Energy Efficiency Fund for Moldova 2008-2012 concludes on page 27 that "The fact that there was not local EGP manager based in Moldova had a negative effect on the EGP implementation as distance meant that a closer follow-up of activities was not possible."

Directors³⁰ assume broadly the same approach as presented above. This meant that for TAM/EGP performance indicators the Business Plans did not set any objectives/target levels, but reported the percentage of highly successful and successful projects, and the increases in turnover, employment, productivity and profitability. Similarly for BAS, Business Plans reported the rate of highly successful and successful projects, and rates of projects with increases in turnover and employment. Unlike EGP, BAS Business Plans also contained 3-year perspective on these indicators (target values). This approach was attained for Business Plans for the years 2012, 2013 and 2014.³¹ The last one of those delivered aggregate values of these indicators for the preceding three year period (2011-2013), for BAS also against the target values. As of the Business Plan for 2015, the practice changed in relation to the integration of SBS within the SBI. Business plans are not prepared at country level any longer, and regional overviews do not present the aggregate values of the above indicators of client SME performance, or any target values. Reports to donors also overwhelmingly use the above indicators to report on client SME performance; targets were sometimes set in donor agreements.

This approach to planning and reporting achievements of the SBS objective of improved SME performance points to an assumed underlying logic whereby the achievement of project's output (successful completion of the advisory and its objectives) leads to outcomes in terms of growth (of turnover, employment) and improved productivity/competitiveness. Nevertheless, neither the internal EBRD reporting or the reporting to donors addresses the issue of attribution of the observed changes in turnover/employment to the SBS-facilitated advisory services, and implicitly consider their (at the very least) contribution as self-evident. In this context it is important to note that SBS does not select its clients 'randomly' among eligible SMEs but intentionally targets high growth prospect clients (the SBS selection criteria refer to 'growth potential' for EGP and 'viability' for BAS, among others), and considers criteria of commitment to change and ownership of the project on the side of management. Therefore some – and likely above-average – growth of these companies would be expected regardless of the assistance provided. It is not possible to exactly quantify the contribution of SBS to the observed growth, and indeed there would probably not be much value in that. Even the most cautious reading of the available quantitative data would lead to the conclusion that, at the very least, SBS succeeds in selecting growing and viable clients.

In addition, with respect to the SBS self-evaluation system of projects, there is a certain inconsistency in the way ownership of the higher-level outcomes (turnover and employment growth) is taken by SBS. While for example average turnover growth of clients is frequently reported with the implication that the positive numbers are a result of the SBS projects, the fact that some clients report zero or negative growth (26% of EGP clients and 18% of BAS clients, see Table 7 and Table 10) does not reflect in the

self-evaluation ratings of those projects (see Table 11). This supports the perception that the self-evaluation (despite nominally including an 'impact' criterion) is focused on the assessment of the outputs of projects (deliverables of the advisory) rather than viewing the growth of the client as an expected outcome to be evaluated.

The assessment of the degree of SBS contribution to the growth figures would however be possible to a much greater extent if qualitative data were available together with the above aggregate quantitative indicators. The SBS planning documents presented only brief discussion of the market analysis, and very little consideration for specific opportunities and challenges that influence the sector, the complementarity with similar programmes, or risk analysis. Approach to results assessment at portfolio/country level was largely data-driven, based on the aggregation of project-level data, and characterised by a complete lack of accompanying discussion on the contextual determinants of the observed changes. This is despite the fact that there are indeed differences between countries and regions, which indicate the (expected) influence of local context. Accompanying qualitative analysis would help understand the influence of local factors on the post-project performance of the clients and thus also provide more grounds in assessing the extent of the contribution of the projects themselves in the developments. The discussion of local challenges and opportunities would also provide more background for understanding the strategic and operational choices made by SBS at country level. This not only affects the ascertaining of SBS performance, but also affected the quality of reporting, both internally and externally (see section 3.3.2).

That said, the evaluation team collected sufficient qualitative information in the countries visited to strongly support the conclusion that the SBS advisory projects (both BAS and EGP) consistently reinforce the growth potential of clients, and add further value in terms of performance improvements and growth. The vast majority of clients interviewed during the evaluation missions identified real and tangible benefits to specific aspects of their performance, which they unequivocally linked to the advisory services received through SBS. There are only three portfolio-level external evaluations commissioned by the donors in Moldova (by the Swedish International Development cooperation Agency SIDA), Mongolia (by the EU), and Kyrgyz Republic (by SECO) available for the period 2011 to 2015.³² On the subject of SME performance they reach largely similarly positive conclusions, although two of them also mention the lack of portfolio-level outcome targets.

³⁰ SBS annual updates and Business Plans for the upcoming year were discussed at the FOPC between 2011-2013:

³¹ Business Plan for 2012 (CS/FO/11-28), Business Plan for 2013 Business Plan for 2014 There were no country Business Plans presented for 2011.

³² (i) Evaluation of the activities under the SIDA-EBRD SBS Energy Efficiency Fund for Moldova 2008-2012, Draft evaluation report, Rodrigo Ubierna Beguin, August 2013 for the Government of Sweden; (ii) Support to Small and Medium Enterprise (SME) Sector Development in Mongolia, Mid-term evaluation, Draft report, Ecorys, April 2014 for the Delegation of the European Union to the Republic of China and Mongolia; and (iii) External Review: BAS EBRD Business Advisory Services Kyrgyz Republic, Final Report, Andreas Tarnutzer, June 2013, for the State Secretariat for Economic Affairs (SECO)

Overall, reported data indicate that the advisory services provided through SBS to SMEs led to considerable improvements in the clients' performance and competitiveness, and contributed to their improved business prospects. While there are other contributing factors in the clients' growth and performance, there is sufficient qualitative evidence to conclude that SBS projects are consistently achieving their objectives at client level and positively reinforcing clients' growth potential captured in key business indicators improvements.

3.2.2 Improved access to finance

Access to finance for client SMEs has not been a universal or primary objective of SBS, which was focused on improved performance and growth. Nevertheless, access to finance featured increasingly more prominently on the SBS agenda over the period under evaluation. This stemmed from the recognition that SMEs in many countries face disproportionate obstacles in access to finance, and this can negatively affect the growth potential brought on with improved performance, and, internally, from the progressing integration of SBS within EBRD Banking and growing awareness that there are possible synergies in linking Banking and SBS products.

The TAM/BAS Strategic Plan 2011 to 2015 does not discuss access to finance for SBS clients as an objective as such, but it does dedicate a full section to the strategic objective of closer work with the Banking department – this is linked to the Capital Resource Review 4 (CRR4) objective of increased capacity within the Banking department to support corporate capacity building and governance and client relationship work. This meant for TAM to “become more selective, working with clients approved by Banking team”, and “strive to better position companies for future growth and investment whether by the EBRD or other intermediaries”. TAM was also to provide and take referrals to/from Corporate Equity Team, LEF, and the ETCL of suitable candidates for Bank investments, and provide post-investment support where required. For BAS, which is seen as having fewer opportunities than TAM for cross-referrals for direct financing due to the smaller size of its clients, the strategy proposes to “work more closely with the Bank’s partner Financial Intermediaries in order to improve access to finance for BAS clients and to facilitate the engagement of advisory services by the SMEs receiving funding from financial institutions”. The annual updates of the Strategy presented to the Board between 2011 and 2013 increasingly discuss access to finance as a SBS objective as such. The Business Plan for 2013³³ lists Access to finance as one of three ‘New thematic orientations and activities in 2013’. In the same document, improved access to finance is linked to transition impact for both EGP and BAS. In December 2013, the Small Business Initiative review³⁴ was presented to the EBRD Board of Directors, setting out the rationale and strategy for the forthcoming Initiative. SBI

³³ Small Business Support – Business Advisory Services and Enterprise Growth Programme: 2012 Update and Business Plan for 2013 p.5

³⁴ Small Business Initiative review 2013

aims at developing an integrated strategy across all SME-related instruments at country level to ensure the most appropriate mix of financing, advisory and policy dialogue at country level for maximising impact. The SBI review unambiguously centred the focus of the SBI strategy on promoting SME access to finance: “As the purpose is to structurally reduce SME credit constraints in EBRD countries of operation, this requires acting – within the EBRD’s limitations and mandate as a bank – on the different conditions that can enable access to finance by SMEs.”³⁵ Correspondingly, in its analysis of the SBI’s place within the Bank’s transition mandate, the paper concentrates exclusively on SME financing constraints (at economy, intermediary and company levels), and discusses the types of interventions to address these constraints. The instruments of SBI are divided between five pillars, of which SBS advisory services represent one (Pillar 4). In the 2015 document setting up the respective SBI operational facilities³⁶ the SBS pillar is nevertheless linked to a variety of possible objectives at country level, including access to finance, skills development, competitiveness and business environment.

Given that access to finance has not been the primary objective, SBS has not systematically sought out its clients based on their need for finance or facing obstacles in obtaining it. SBS has nevertheless monitored the access to external finance of its clients in the year between the project completion and its evaluation. This data has been often reported at aggregate level internally and to donors. The Business Plan for 2014 for example reported:

“Strong results can also be seen with regard to access to finance. Over the 2011-2013 period, 17 per cent of clients secured external financing, for a total of EUR 676 million [...]. Of these, 67 clients secured financing direct from the EBRD [...]. A further 594 clients received finance through local banks. Two hundred and sixteen of these were through EBRD partner financial institutions, for a total of EUR 210 million [...].”³⁷

The same document presented this data for each country in its respective Business Plan. The data available to the evaluation team on SBS clients for the period 2011-15 are presented in Table 12, Table 13, and Table 14, (for BAS data disaggregated by region, see Annex 11).

Table 12: EGP clients access to external finance post-project (reported at evaluation)³⁸

Number of evaluated projects	EBRD finance acquired	External finance acquired
131	24 (18%)	54 (41%)

³⁵ Small Business Initiative review 2013 p.13

³⁶ Regional: Small Business Initiative – Restructuring and Consolidating EBRD Operational Facilities for SMEs, Annex 4

³⁷ Small Business Support – 2013 Update and Business Plan for 2014 p. 5

³⁸ The two categories (EBRD direct and External finance) are not mutually exclusive, and contain 15 shared clients.

Table 13: EGP clients access to EBRD direct finance (tracked internally)³⁹

Number of clients	EGP project timing	Total EBRD finance (€)
5	Pre-investment	53,222,587
16	Concurrent	83,097,875
14	Post-investment	51,721,096
35		188,041,558

Table 14: BAS clients access to external finance post-project (reported at evaluation)

Type of finance	Number of clients	% of clients	Total investment amount (€)
EBRD direct	17	0%	53,882,562
EBRD indirect	275	8%	136,912,428
External	347	10%	212,795,638
No external finance reported	2,966	82%	-
TOTAL	3,605		403,590,628

The first comment to be made about these figures from evaluation point of view is once again a problematic attribution of the access to external finance to the SBS projects. This is even more valid here than in the case of the company growth (see 3.2.1) where a fairly confident conclusion on SBS positive contribution on average can be made. With respect to the access to finance, the indicator collected (external finance obtained between project completion and evaluation) is too broad to be usefully illuminating the contribution of SBS to the observed access to finance. This is because it includes clients who had comfortable access to finance before the SBS project, and continued accessing finance after, not only clients who were facing obstacles before the SBS project or whose projects were specifically focused on improving bankability. It can be argued that by instigating growth SBS projects create increased need for finance, and in many cases this will indeed be true; nevertheless, it is also true that the actual barriers to finance most often quoted by clients in interviews for the evaluation (high interest rates, collateral demands) are often lifted by others, most frequently by governments' own SME support programmes for subsidised interest loans or guarantees. Therefore, while the overall statistics of clients' access to finance might be interesting from market/contextual information point of view, it certainly should not be presented altogether as 'results' of SBS, implying direct causality, as has been done in the quote above from SBS Business Plan 2014⁴⁰ and frequently in SBS reporting. These points are especially valid for clients' access to finance through local banks (both the EBRD, partner financial institutions and external).

In this context, it is once again noted that little contextual information is available with some narrative justification for the SBS contribution to access to finance at country level. For example, SBS was reporting to the EU for its

work in the countries of the Eastern Partnership⁴¹ regionally, not disaggregating the above indicator by country for most of the period under evaluation. Only the last available report (dated November 2015) presents data by country, but misses the opportunity to comment on the reasons for significant inter-country differences (according to the data available to the evaluation, BAS clients reported access to external finance from 5% cases in Belarus to 32% in Moldova). The report only notes that

"Access to finance efforts are hindered by complication of economic and political situation in some countries such as the military conflict in Ukraine or banking sector challenges in Moldova"⁴²

– yet, Moldova is the country with the highest rate, and Ukraine is at about average with 18%. Little attention to contextual analysis and to attempts to substantiate quantitative indicators with narratives of causality at portfolio/country level or with more disaggregated data e.g. by type of client with respect to need for finance, prevent the data collected from being useful in understanding the SBS contribution to access to finance. This also affected the quality of reporting, both internally and externally (see section 3.3.2).

With respect to EBRD direct finance, which is mostly the domain of EGP clients due to their larger size, the link between SBS projects and the EBRD investment is easier to maintain, although it does not necessarily follow that the EGP project directly resulted in the client's improved bankability and access to EBRD finance. According to the data available (

Table 13) it seems that most EGP projects with EBRD clients are implemented concurrently with the investment (that is, the loan agreement is signed while EGP project is on-going) or post-investment. In some cases the implementation of the EGP advisory might have been a requirement from EBRD to proceed with the investment, and these represent true value added of EGP to the client's access to finance. On the other hand, according to the interviews held with EBRD bankers in the course of this evaluation, some perceive the possibility to offer EGP advisory together with the loan as a part of the Bank's competitive advantage, an additional incentive for the client to choose the EBRD. In these cases, EGP is not the source of the client's access to finance, but rather the Bank's resource for acquiring the client, and EGP is used as any other technical assistance available to Banking.

Operationally the increased focus on access to finance has been translated mainly into creating synergies with the EBRD's financial products in terms of cross-referrals. The annual Operational Plans for each country contained a section on 'External Finance & Banking linkages', which included Key Performance Indicators (KPIs) for cross-referrals to EBRD Banking and to partner financial institutions, mentions of locally available instruments such as Sustainable Energy Financing Facilities (SEFFs), Local Enterprise Facility (LEF), etc., and often references to maintaining working relations with local financial institutions. Based on the interviewees held during this

³⁹ The data in the table were consolidated manually on best effort basis from the internal EGP tracking data provided. The data were not tracked consistently throughout the 2011-2015 period. The table represents 31 unique clients.

⁴⁰ Small Business Support – 2013 Update and Business Plan for 2014 p. 5

⁴¹ Comprising Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine

⁴² EBRD Small Business Support (SBS) programmes – Business Advisory Services (BAS) and Enterprise Growth Programme (EGP) - in Eastern Partnership countries; Progress Report, November 2015; p.49

evaluation, there is no doubt that communication between SBS teams and Banking has dramatically improved over the period under evaluation. This was facilitated by co-location of SBS teams within EBRD resident offices premises in cities where these are present, and the establishment of both formal and informal communication/exchange of information processes. In addition, the growing establishment of SBS-only satellite offices often in more remote areas of the countries of operations also facilitated the Bank's access to clients in these regions (the evaluation team visited the ones in Shymkent and Karaganda in Kazakhstan). Some countries' teams reported that client screening missions are jointly organised. Both sides reported improved understanding of each other's work and requirements, with Bankers in their majority positively commenting on SBS team's expanded understanding of 'bankability' reflected in the increased quality of referrals received from SBS – although some still mentioned some potential for improvements. In addition, in 2015 SBS launched a tailor-made "SME finance" course, which according to SBS has trained over 40 of its country team members, with the objective of building solid grounding in SME finance required for their work with the clients as well as aligning them more closely with a banker's approach to a potential investment. The potential for referencing is seen as especially valuable in countries where most enterprises can be characterised as SMEs, and there is a good potential for shared clients, and instruments available to address their needs, such as Direct Lending Facility - DLF, Direct Investment Facility - DIF, Local Enterprise Facility - LEF. On the other hand, some bankers interviewed for the purpose of this evaluation see limited role of SBS in access to finance as such, and characterise the main value added of SBS in fundraising, visibility and client relationship.

For EGP, cross-referral data between EGP and EBRD Banking is available for evaluated projects. From the 24 evaluated EGP projects, which have obtained EBRD direct finance, six are marked as having been referred from Banking to EGP, and two as having been referred from EGP to Banking. Of course, there are expected to be many more referrals from EGP to Banking, which do not result in a deal, and likely also referrals from Banking to EGP of clients which were deemed as not yet bankable. Referrals from BAS of their clients to local EBRD partner financial institutions are not systematically tracked. Table 14 presents the BAS clients who reported having obtained finance from a partner financial institution by project evaluation ('EBRD indirect'), but that does not necessarily indicate that they were referred to it by BAS or even that they were sub-borrowers of specifically EBRD-financed SME credit line.

In any case, there has been a definite evolution of EGP specifically towards closer integration with EBRD Banking. This is foremost evidenced by the direct integration of the Head of EBRD resident office or a Senior Banker in the process of approval of each EGP project in the country, and therefore increased focus on potential immediate or near-term bankability of the clients. In addition, EGP was reorganised and started developing a sector approach. Six key sectors were

identified⁴³ and, accordingly, the Programme moved away from a system of country-specific EGP Team Coordinators who were creating a pipeline of projects without a strategic focus and often with little coordination with the country Banking team, towards a system mixing generalist team coordinators with sector team coordinators. In these selected priority sectors EGP targets high growth potential companies, with the prospect of future bankability, and in close cooperation with Banking teams. The SBS Business Plan for 2016 notes for example that:

*"Based on efforts in 2015, the Group has already developed a portfolio of 18 clients with banking potential in the automotive sector. The average turnover of these companies is €18m, which reflects a significant increase relative to the portfolio of beneficiaries."*⁴⁴

Similar approach had already been implemented since about 2012 in the cooperation of SBS and Agribusiness team, the Advice for Agribusiness Programme, in the Southern and Eastern Mediterranean - SEMED (later extended also to ETC countries, Ukraine, and is discussed for Albania). This cooperation was initiated by the Agribusiness team as one of the ways of expansion of business in the new SEMED region countries, so the primary focus was to work with and develop potential Banking clients from the start. This cooperation is considered successful from both sides, and the Agribusiness team estimates that about 70% of the EGP clients of this initiative could eventually be linked to EBRD financing. Also, in the context of SBI, EGP is currently also developing its 'Blue ribbon' approach to target sectoral champions and work with them for a medium-term period providing a combination of advisory services (both EGP and BAS-type as needed) and financing:

*"The objective is to identify fast growing companies, which need advice and funding to move to the next level and then engage with them during a period of five years. The support to such SMEs will cover pre- and post-investment advice as well as transaction support services. A total of 150 SMEs are being considered to be included in this new branded product aimed at ensuring high impact and demonstration effect to support SMEs embarking on ambitious growth trajectories in 26 [Countries of operations]. A pilot will be rolled out to cover Western Balkans, Croatia and Turkey in the first half of the year [2016]."*⁴⁵

For BAS, the integration with Banking products has so far proven more challenging. There have been some opportunities missed in this respect, as shown in some of the country case studies in this evaluation. For example in Turkey, where the SBS Programme was funded through the EU/EBRD Turkish Private Sector Support Facility, through which also EBRD financial products (such as MSME credit lines, Turkey Agribusiness SME Financing Facility - TurAFF, Turkey Sustainable Financing Facility -

⁴³ Information and Communications Technology; pharmaceuticals; retail; agribusiness; automotive and fast moving consumer goods

⁴⁴ Regional: Small Business Initiative - Annual Review For 2015 and Operational Modalities For 2016 (under Financial Intermediary Framework); Annex 6: SME Finance and Development Group Planned technical assistance activities for 2016, p. 49

⁴⁵ Regional: Small Business Initiative - Annual Review For 2015 and Operational Modalities For 2016 (under Financial Intermediary Framework), page 32

TurSEFF and Mid-Sized Sustainable Financing Facility - MidSEFF) were funded, a cross-fertilisation could have been expected. However, no clear link was embedded in the design of the products. The SBS reports to the EU do not have any mention of the assessment of the TAM/BAS clients in terms of possible financing by the related partner financial institutions, nor how many have been cross-referred from/to partner financial institutions or actually receiving finance from them, and the SBS team in Turkey confirmed that such data are not available. In Armenia, where energy efficiency was a 'special initiative' for BAS, cross-referencing clients to the local Sustainable Energy Financing Facility (SEFF) was mentioned in an Operational Plan, but not reported on and likely did not materialise given the limited BAS project implementation in the sector. Similarly, although SBS was financed in Armenia by the EU as a part of a larger Eastern Partnership SME Flagship Initiative, no integration with its other components such as the SME facility was embedded in the design and no systematic monitoring of clients' cross-referrals was reported. In Serbia, the SBS programme was initially funded by the EU/EBRD Private Sector Support Facility for Western Balkans, of which SBS was one of the windows, where linkages with access to finance and EBRD financial products could have been expected. However, no form of cross-fertilisation between the Private Sector Support Facility Windows was embedded in the design of the programme: the SME Competitiveness Support Window and the Energy Efficiency Window were not monitored with respect to their complementarity with the TAM/BAS Window or tracking shared clients. In Ukraine, where the Ukraine Energy Efficiency Programme (UKEEP) is implemented by the EBRD, no records are kept about cross-referrals and shared clients either. On the other hand, the evaluation of the Energy Efficiency Fund in Moldova reports that by July 2012

"163 MoSEFF [Moldova Sustainable Energy Financing Facility] projects were approved, 10 of which were also BAS projects."⁴⁶

It is not made clear whether this was systematically tracked or whether the evaluation had access to the data on both sides to make the connection.

Specific case is presented by the relatively new EBRD Women in Business Programme, an integrated product of SBS, Banking financial institution and gender teams, fully implemented by EBRD with donors' support. For most of the period under evaluation, the financial component of the Programme was not yet in place in most countries where it is being implemented. Nevertheless, the review of the available information for the respective thematic case study of this evaluation also points to some inconsistencies in the design of the integration of the components (see Box 3 and Annex 9 for more details).

Box 3: Women in Business Programme: preliminary findings, observations and conclusions

The WiB Programme is well regarded internally for developing cooperation across teams to prepare an innovative product to implement an integrated approach aimed at targeting barriers from both the

supply and demand sides. While some initial difficulties were encountered internally (and expected) in terms of coordination and mutual understanding of needs, they were successfully managed thanks to the existence of a common objective. The integration of different teams on the product delivers value added in terms of fundraising, visibility, and donor reporting. Externally, the product proved appealing to local partner financial institutions and to the donors on whose support it depends.

On the other hand, a very early assessment by EvD of design, implementation and results reporting, suggests that the way in which its two main components (financial institution credit lines and SBS advisory services for women-led enterprises) are treated is not substantially different from when similar programmes were self-standing. This partly stems from the design itself, which has been unspecific (and in some cases even contradictory) about the expected synergies of the components, and partly from the lack of synchronisation of the initial implementation of the individual components. Disentangling these matters is made more difficult by reporting to WiB donors that is purely activity driven (see also 3.3.2).

From an evaluation perspective, the above elements are all rooted in differing expectations in terms of results and synergies, and in the flexibility with which expected results are integrated depending on donor priorities. Differences have been observed between the same WiB Programmes as approved by the donors and the EBRD Board of Directors, but also, internally, between the expected contribution of the SBS WiB toolkit in terms of access to finance and/or its role in terms of providing access to know-how. These elements created a complex array of designs, indicators, implementation modalities and expectations. Since reporting so far remains at the level of implementation of activities, further resolution is not possible at the moment.

Aside from the more systematic cooperation developed with EBRD Banking teams (agribusiness with EGP and financial institutions with BAS Women in Business), some other inter-Bank cooperation anticipated in the 2011 to 2015 Strategic Plan did not materialise. This was especially the case of the 'Local Business Development Programmes', which were intended to extend involvement for SBS with EBRD clients in the Natural Resources (mining) sectors. Both TAM and BAS projects were expected to be implemented in the area of the investment, helping to develop local supplier and distributor networks and diversify local economy. Two local business developments started to be implemented in Kazakhstan and Kyrgyz Republic, while some initial steps towards such programme in Mongolia did not eventually lead to fruition. Collaboration with other Banking teams (Manufacturing and Services, Equity, and Municipal and Environmental Infrastructure) was also on more ad hoc basis as opportune, as described above (cross-referrals, joint approach of clients, monitoring).

With respect to SBS contribution to improved bankability of clients (i.e. lifting the barriers to access to finance at the side of the SME), one product has been specifically designed and implemented with this aim, the Accounting

⁴⁶ Evaluation of the activities under the SIDA-EBRD SBS Energy Efficiency Fund for Moldova 2008-2012, Draft evaluation report, Rodrigo Ubierna Beguin, August 2013; for the Government of Sweden; p. 17

Improvement Programme.⁴⁷ The TAM/BAS Strategy 2011-15 already referred to a programme

“under preparation with the ETC Initiative to improve the financial literacy of SMEs in the region. This will include the provision of grants to support enterprises to introduce adequate financial reporting systems and, in parallel, the training of local accounting firms in the preparation of consistent, transparent financial statements for SME clients”.⁴⁸

The Update for 2012 provides more detail on the implementation, which in fact included not only the ETC but also the LEF region:

“BAS launched two accounting improvement programmes in 2011 in partnership with the ETC team (EUR 1 million for MSMEs in early transition countries) and the LEF team (EUR 275,000 for MSMEs in Western Balkans and Turkey) respectively. Under the programme, local accounting firms can be hired at the pre-screening, preparation and implementation stages to provide accounting advisory services, review company financial information, implement financial management information systems and assist in conversion of statements to local and international accounting standards.”⁴⁹

The implementation of Accounting Improvement Programme projects by BAS departed in some aspects from the standard BAS project characteristics – the usual budget limit for BAS grant contribution (€10,000) did not apply,⁵⁰ Accounting Improvement Programme projects were co-approved by the Head of resident office and the ETC/LEF team bankers, and in some cases the consultants implementing the projects were local branches of large international consultancies, also not common BAS implementers in general BAS projects. The purpose was clearly focusing on producing good quality financial information about the client for prospective financiers, including the EBRD, and to improve accounting standards and financial reporting at companies that have already received financing through ETCI or LEF instruments.

According to the data available from BAS management information system, there were 72 accounting improvement programme projects implemented in the 2011 to 2015 period. Out of these, 31 have been self-evaluated, and reported on access to external finance at one year after implementation – 19 had reported having accessed external finance, out of which 10 were EBRD direct finance companies (see Table 15). These figures are clearly above the general BAS statistics as presented in Table 14; given the type and focus of the Accounting Improvement Programme and the processes of implementation, confident link between the Accounting Improvement Programme and the access to finance for its clients can be made, especially with respect to EBRD direct finance.⁵¹

⁴⁷ In documents from earlier years, it is also referred to as Financial Reporting and Management Programme (FRMP)

⁴⁸ page 8

⁴⁹ p.74-75

⁵⁰ According to the data available, the BAS grant contribution to Accounting Improvement Programme projects ranged from around €3,000 to almost €40,000, with an average of about €12,000. Nevertheless, often the Accounting Improvement Programme BAS clients were repeat clients, receiving additional grant support through other BAS (and sometimes EGP) projects. Usually the €10,000 limit on grant support applied to combined grant contribution over all BAS projects.

⁵¹ Note that these figures are already included in the general BAS overview of all projects in Table 14, meaning that the 10

Table 15: BAS clients receiving Accounting Improvement Programme reported access to finance (evaluated projects)

Source of finance	Number of projects	% of projects	Total investment (€)
EBRD direct	10	32%	27,216,439
EBRD indirect	5	16%	17,366,923
External	4	13%	6,245,000
No external finance reported	12	39%	-
Total	31	100%	50,828,362

Overall, access to finance has not been a universal or primary objective of SBS projects but featured increasingly more prominently on the SBS agenda over the period under evaluation. SBS monitored and reported access to external finance of all its clients at evaluation one year after project completion. However, given the broad scope of that indicator, little can be said about the contribution of SBS towards that figure in general. Operationally, the increased focus on access to finance has been translated mainly into creating synergies with the EBRD's financial products in terms of cross-referrals, and there is no doubt that communication and cooperation between SBS teams and Banking has dramatically improved over the period under evaluation. There has been a definite evolution of EGP specifically towards closer integration with EBRD Banking, while for BAS the integration with Banking products has so far proven more challenging. Nevertheless, BAS has been implementing a successful Accounting Improvement Programme together with ETC and LEF teams, which has improved clients' bankability and access to finance.

3.2.3 Progress towards sustainable and commercially viable infrastructure (including consolidation of advisory services industry)

A more systematic focus of BAS on market-level development was introduced already in Strategic Plan 2008-2010,⁵² which followed the recommendations of the EBRD Task Force on TAM/BAS⁵³ and the EBRD's Evaluation Department Special Study on BAS.⁵⁴ The justification for the shift in the BAS approach was essentially linked to the expected transition impact of BAS – while individual projects were seen as too small for individual transition impact contribution and assessment, it was expected that in aggregate the work with individual SMEs, together with specific 'market-development activities' would result in sector-level changes in the SME and local consultancy sector. Consequently, the Strategic Plan foresaw the development of BAS country strategies (eventually called Country Briefs), which were to set

Accounting Improvement Programme clients reporting access to direct EBRD finance represent over half of the 18 total BAS clients reporting the same.

⁵² TAM/BAS Strategic Plan 2008-2010

⁵³ EBRD Task Force on Advisory Assistance to SMEs – TAM-BAS, Chairman's report; August 2007

⁵⁴ Final circulated in July 2007

objectives for the strategy period in the enterprise sector and consulting infrastructure, and systematically develop market level interventions to achieve these objectives.

The Strategic Plan 2011 to 2015 followed in the direction set by the previous strategy, and notes that

“BAS now has a clear strategy towards development of a sustainable and commercially viable infrastructure of local business advisory services in the 20 countries where it operates. This is in addition to its strategy to improve performance and competitiveness of BAS assisted enterprises [...]”⁵⁵

Further on, it outlines the objectives of market development activities as to:

- (i) broaden the supply of local advisory services, by directly increasing the number of consultants and the spectrum of available advisory services;
- (ii) increase quality in local advisory services, by increasing consultants’ professionalism in terms of the quality of their projects and their skill levels;
- (iii) promote the consolidation of the advisory services industry, by facilitating the grassroots building of association or assisting existing ones grow further; and
- (iv) build strong demand for local advisory services, by specifically targeting advisory services with weak or insufficient demand.

The Strategic Plan also committed to the development of a ‘comparative framework’, in collaboration with OCE, to prioritise interventions at the market level and guide exit strategies. This materialised in 2011 when the BAS team in collaboration with OCE developed the Assessment of transition challenges of the infrastructure of MSME support,⁵⁶ a review of transition challenges in the MSME sector as relevant to BAS work in the consultancy sector. The assessment of infrastructure of MSME support had not been a usual part of the annual OCE Assessment of Transition Challenges that commonly considered MSME access to finance in terms of market structure and market institutions. In contrast, the 2011 assessment considered four criteria to categorise transition gaps in the sector, namely: the demand; the supply; the level of maturity of the consultancy market; and the institutional MSME support infrastructure (including the existence of a Ministry in charge of SME development; national SME agency with regional support; and an SME law and strategy in place). Based on the assessment of the four criteria, BAS countries of operations were categorised as having small, medium or large transition gaps in the sector. This comprehensive assessment of the sector transition challenges nevertheless did not become integrated in regular assessments carried out by OCE, and in fact was not repeated/updated after 2011, probably due to lack of resources, and there are no known plans to do that in the future.

SBS itself carries out Annual Consultant Reviews⁵⁷ in each country of operations (surveys among BAS-affiliated local consultants), with the purpose of tracking the relevant development in the consultancy market,

especially related to changes in supply, demand, and quality of advisory services in the country. In the absence of broader consultancy market analysis the Annual Consultant Reviews became the main source of data for the planning of market-development activities at country level.

The demand and supply objectives of the consultancy market development (as outlined above), were monitored through two indicators each (Demand: increasing average client contribution to the cost of project, willingness of clients to independently engage a consultant again; Supply: increased number of consultants affiliated with BAS and their spread beyond the main city, increased types of advisory services offered by BAS consultants). For these indicators, three year targets were set for each country in the Business Plan 2012,⁵⁸ and in the Business Plan 2014⁵⁹ their values were reported for the 2011-2013 period against these targets. No indicators or targets were set for the objectives of quality and consolidation of advisory services industry. Business Plans from 2014 onwards did not set any targets any more, and generally moved away from systematic presentation of market level development at country level.

Market development activities targeting all four objectives were implemented throughout the period under evaluation. With respect to increasing demand for advisory services, almost four hundred events were organised in the period under evaluation across all countries of operations, according to the data available from BAS management information system. These events mostly comprised of various visibility and awareness-raising presentations and other communication events, sometimes organised by SBS, sometimes jointly with other stakeholders such as local Chamber of Commerce, local authorities, SME agency, and partners/donors representatives (see more on visibility in section 3.3.3). The target beneficiaries were often SMEs, and the objective was to present the possibility and benefits of business advisory services – in general or specifically related to a certain sector such as energy efficiency, marketing, or export. Some visibility/awareness events were organised for specific groups of beneficiaries, such as women entrepreneurs, businesses in retail, textile or manufacturing. In Kazakhstan and Tajikistan, Consultancy Weeks were organised, comprising of presentations and workshops for local SMEs run by local consultants to showcase the type of services they provide and the advantages of professional advisory. In addition, various visibility/promotion/launch events have been organised for journalists and media. All these types of events are usually reported on an output basis in the reports to donors, i.e. listing of events organised and type and numbers of beneficiaries attending, and presenting relevant media outputs. According to interviews with the SBS team, there is in some cases there is some follow-up communication with interested SME participants, some of whom may become BAS clients. Some of the BAS clients interviewed in the countries visited during the evaluation indicated that they had met their consultant and learned about BAS in the occasion of a promotional event.

⁵⁵ TAMBAS Programme Strategic Plan 2011-2015 p.16

⁵⁶ Assessment of transition challenges the infrastructure of MSME support, July 2011

⁵⁷ At the end of the period under evaluation, the Annual Consultant Reviews became biennial only.

⁵⁸ Business Plan for 2012

⁵⁹ Business Plan for 2014

The implementation of 'standard' BAS projects also falls into the category of raising demand for local consultancy services. The expectation is that after having been introduced to using local consultants with BAS and recognising the value of professional advice, SMEs will seek advisory services again on their own, and thus create growing demand for local advisory services. To this end, SBS also collects data on the 'use of consultants' within the one year after project completion. According to the data available, 46% of BAS clients reported at one year after completion of BAS project having already engaged a consultant independently. Although some differences between countries and regions exist, this can be considered a good achievement, especially considering that in some countries the practice of engaging consultants by SMEs is at very low levels to start with, according to the BEEPS data. The breakdown of BAS data and BEEPS comparison by country (where available) is presented in Annex 11. BAS does not however exclusively work with SMEs with no previous experience with consultancy; one report to a donor indicated that only one third of enterprises did not have previous experience with consultants before applying for BAS support,⁶⁰ which seems like an unexpectedly small proportion, but this statistics is not regularly reported and is not available for other countries. According to the SBS team, 84% of BAS clients had no previous experience with consultancy before engaging with BAS. BAS also carries out repeat projects with the same client, where the follow up project is deemed to be in more sophisticated type of advisory, with a different consultant, and within overall cap on grant contribution. There is also a less tangible (and less measurable) aspect to the increased demand, which lies in the changing attitudes of SMEs towards external advisory, especially in countries where there is little tradition in seeking external advice. This aspect was brought to the attention of the evaluation team in all the country missions performed for this evaluation. For smaller SMEs, BAS can also deliver the needed confidence in dealing with a consultant, by overseeing the Terms of Reference (ToR) development and monitoring the service delivery, and if needed, mediating problems.

The two indicators that were systematically tracked and reported (i.e. increased average co-finance of BAS clients; and willingness to independently engage a consultant again) were perhaps not the most revealing about the progress achieved on the demand side of the market. The rationale of 'increased average co-finance of BAS clients' lied in the idea of progressively lowered BAS grant proportion as clients are increasingly inclined to pay for advisory services; nevertheless, this was not well consolidated with the BAS approach of grant differentiation (grant guideline matrix as described in section 3.2.5) – awarding different levels of subsidy to each project based on the combination of the size of the client, geographical location and the type of advisory services.⁶¹ As a result, moving into less developed types

of services, rural areas or increasing work with women entrepreneurs (all of which attracted higher subsidies) worked against achieving progress on the indicator. This meant that on average the co-finance proportion changed very little across countries for the 2011-2013 period, as reported in the Business Plan for 2014. The indicator would be more telling if reported the decreasing grant proportion for the same type of project; but even then, the setting of the subsidy levels was not discussed in detail, and it is not clear how they represented the limit on the willingness to pay scale. The indicator on 'willingness to independently engage a consultant again' usually attracted positive response from over 90% of clients across all countries, but arguably the above discussed reported actual subsequent use of consultants provides a better view of growing demand, as it combines willingness with ability and affordability aspects. There, as shown above, BAS achieved good results.

With respect to improving supply and quality of local advisory services, market development activities were organised especially as trainings and workshops aimed at local consultants, but also some presentations and visibility events for stakeholders such as the local consultants' associations. Training events for consultants were in general targeting the growth of local consultants' numbers but also the quality and consistency of their services – this was both in core consultancy skills and ethics, and in specialised types of advisory where supply was deemed insufficient, such as energy efficiency, export promotion, or ISO implementation. Specific product developed and harmonised across countries was the Grow Your Consultancy Business training series. As the Update for 2013 informs:

"SBS developed a set of unified training courses for local consultants, ranging from introductory courses to help consultants establish their business and learn core skills, to more sophisticated considerations of marketing strategies, business diagnostics and project management. Developed through a partnership with the Technical Cooperation team and the Learning and Development team in the Human Resources Department, the courses are all complementary. The coursework remains the property of the Bank and has been endorsed by the International Council of Management Consulting [...]."⁶²

The six courses part of the Grow Your Consulting Businesses are: Management consulting essentials; Starting a consulting business; Managing a consulting business; Marketing and selling consulting services; Project management for consulting; and Business diagnostic for consulting. The courses are co-funded by the participants. Trainers for the series were selected (also) from the countries of operations, and provided with training on their own, to ensure consistency and standard delivery. On the other hand, local stakeholders, including national authorities, have raised to the evaluation team the concern that streamlined trainings run the risk to lose the tailored approach to the local contexts. The SBS team noted that while material for Grow Your Consulting Businesses trainings is EBRD-branded and developed 'centrally', individual trainers can customise it according to the country, and audience, which mitigates the risk of trainings not being context relevant.

⁶⁰ Annual Progress Report to the Ministry of Regional Development of the Republic of Kazakhstan: Business Advisory Services (BAS), Kazakhstan April – December 2013; p.13

⁶¹ Generally, smaller SMEs, SMEs in rural or underdeveloped areas, and more sophisticated types of advisory were given higher levels of subsidies. See thematic case study on exit strategies for more detail in Annex 10 **Error! Reference source not found.**

⁶² Small Business Support – 2013 Update and Business Plan for 2014 p. 10

Another standardised training was a product of cooperation between SBS and the Energy Efficiency and Climate Change team (E2C2) team, aiming at increasing the capacity and quality of services of local energy efficiency consultants to create 'a thriving market of energy efficiency consulting services'. This training was developed centrally for four types of training courses, and implemented in five pilot countries.⁶³ The final report of the pilot phase⁶⁴ presents the main points of feedback collected from the participating consultants, and also acknowledges the crucial value of the cooperation with E2C2 team in the assurance of the quality of design and delivery of the trainings. With respect to results of these trainings in terms of expanded market in energy efficiency consulting no information is available. With respect to the effect of these trainings on the implementation of BAS projects, according to the data available there does not seem to be an apparent consistent link: the proportion of BAS projects in energy efficiency is very small to non-existent in some countries (Armenia, Kosovo), while there is an evident growing trend in Romania. Strong implementation of energy efficiency project was recorded in Moldova, but there it was related to a specific priority of the donor. According to the SBS, the internal agreement between E2C2 and SBS was that SBS would only contribute to the training of energy efficiency consultants, while advisory to SMEs linked to SEFFs finance would be provided through E2C2.

The above described types of events are usually planned and reported at output/activity level, including target groups and number of participants, and reported per donor so comprehensive information about the market development activities at country level was generally not available. The type of training to be organised was generally based on the needs of the markets, either as detected through the Annual Consultant Reviews, or based on contextual changes that affect the expected needs of SMEs for consultancy (e.g. access of the country to a customs union, pre-accession status with the EU, or new regulation requiring certain certifications). BAS collects feedback from consultants on satisfaction and usefulness, which is usually high, where reported. The Annual Consultant Reviews data available for 2014 also show that responding consultants consider increased skills and ability to implement more sophisticated projects as some of the key benefits of cooperation with BAS. Annual Consultant Reviews in general also show growing range of offered types of services. In the countries visited by the evaluation team, representatives of consultants associations, business associations or local SME agencies were positive about the contribution of the BAS work towards the availability and quality/consistency of business advisory for SMEs. Interviews with individual consultants also revealed high levels of satisfaction and trust in the 'EBRD brand' as a sign of quality. Individual consultants also considered the association with BAS as good for their general business through access to capacity development, promotional events and networking. All stakeholders also considered

the fact that training is subsidised but not provided for free as an important positive aspect.

The indicators monitored and reported (increased number of consultants affiliated with BAS and their spread beyond the main city, and increased types of advisory services offered by BAS consultants) reflect the fact that the main source of data available on the state of the market is own data base of BAS-affiliated consultants and the Annual Consultant Reviews, which also survey only BAS consultants. This was a matter of convenience and resources, as no comprehensive market studies were carried out, and OCE did not make the assessment of consultancy markets a standard part of its country transition assessments. Nevertheless, the extent to which the BAS database of consultants compare to the market in terms of size, and in which it is representative of the composition of the market in terms of types of services offered or geographic distribution is rarely made clear. It is therefore difficult to judge how the work of BAS affected the overall market supply and its sustainability beyond subsidised projects, given also that country/portfolio level evaluations which could provide more insight were rarely carried out. One available study of SBS in the Kyrgyz Republic raised some related points, for example:

"BAS consultant roster is certainly not growing fast. Unfortunately, the consultancy industry (in particular related to inactive BAS consultants and non-BAS consultants) is insufficiently understood and analysed [...]",⁶⁵ and "The review team postulates that the standard 25% paid by clients in these remote areas [of Karakol region] reflects the actual rates that consultants can charge without subsidies. [...] Cost-benefit considerations would then warrant a concentration on regions and topics where the consultancy market has real growth potential."⁶⁶

In its management response to the study, SBS team indicated that:

"While it would be desirable to have accurate data on both the BAS universe of consultants that are 'active' and 'inactive' and the non-BAS universe, over the years BAS has gradually shifted its efforts to ensure accurate data reporting of consultants actively engaged with BAS whilst endeavouring to widen the consultants' population with which it works (consequently improving the likelihood that the population of BAS engaged consultants is a good proxy for the market)."⁶⁷

The resource implications for full market surveys are understood, but uncertainties about the impacts and sustainability of BAS activities on market supply remain where market level objectives, data and context analysis do not exist. There are also implications of this on BAS exit strategies, which are further discussed in section 3.2.5.

With respect to the consolidation of the advisory services industry, the general direction was set out in the Strategic Plan 2011 to 2015:

⁶⁵ External Review: BAS EBRD Business Advisory Services Kyrgyz Republic, Final Report, Andreas Tarnutzer; June 2013; for the State Secretariat for Economic Affairs (SECO), p. 23

⁶⁶ External Review: BAS EBRD Business Advisory Services Kyrgyz Republic, Final Report, Andreas Tarnutzer; June 2013; for the State Secretariat for Economic Affairs (SECO), p.15

⁶⁷ Management response to the conclusions and recommendations of the External Review of EBRD Business Advisory Services prepared by Andreas Tanutzer; undated

⁶³ Armenia, Moldova, Romania, Serbia and Kosovo (Kosovo added later)

⁶⁴ Energy efficiency trainings (2013-2015); Small Business Support (SBS) & Energy Efficiency and Climate Change (E2C2) teams in EBRD; Final Report; PowerPoint presentation, not dated

“Over time BAS will focus on the consolidation of the local market by facilitating the growth of associations of consultants, supporting business intermediaries or other institutional bodies set up to support the MSME sectors.”

At country level, objectives were rarely identified in more specificity, and work with local consultants’ associations was planned and reported at activity level and seemed to be driven by opportunity. That said, BAS has been an active player in the consolidation of the industry in some countries, and sometimes played an instrumental role in the setting up of a consultants’ association or the introduction of international certification for management consultants. Such examples are outlined in the thematic case studies of this evaluation, and include Kazakhstan and Armenia, where interviews confirmed that SBS played an important facilitating and support role in the creation and capacity building of the local association of management consultants, and the introduction of professional certifications. The work of SBS was also appreciated in Turkey, where it has collaborated with existing management consultants associations, and Serbia, where SBS provided support to the association in the earlier years of the period under evaluation, but this association has become inactive since then. SBS is currently viewed by the consultants interviewed as the catalyst for networking in the absence of an active association. In the Kyrgyz Republic, SBS supported the establishment of the Institute of Management Consultants, and its positive contribution on the perception of consultancy as a sector within SMEs was highlighted in interviews with local consultants.

The evaluation reports available for Kyrgyz Republic (2013) and Mongolia (2014) also both point out the absence of the outcome-level targets under this objective. The former report points to the differences in expectations of the donor and SBS on this subject. Whereas the donor placed a lot of importance on the sector consolidation and accordingly it viewed its support to SBS as a project with a set end date with a viable take-over organisation in place to ensure sustainability; on the other hand, SBS placed more importance on the work with SMEs, and worked within a longer/unrestricted time horizon:

“The EBRD has stated several times that it intends to continue BAS Kyrgyz with or without SECO funding”.⁶⁸ The latter report for Mongolia notes that “Generally the MESO activities of the project have been sufficiently relevant. However, they have also been identified and organized on an ad-hoc basis. In supporting the business support institutions no clear programme was formulated which sets out the base line for the organization, where it should reach with support of the project and what support activities are most suited to reach its goals.”⁶⁹

Following the integration of SBS in the SBI, there is a noticeable further departure from the narrative of consultancy market development in the documents relating to SBS in terms of all objectives related to the development of the consultancy markets at sector level, beyond very general proclamations of continued support and training of consultants. There are no business plans

at country level presented internally to the EBRD Directors, no discussions of the state of the market maturity, and no objectives set. Market development activities are still planned in (internal) annual operational plans, but not reported on to the EBRD. Presumably, their planning is then dependent on agreements with donors, as will be the reporting. It is not quite clear how this approach changes the view of BAS expected contribution to transition impact through market-level impact on the local advisory services market, as outlined for example in the Update for 2012,⁷⁰ or the view that market maturity determines the programme’s exit from the country (see section 3.2.5).

Overall, SBS has been an active player in the development of local markets for SME advisory services in all countries of operations. It has contributed to the growing demand for, supply and quality of local consultants, and in some cases to the consolidation of the industry. More specific assessment of the achievements has been hindered by the fact that objectives at market level were often not specifically set, and reporting focused on the narrative at the level of activities and on quantitative data directly related to BAS-consultants, but contained limited analysis of the overall market developments and other contextual determinants. This has been also the result of limited resources as no comprehensive market studies were carried out, and OCE did not make the assessment of consultancy markets a standard part of its country transition assessments.

3.2.4 Progress towards institutional SME infrastructure

SBS made only occasional references to its support to the development of local institutional SME infrastructure as that was never a core objective of its work in the countries, but rather a possibility to build up sustainability where opportunities for contribution at that level arose. In the 2009 paper in which TAM/BAS presented various aspects of the sustainability of its work it was noted that:

“In general, TAM/BAS supports the development of an adequate 3-tier institutional architecture, i.e. a ministry, an SME agency and regional SME offices, recognizing that the presence of this architecture does not necessarily mean competency and integrity.”⁷¹

The Strategic Plan 2011 to 2015 did not make any specific commitments or set objectives in this regard, but foresaw place for SBS in policy dialogue:

“Steering committees organised at the request of donors will increasingly include the participation of donors’ representatives and of the EBRD bankers, increasing information sharing on donor programmes and policy dialogue with the authorities (e.g., Ministry of Economy and SME Agency officials are typically members of TAM Steering Committees)”⁷²

and

“The TAM/BAS Heads of Regional Programmes and BAS National Programme Directors (NPD) can provide input to policy dialogue on legislation, regulations, and governmental policies

⁶⁸ External Review: BAS EBRD Business Advisory Services Kyrgyz Republic, Final Report, Andreas Tarnutzer; June 2013; for the State Secretariat for Economic Affairs (SECO); p. 21

⁶⁹ Support to Small and Medium Enterprise (SME) Sector Development in Mongolia, Mid-term evaluation, Draft report; Ecorys, April 2014; for the Delegation of the European Union to the Republic of China and Mongolia; p.32

⁷⁰ Small Business Support – Business Advisory Services and Enterprise Growth Programme: 2012 Update and Business Plan for 2013 p.14

⁷¹ Ensuring sustained benefits for MSMEs in EBRD countries of operations through the TAM/BAS Programme

⁷² TAM/BAS Programme Strategic Plan 2011-2015 p. 6

to support MSMEs. Interlocutors will include SME associations and other non-governmental organisations, as well as national authorities.”⁷³

Nevertheless, the state of the local SME infrastructure was a component in the extended Assessment of transition challenges of the infrastructure of MSME support,⁷⁴ a review of transition challenges in the MSME sector, where the existence of a Ministry in charge of SME development, national SME Agency with regional support, and an SME law and strategy in place were taken into account (together with a number of other criteria). This in turn in principle would have effect on the decisions over BAS exit from the countries, which was linked to the comprehensive assessment of transition challenges of the sector (see section 3.2.5 on exit strategies).

There is evidence of some SBS activity in the area of institutional SME infrastructure, at least in terms of coordination and regular communication with national stakeholders, both at Ministry and SME agency level, directly, through the organisation of joint events and shared visibility/awareness, and through programmes’ Steering Committees. There is little evidence of results in terms of contribution to the legal or regulatory framework improvements or institution building, but again, this was not generally the objective of SBS.

One notable exception is represented by Mongolia, where the EU-financed programme of Support to SME Development in Mongolia consisted of components at three levels, including a ‘macro’ component, based on the request and Terms of reference (ToR) of the donor. The project started in 2011 with a projected duration of five years. The Update for 2012 informs that a Senior Policy Advisor had been recruited to work on the project in Mongolia, and

“The programme brings together BAS provision of advisory services to MSMEs at the micro level, institution building among local MSME stakeholders and the improvement of the SME support infrastructure at the institutional level, and policy dialogue to address barriers to MSME development at the macro level. In this respect the Policy Advisor has built on prior efforts of the EBRD Legal Transition Team to develop a secured transactions law among other things.”⁷⁵

A mid-term evaluation report from 2014 is available for this project. The report summarises the broad objective of the macro component as ‘improvement of the business enabling environment by supporting key reforms in the policy, strategic and legal-regulatory framework’. With respect to the macro level effectiveness, the report concludes:

“The policy related interventions in support of the SME Departments [of the Ministry of Labour] have had limited effectiveness. The project has not been involved in key policy activities, such as the review of the SME Law and the formulation of the SME Development Plan 2014-2016. There was more effectiveness with respect to HR initiatives in support of this Department.”⁷⁶

The country case studies developed for this evaluation note some other examples of SBS work on the development of the institutional SME infrastructure. For example, in Kazakhstan SBS was involved in the capacity building of the local SME agency (EDF Damu), and developed a training curriculum to be delivered to Damu branches and support centres in the regions. Nevertheless, this programme was later discontinued due to the internal reorganisation of the system. In Croatia, a programme specifically aiming and transfer of knowledge to the local SME Agency HAMAG as a part of BAS exit strategy was implemented, although its legacy was limited (see Annex 10). On the other hand, in Turkey the counterparts of the WiB programme are the National Agency for Employment and the Ministry of Labour and Social Security due to the source of financing, and not the institutions responsible for the SME development in the country. This limits the communication and coordination of SBS with the relevant counterparts for example through the programme Steering Committee. In addition, the SBS also contributed to the monitoring of the Small Business Act Index, a benchmarking tool developed by the Organisation for Economic Co-operation and Development (OECD) to assess SME policy frameworks in emerging economies and monitor progress in policy implementation over time.⁷⁷

Overall, SBS has cooperated with local SME institutions (SME agencies and Ministries) as relevant, through coordination of activities, joint events, exchange of information, dialogue through programmes’ Steering Committees, etc. There are also some examples of training/capacity building of staff of these institutions. SBS has not set specific objectives in policy dialogue and contribution to regulatory or legal changes, and generally did not implement activities in this area. Under the SBI, policy dialogue activities related to the business environment for SMEs are considered as a separate pillar, not expected to be implemented by SBS.

3.2.5 Adequate exit strategies

[Note: the findings of this section are based on more detailed discussion and evidence presented in the respective thematic case study in Annex 10]

Exit strategies are discussed in SBS strategic documents with particular reference to the BAS programme. This reflects its presence in terms of staff and extent of activities and, most importantly, given its objective of transition impact at market/sector level, going beyond change at the individual client level, and the implementation of corresponding market development activities. In turn, the justification of the presence of BAS in the countries of operations has been made with reference to sector transition challenges, and any considerations of exit strategies in available documentation have been centred on sufficient market maturity.

⁷³ TAMBAS Programme Strategic Plan 2011-2015 p. 8

⁷⁴ Assessment of transition challenges the infrastructure of MSME support, July 2011

⁷⁵ Small Business Support – Business Advisory Services and Enterprise Growth Programme: 2012 Update and Business Plan for 2013 p.7

⁷⁶ Support to Small and Medium Enterprise (SME) Sector Development in Mongolia, Mid-term evaluation, Draft report;

Ecorys, April 2014; for the Delegation of the European Union to the Republic of China and Mongolia; p. 30

⁷⁷ <https://www.oecd.org/globalrelations/smallandmedium-sizedenterprisessmepolicyindex.htm>

SBS started addressing the possibility of exits from certain countries of operations more systematically based on the recommendations of the TAM/BAS Task Force report in 2007, in the subsequent Strategic Plans for 2008-2010 and 2011 to 2015. While the recommendation of the Task Force related to the establishment of a graduation policy based on the setting and achievement of market-level objectives, the Strategic Plans themselves translated the recommendation into a less prescriptive approach. This was based on the establishment of a 'comparative framework' to assess the level of development and maturity of the SME consultancy markets at country level. Rather than setting specific market-level objectives, the achievement of which would have 'triggered' the exit, the approach was to phase out specific segments of the market where SBS activities were no longer deemed additional.

The main tool adopted by the BAS team to operationalise this approach was the development and annual update of a country based Grant Guideline Matrix, which indicated the size of grant available in each segment based usually on the size of the firm, the geographic location and the type of advisory services. While the matrices were fairly complex due to their three-dimensionality, there is little evidence of systematic phasing out of segments having been implemented. It is difficult to see how the different levels of subsidy led to phasing out of the respective segments with lower subsidy, especially as any analysis of the market segmentation and phasing out over time is largely missing from SBS reporting, or is represented in only very broad terms, especially compared to the relative complexity and granularity of the grant guideline matrix structure.

The evidence/data available to the evaluation team would indicate that an actual strategic decision on implementing/not implementing within a certain segment of advisory services is determinant of operating in/exiting that segment. Together with differentiating subsidy levels (by the three types of criteria of the grant guideline matrix) also introducing a progressively decreasing limit on overall implementation within the 'phasing-out' segment would have probably been more effective.

No country was fully exited during the period under evaluation. Bulgaria was exited shortly before in 2010, and this exit was related to loss of donor funding, rather than the result of a strategic decision based on the agreed exit approach. In Croatia, the (incomplete) exit was accompanied by the implementation of a specific project on the transfer of knowledge from the BAS team to the national SME Agency HAMAG. The transfer of knowledge in Croatia was a project endowed with sufficient funding and time for negotiations, design and implementation, and it was owned and actively supported by the two key local institutions (the Ministry Entrepreneurship and Crafts and HAMAG). Despite that, its legacy remains fairly limited, due to some unanticipated developments but mostly due to the limited practical relevance of the project and its objectives in the context of local SME support infrastructure. Moreover, SBS did not actually exit Croatia following the transfer of knowledge and remains to implement the Women in Business programme (co-financed by the Taiwan Business-EBRD Technical Cooperation Fund and the EBRD Shareholder Special Fund).

Finally, with the integration of SBS under SBI there is a notable departure from the discussion on consultancy market-level development, while SBS activities and objectives are linked to the EBRD's operational response in the SME sector at country level. In the official documentation submitted to the EBRD Board of Directors there is no more allusion to SBS exit from countries or more nuanced discussion on 'phasing out' from certain market segments. That does not mean that SBS will discontinue the corresponding market development activities but at present those are not part of how SBS is presented to the EBRD Board in terms of objectives and reporting on those, and indeed their link to SBS exit strategies is not made explicit anymore.

In summary, the SBS Strategic Plan 2011 to 2015 linked BAS exit strategies to the level of development and maturity of the SME consultancy markets in the country. Operationally, the approach was to phase out of the market segments where BAS was no longer additional. There is nevertheless little evidence that this approach was systematically implemented. With the integration of SBS into the SBI at the end of the period under evaluation, there is notable departure from the discussion on consultancy market-level development, and the link between country exits and market level objectives is no longer explicit.

3.2.6 M&E system used for learning

SBS has developed a sophisticated system of monitoring, evaluation and learning at project level. Facilitated by the creation of own management information system for both EGP and BAS, SBS introduced a system of data collection, process management and knowledge management, which supported the advancement of best practices both internally and with respect to individual projects.

With respect to data relating to individual projects/clients, standardised set of information is collected and entered for both BAS and EGP projects at the screening/beginning of project, during implementation (for EGP) and at completion. In addition, each project is evaluated at completion stage against criteria of relevance, effectiveness and efficiency, and one year after against criteria of impact, and further progress on standard indicators (such as turnover or number of employees).⁷⁸

The processes and methodology for the implementation of the self-evaluations are described in detail in the BAS and EGP Operations Manuals. For BAS, the project evaluation is conducted by the SBS project manager based on feedback from the SME client. The criteria of relevance, effectiveness, and efficiency are assessed against standardised questions, whereby the effectiveness is based on the delivery of outputs foreseen in the terms of reference for the consultancy project. The criterion of impact (relatively the highest rating contributor with 4 out of 10 points) is handled narratively based on changes in operations after project end, and thus is less standardised but in principle contains an element of the project's contribution to these changes as

⁷⁸ The evaluation stage was introduced earlier for BAS projects, while for EGP projects it was introduced within the period under evaluation.

assessed by the SBS manager. For EGP, the responsibility for the evaluation at one year after project completion was recently shifted from the EGP Team Coordinators to the SBS National Programme Managers. The evaluation criteria emphasise the achievement of the project's objectives and progress made within the follow-up year, and the final assessment is based on the inputs of the project's assigned SBS evaluator and the client's CEO on both 'success' and 'satisfaction' aspects of the achievement of objectives aggregated from data collected at completion and at year after.

This system allowed SBS to report on aggregate/average indicators relating to their clients, such as those used in sections 3.2.1 and 3.2.2 of this report. As mentioned above in section 3.2.1, there is some inconsistency in taking ownership of higher level outcomes in terms of clients' growth – while in aggregate the average growth of clients is presented in SBS reporting as a result, individual projects are not rated negatively where clients report zero or negative growth within the year. Each SBS project manager could also input 'lessons learned' from the project, these were reviewed by the National Programme Managers, and shared between colleagues through the 'Knowledge base' section of the management information system.

The Update for 2013 outlines the approach to the development and refinement of best practices:

"In 2012, SBS started looking at accessing and formalising this expertise, with the objective of giving staff resources to enable them to identify and apply best practices in their work. As a result, eight working groups collaborated to create the first series of Best Practice Guides, focused around each of the main project types that BAS covers. To ensure that these practices would be incorporated into staff's daily work, a series of webinars, project reviews and training sessions was organised. [...] This has been followed in 2013 with the initiation of work on developing a complementary set of Best Practice Guides for EGP projects."⁷⁹

The BAS and EGP Operations Manuals contain comprehensive guidelines on processes and standards. In addition, the best practice guides contain extensive overview of best practices for specific types of projects, including many examples and lists of best practice projects that can be referred to. The Operational Plans for 2013 also contained best practice objectives for each country with respect to the types of advisory project implemented.

The 2013 strategy update also provides general comments on SBS knowledge management comprising of three components: continuous development of staff skills and competences, improvement of processes and systems and continuous enhancements of management information system, and building a network of innovation and best practice within SBS.

In contrast, SBS has not developed practices for evaluation and lessons learning at portfolio/ country level. The M&E was focused strictly at project level to the extent that repeat clients (clients who carried out multiple BAS projects or combination of BAS and EGP) were still only evaluated for each single instance separately, and no additional system was in place to assess the

combined results of all projects at client level and identify possible synergies systematically.

Most importantly though, only three independent evaluation reports at portfolio level were available for the entire duration of the five-year strategy, across all countries of operations, and carried out by donors. This is a highly uncommon practice for what is in reality a standard development programme. In addition, all three reports were carried out by donors, thus essentially focusing on the achievement of donor priorities and giving limited to no attention to aspects that might be important for internal learning – transition impact, internal coordination, access to finance or integration of EBRD products. The final SBS report to the donor in the Kyrgyz Republic⁸⁰ outlined the changes to the design and implementation of the programme based on the recommendations of the external evaluation commissioned by the donor⁸¹, and noted that

"the remainder of the recommendations, such as an improved logframe, will be incorporated into the new programme subject to continued funding from SECO".⁸²

This shows that where portfolio evaluations are conducted they provide important feedback on programme design and the existing challenges and opportunities with a broad view, and constitute a central contribution to learning and development.

The absence of evaluations combined with a reporting, which was activity-focused and fragmented by donors (see section 3.3.2), also affected the ability of this evaluation to gather information on results achievement over the strategy period.

In general, for an external observer (including donors) there is a wealth of project-level data, but uncertainties remain with respect to the extent of SBS contribution to claimed outcome-level results, especially at portfolio/market/sector level, as shown with respect to access to finance and Market Development Activities in section 3.2, and limited information exists on lessons learned from SBS work in different environments, on how different contextual factors affect the results of SBS work and on how these factors influenced strategic and operational choices made by SBS.

In passing, it should also be noted that the 2011 to 2015 Strategic Plan envisaged an impact evaluation of TAM programme in Ukraine, to be designed and implemented in cooperation with OCE,

"in order to assess the impact of TAM on firm productivity and profitability, employment growth, and efficient use of energy."

This study was not carried out, due to resource limitations, and due to the fact that strong selection bias, limited population of projects and problematic identification of a control group would make the design of the study difficult.

In summary, SBS has a well-developed system of project level monitoring, evaluation and learning, and has

⁷⁹ Small Business Support – 2013 Update and Business Plan for 2014, p. 10

⁸⁰ Final Report on Phase III of SECO funding in the Kyrgyz Republic, November 2014

⁸¹ External Review: BAS EBRD Business Advisory Services Kyrgyz Republic, Final Report, Andreas Tarnutzer, June 2013, for the State Secretariat for Economic Affairs (SECO)

⁸² Final Report on Phase III of SECO funding in the Kyrgyz Republic, November 2014; p. 4

invested significant efforts into the development and sharing of best practices to ensure quality and consistency of its services across countries. On the other hand, evaluation and lessons learning at portfolio and country level substantially lags behind, and does not represent best practice in current development programmes.

3.3 Has SBS governance and management design effectively supported the expectations of its donors and the EBRD?

Box 4: Summary findings for Evaluation Question 3

SBS has developed an efficient and successful fundraising function, essential for its on-going programme. It has been able to maintain and develop good relationships with donors, identify new sources from beneficiary governments and private sector donors, and act as the key fundraiser for products integrated with Banking. Funding predictability and stability has improved, with increasing contributions from the EBRD Shareholder Special Fund.

While compliance in reporting to donors has been ensured, donors view it as dense and data-heavy at the expense of drawing out useful information on quality and results. Reports are activity and output driven and over-reliant on project-level statistics, lacking narrative/qualitative discussion of the SBS contribution to market level changes, contextual analysis, risk analysis and mitigation measures.

Internal reporting on implementation of the Strategic Plan provided little information at the level of country outcomes, and achievements against identified strategic directions. SBS reporting on the deployment of EBRD SSF resources and associated results is also limited in scope and utility.

SBS has allocated substantial resources to comply with donors' visibility requirements and to promote its own brand. At the level of clients and local consultants more focus has been on marketing than donor visibility, resulting in a low awareness of donor involvement. Limited human resources have been assigned to communication matters.

The introduction of the EGP and BAS management information systems have increased the efficiency of both Programmes and improved internal and external accountability mechanisms. Thanks to its IT system, the SBS team is able to collect and report considerable amount of data, being on the forefront of EBRD Technical Cooperation systems. However, the two management information systems are not completely interconnected and, importantly, they are separated from all other EBRD internal IT systems.

team has developed over the years an essential (and very successful) fundraising function.

The success of SBS work on this function is extensively recognised in the annual EBRD Management reports to the Board about grant co-financing⁸³ and in the annual EBRD Donor Reports published on the [external website](#). In terms of commitments of donor resources, key data are provided in section 2 and in Annex 4.

In this regard, it is worth mentioning that the EBRD has a framework for fundraising developed over the years and described in several key documents related to grant co-financing – however there is not a specific policy related to that. The SBS team has developed its own fundraising processes (though not captured in any internal document): these are mainly centralised in SBS team based in EBRD headquarters that has established direct contacts and partnerships with the capitals and/or headquarters of the donors; moreover, especially when donor resources are available locally, a key role is played by SBS country teams coordinated regionally by Heads of Regional Programmes (HRPs), nationally by National Programme Managers (NPMs) and overall supervised by Heads of resident offices. As mentioned to the evaluation team during interviews, for very complex project proposals drafted to respond to specific donors' requests, some SBS country teams mentioned that dedicated support could be needed and planned for the future.

Internally, the EBRD Management recognises the huge capacity of the SBS team to attract donor resources, and appreciates the self-developed fundraising function of the SBS team, not only for SBS but also for Banking needs. A recent successful example is the Women in Business Programme, for which the SBS team has been leading the negotiations with donors and eventually coordinating also the communication and reporting for all Women in Business Programmes. Over the years, where the collaboration with Banking teams has developed in a more structured way (for instance with the Agribusiness team) fund-raising has been conducted jointly by the two teams for the benefit of each other.

In terms of inter-departmental coordination in funding negotiations, the evaluation team notes that in 2009 the EBRD's Internal Audit department stressed in a specific finding in its report about the TAM/BAS Programme that

“Consultations with all departments involved in donor funding process to be initiated in a timely manner – quarterly inter-departmental meetings to be introduced.”⁸⁴

At the time of the present evaluation a good collaboration is in place with the main EBRD departments involved in grants management and in particular the Office of the General Counsel and the Technical Cooperation Team. Still some misalignment in communication has been observed with the Donor Co-financing team in terms of timely engagement during fund-raising process and lack of systematic sharing of information in submitting reports to donors.

3.3.1 Fundraising and donor relations

SBS existence in the countries where it operates depends fully on availability of donors resources, which not only support the implementation of the advisory services projects, but also fund almost the entirety of the SBS staff working in the countries of operations (and in one instance also in EBRD headquarters). Inevitably, the SBS

⁸³ 2015 Grant Co-Financing Report (CS/BU/16-07 Rev1); 2014 Grant Co-Financing Report (CS/BU/15-04 Final); 2013 Grant Co-Financing Report (CS/BU/13-17). Before 2013 the same reports were submitted on a semi-annual basis.

⁸⁴ Internal Audit Department Report: TAM/BAS Programme, page 3

Donors interviewed by the evaluation team expressed satisfaction about the relationship with the EBRD and its SBS team though some room for adjustments is flagged in terms of reporting and visibility as indicated in sections 3.3.2 and 3.3.3.

As confirmed by the SBS team, funding predictability and stability has improved over the years: while in the past funding gaps were threatening the continuity of the SBS Programme in a given country, today funding gaps – still existing – are more predictable and mitigated in advance. Funding predictability has been enhanced by the shift of the main SBS donor (the EU) towards multi-year and/or multi-country funding sources, the first ones of which have been the EU Eastern Partnership SME Flagship Programme and the Support to Small and Medium Enterprise Sector Development in Mongolia. These positive experiences have been key to building a good partnership with the EU, and eventually give SBS access to the EU Neighbourhood Investment Facility (in the Caucasus, Ukraine, Moldova, Belarus, and in SEMED countries) but also to engagement with EU delegations in the countries of operations to access to EU national resources (as it happened in the Western Balkans countries, Turkey, Armenia, Georgia, Ukraine, and Tunisia). Moreover, the SBS team has worked hard on strengthening the collaboration with existing donors (Austria, Luxembourg, Sweden, Taiwan, USA), revamping the partnerships with less active SBS donors (Italy, Czech Republic, Finland, Korea, Norway), succeeding in involving beneficiary countries as donors (Croatia, Kazakhstan, Russia, Turkey), and succeeding in attracting private sector donors (Kazakhstan).

Funding predictability has been also ensured by the EBRD Shareholder Special Fund (SSF), established in 2008. Over the years SSF resources have been utilised in different ways: until 2015 the SSF Work Plans had a dedicated sub-budget line for SBS, and, where needed SSF resources were provided as bridge funding in cases where donor resources were pledged but not committed yet. The SSF also has a dedicated sub-account to receive funds which constitute reimbursement of costs of technical assistance provided through the SBS Programme. In the panorama of donors to SBS, the EBRD's SSF contribution increased considerably over the years. In the timeframe 2011-2014 EBRD SSF resources committed for BAS projects increased by 133% (from €750 thousand to €1.7 million) while in total donor resources committed for BAS increased by 43% – EBRD SSF share of donor funds to BAS increased from 12 to 20%. In the same timeframe the EBRD's SSF resources committed for TAM-EGP projects increased by 310% (from €500 thousand to €2 million), while in total donor resources committed for EGP increased by 120% – the EBRD's SSF share of donor funds to EGP increased from 13 to 24%. Data about the EBRD's SSF resources utilised to cover the cost of SBS staff as available from the EBRD's Datawarehouse system indicate that out of more than €18 million committed in 2011 to 2015 for SBS staff, 22% (i.e. around €4 million) was committed by the EBRD's SSF.

Following the [Interim evaluation of the SSF](#) (November 2014) a comprehensive reform has been implemented to allocate SSF resources based on priorities to extend the EBRD's transition impact – whereas previously since its establishment in 2008 SSF was used as supplemental source of funding dedicated to covering gaps outside

donor priorities. Accordingly a reformed SSF planning has been aligned with the EBRD's processes and cycles within country and sector strategies and the EBRD's key strategic initiatives – that is, based on transition impact gap analysis.⁸⁵ It is expected that SBS team will be allocated SSF resources in the future not based on the absence or gap of donor resources, but on its contribution to the EBRD's effort to address transition impact challenges. It is particularly important, therefore, that SBS develops a credible evaluation system to measure the outcomes (and where possible impacts) of its operations at a country- and portfolio-level.

In April 2015 in the context of the funding architecture of the Small Business Initiative the Small Business Impact Fund (SBIF) was established.⁸⁶ According to that, SBIF is expected to become the main channel through which donor provide support for the Bank's SME-related activities, including SBS. At present it is unclear if all, or partial, donor resources would be channelled for SBS into SBIF and what effect this fund will have on the existing SBS funding architecture.

Overall, with its dependence on donor funding, SBS has developed an efficient and successful fundraising function. It has been able to maintain and develop good relationship with donors and branch into new areas of fundraising from beneficiary governments and private sector donors. It has also been increasingly more substantially supported by the EBRD through its Shareholder Special Fund. SBS has also been able to act as the key fundraiser for products integrated with Banking, such as the Women in Business Programme, and this function will probably become more prominent in the future where SBS may be one of the core sources of donor finance under the SBI.

3.3.2 Reporting

Reporting to donors

The SBS team complies with the general donor requirements to provide reports respecting given deadlines and, where existing, in order to be used as baseline document to be discussed at Steering Committee meetings. Also, SBS reports are appreciated for the level of details which exceeds the EBRD's average level in reporting to donors, and for which the SBS management information system plays a fundamental role. The evaluation team also acknowledges the considerable amount of time and efforts dedicated by the SBS team to consolidating different reports at the same time.

However, from documents analysis and from interviews held with the donors, a general call has to be made in terms of enhancement of the quality of SBS reporting. Despite a general acknowledgement that reporting has improved over the years, the main issues brought to the attention of the evaluation team by donors themselves are listed below. More evidence is available in the Annexes related to countries and thematic case studies.

– SBS reports are very dense in quantitative data, but

⁸⁵ EBRD Shareholder Special Fund Reform Proposals and Rules approved on 24 June 2015

⁸⁶ Final approved on 22 April 2015

mainly activity and output driven.

- Rather minimal, if not very poor, information is provided about results at outcome level. In that respect reporting overly relied on simple aggregation of available project-level statistical data without narrative/qualitative discussion underpinning the SBS contribution to market level changes, contextual analysis, risk analysis and mitigation measures, and so forth.
- Elements in terms of relevance at implementation, country context analysis, national developments at sector level, complementarity with national SME development programmes or other donors' programmes are barely tackled.
- Implementation bottlenecks, materialised risks, mitigation measures, and in general a description on the challenges and difficulties at implementation are omitted.
- Where donor resources are allocated at regional level, data were often presented as aggregated across the whole region thus concealing the inevitable differences at country level, contextual factors and local challenges causing them.
- In countries where there are multiple donors to SBS, reports are fragmented by donor, so there is no comprehensive information about the SBS Programme as a whole in a given country, to provide a complete picture of the portfolio.

Another example is provided in the most advanced among the WiB Programmes, Turkey WiB (see Annex 9). Despite the existence of a section titled "activities and results", this is merely activity focused and it does not provide information about achievement of results (higher than outputs) against the indicators specified in the donor agreements and related results frameworks. The report does not speak about the results and indicators specified in the donor agreement with EU and the Government of Turkey, for instance, in terms of jobs creation and, from the information available to the evaluation team, a methodology has not been even developed yet on the side of job creation of WiB partner financial institution borrowers (almost two years after starting of the programme) despite of target having been agreed with the Government. Reporting does not actually provide information about any other higher level results identified at approval. Moreover, the reports do not provide information about synergies or specific interlinks between the financial and non-financial components of the WiB Programme – which echoes the concerns about the actual expectations of these synergies, as well as the observed lack of synchronisation at implementation. Finally, the reports also do not provide further contextual information, including for example about the activities of the other key players/programmes in the same country or region and how WiB is complementary to those. Some donors also pointed out that the reports lack a candid discussion on the challenges and difficulties experienced by the WiB Programme (which are to be expected especially in its initial stages), and ways that these are being tackled and used to shape further activities.

The same type of weaknesses at reporting level has been pointed by the external mid-term evaluation of the Support to SME Development in Mongolia funded by the EU. The report reads that:

"the utility of the progress reports is somewhat weakened as they do not include a summary of progress in terms the achievement of outcomes (results), specific objective and overall objective in the progress reports. As noted above this may be due to a lack understanding of logframe analysis and use of the logframe as a management tool. The progress reports would also benefit from better elaboration of justification for the interventions under the Macro and Micro components. In addition the reports would benefit from a more structured approach with clear distinction drawn between activities implemented by the project and activities implemented by beneficiaries based on prior ToT [training of trainers] trained received from the project (demonstrating achievement of results rather than outputs)."⁸⁷

In summary, there is consensus among donors that while reporting is dense in details and quantitative data, priority should be given to quality and results rather than quantity. This general finding is corroborated by the evaluation team that had the chance to examine many of those reports for the purpose of this evaluation.

Reporting to the EBRD

Accountability to the EBRD Board about the TAM/BAS Strategic Plan 2011 to 2015 has been ensured via annual updates, included in the same document for the Business Plans for the following year. As mentioned earlier, these documents were submitted first to the EBRD Technical Cooperation Committee and after to the EBRD Board Financial and Operations Policies Committee (FOPC). This practice was implemented in for the 2011 Update and Business Plan for 2012,⁸⁸ 2012 Update and Business Plan for 2013,⁸⁹ and 2013 Update and Business Plan for 2014.⁹⁰ Due to the uncertainty of processes and procedures when SBS became part of SBI the 2014 Update and Business Plan for 2015 was submitted only to TC Com and not discussed by any primary level Management Committee and/or Board Committee.

The annual Strategic Plan Updates are structured in the form of a list of developments regarding SBS and its main activities performed the year before. An annex with country Business Plans for the upcoming year provide information about TAM and BAS (separately) with the following structure: results to date; context of transition challenges in the SME sector; planned activities for the year after; and budget requirements. This form of update was utilised for the 2011 Update and 2012 Update. In the 2013 Update, reflecting also the merge of the two teams in the SBS team, the Business Plans were unified merging the information about BAS and EGP, and they were structured differently from before including: transition gaps in SME support (in terms of access to finance); EGP and BAS key facts and figures (2011-2013); key transition impact achievements, for BAS against targets for the period (2011-2013); planned activities for 2014; and budget. For the 2014 update, Business Plans for 2015 were replaced by regional overviews, significantly reduced in scope, and structured

⁸⁷ Mid-Term Evaluation of Support to Small and Medium Enterprise Sector Development in Mongolia, April 2014, p.23

⁸⁸ Update to the TAM/BAS Programme Strategic Plan 2011-2015 and Business Plan for 2012

⁸⁹ Small Business Support 2012 Update and Business Plan for 2013

⁹⁰ Small Business Support – 2013 Update and Business Plan for 2014

as follows: transition gaps in SME support; highlights in 2014; impact; planned activities and donor sources for 2015.

From an analysis of these documents, the Strategic Plan Updates do not provide developments against the identified directions set in the Strategic Plan 2011 to 2015 or the Business Plans of the year before, but rather information about developments and activities carried out to date. The expectation would have been to read about systemic results, transition challenges analysis, transition impact achievements. Instead, the documents provide data about the usual SBS Key Performance Indicators (KPIs) in terms of volume of advisory services projects delivered, improvements in performance and competitiveness (see section 3.2.1), and no assessment of broader systemic changes. From the SBS team perspective it could be argued that an adequate framework for assessing the impact of SBS projects was not provided by the EBRD and its Office of the Chief Economist. However, as general finding, there is no evidence that there has been an effort to provide information on results not even at outcome level per country beyond the aggregation of project-level quantitative data. Indeed, reporting to the EBRD is an area for improvement in the future.

An interesting case of internal monitoring and reporting to the EBRD Board of Directors is the Women in Business Programme. Detailed information about that is provided in the case study in Annex 9. The case is interesting from the point of view of how the synergies between the WiB's components (access to finance and access to know-how) are reflected in transition impact benchmarks for adequate monitoring and reporting at sector level. As of end 2015, no review has been conducted at framework and sub-operations level, whereas it was expected that more advanced programmes, such as WiB in Turkey, would have been reviewed already. In fact, so far reporting has been addressing only the WiB donors, for which results expectations do not always entirely coincide with the ones approved by the EBRD Board of Directors. For accountability purposes, it is advisable not only to clarify the timing of reporting of the WiB Programmes through the internal monitoring system for transition impact (TIMS), but also to identify a form of reporting to the EBRD Board of Directors in more comprehensive way taking into account the sector level approach of the transition impact methodology. Moreover, it is expected that a WiB Programmes report should address in a comprehensive way the overall transition rationale for WiB Programmes in each country/region with respect to the gender gaps in access to finance as identified by the EBRD Economics, Policy and Governance department. This seems to be particularly relevant for countries where the WiB Programme is implemented while the gender gaps in access to finance are *small* (i.e. the case of Croatia where in fact the otherwise standard risk sharing mechanism is not even part of the WiB Programme unlike the others). Moreover, at present the EBRD Board of Directors has not been given the opportunity to receive such report and discuss the results of the WiB Programmes in formal contexts such as one of the EBRD Board Committees or a Board Information Session (as it was the case for the presentation of the WiB Programme concept in May 2014).

Another important aspect of SBS reporting to the EBRD is related to the EBRD Shareholder Special Fund, the

second biggest single donor of the Programme after the EU. The key figures are provided in Table 16.

Table 16: Donor commitments for SBS advisory services projects and SBS staff (Jan 2011 – May 2015)

Donor	Advisory services committed resources	%	SBS staff committed resources	%	TOTAL resources committed	%
EU	€24,650,590	43%	€6,779,039	37%	€31,429,629	42%
Bilaterals	€16,846,412	30%	€6,242,973	34%	€23,089,385	31%
EBRD SSF	€9,518,497	17%	€4,009,665	22%	€13,528,162	18%
Multi-Donor	€6,073,322	11%	€1,392,477	8%	€7,465,799	10%
Total	€57,088,821	100%	€18,424,154	100%	€75,512,975	100%

Source: EvD analysis based on SBS management information system and EBRD Datawarehouse

The SBS team circulates an annual report about the activities carried out with SSF resources. Credit must be given to the SBS team as it is the only team actually submitting a separate report about the use of SSF on an annual basis – the accountability mechanism is in place. However, the reports are activity driven, based on project level quantitative data as extracted from SBS management information system, and there is no analysis of the data *vis a vis* the contexts nor an assessment of results achieved. There is no assessment of how the SSF funded SBS activities are selected against the EBRD's priorities, and no discourse about the synergies of the SSF funded SBS activities with the ones funded by other donors. The usual SBS indicators are used to report about transition impact of EGP projects.

Overall, the reporting to the EBRD Board is an area in which SBS did not invest many resources, compared to the vast effort made to report to donors. In particular, the reporting about the implementation of the Strategic Plan 2011 to 2015 was focused on general developments and activities, rather than achievements against the pre-identified strategic directions. As for the future, given that SBS is part of SBI, there is not a dedicated report/update to the Board about SBS anymore, and regional Business Plans have been (so far) just attached to the annual SBI submission to the Board with a limited narrative on the effectiveness of SBS. Finally, on the same line, reporting to the EBRD as donor through its SSF does not respond entirely to the expectations.

3.3.3 Visibility

Visibility is a very important aspect of the SBS Programme. It is a key element not only from an EBRD perspective, but most of all from the point of view of the donors. The latter have different requirements about visibility of the actions that they fund: some have very broad criteria and leave the SBS team to perform visibility activities without providing guidelines; others demand the design of a visibility plan, foresee a specific budget line for that, and in some cases budget a dedicated staff. From the information available to the evaluation team, SBS complies with all requirements as per agreements with donors. Undoubtedly, many of the market development activities described in section 3.2.3 relate to visibility events, and SBS reports to donors systematically include an entire section about visibility and annexes with evidence about events, articles in the local and international news, press releases, etc.

From an EBRD perspective, as confirmed by the Communications Department, the collaboration with the SBS team is good, and there is full coordination. Moreover, the SBS team, thanks to its management information system, is able to monitor success stories that could be used both by the Communications Department and donors (normally also shareholders of the EBRD) to promote the EBRD.

However, despite a general positive feedback in terms of compliance of SBS' activities to ensure visibility, a number of issues in terms of visibility have been brought to the attention of the evaluation team.

From the interviews held with donors, it appears that generally bilateral donors are very satisfied with the visibility provided via the SBS Programme, in some cases impressed by the activities implemented. At the same time bilateral donors do prefer to give priority to quality of the results achieved and enhanced reporting (see 3.3.2), and do ask the SBS Programme to focus on that rather than on visibility *per se*.

In contrast, the biggest donor to SBS, the EU, has expressed clearly on different occasions to the evaluation team the need to enhance the compliance with visibility requirements. In some cases visibility has been identified to be "the issue" in the EU/EBRD partnership. For instance, despite EU visibility guidelines are applied as per agreements, it is not evident on the EBRD's website or documents that the EU is the biggest donor to SBS overall, and also by far the biggest one in some countries (i.e. all Eastern Partnership Countries, and Turkey). In some countries, it took a while for the EU and the EBRD/SBS teams to find a common understanding on how to implement the visibility plans. This was particularly the case in Armenia, in Turkey, and in Serbia.

Apart from visibility at the level of national authorities and key players, another important aspect is the visibility and recognition of donors at the level of SBS clients and local consultants. This aspect of visibility is important to donors to various degrees, but commonly donors do expect to be 'visible' in programmes they co-finance, and see it as a part of building partnerships with the countries of operation, and also an aspect of their own accountability as governments. The main finding in that respect is that SBS clients are not aware of the donors' involvement in the SBS Programme. This is a common finding in six out of the seven countries visited by the evaluation team (Armenia, Croatia, Kazakhstan, Kyrgyz Republic, Serbia, and Turkey) where the majority of SBS clients and even some local consultants interviewed by the evaluation team believe that the EBRD is co-funding the advisory services projects and there is not a donor behind the EBRD. On the contrary, during the evaluation mission to Ukraine almost all SBS clients were aware of the donor's role.

Even with this positive exception, the general finding of inadequate visibility at SME level has been observed also in countries not visited for the purpose of this evaluation. For instance, the 2013 independent evaluation of the activities under the SIDA-SBS Energy Efficiency Fund in Moldova reported that

"Visibility at high level is correct... At SME level, visibility could be improved as only few companies and consultants knew of this SIDA support"⁹¹

and accordingly a recommendation was made to clearly inform SMEs of the SIDA funding. Similarly, the 2012 EU monitoring mission to the Support to SME Development Project in Mongolia reported that:

"The project's visibility at SME level is very weak as most companies still refer to the project as the BAS project (previous EBRD project) and are not aware of EC involvement".⁹²

The role of the donors in the SBS advisory services projects is indeed specified in the agreements with clients. However, this formal requirement does not ensure adequately that the clients are actually aware of the donors' involvement. This issue could be due to the fact that the actual daily communications with the clients is delegated to the local and international consultants, whereas the SBS team (in charge of visibility) intervenes as planned only in specific moments of the project's cycle – probably not enough to ensure adequate awareness about the donors' role. On this particular point the evaluation team notes that most probably insufficient resources were dedicated in some cases to ensure visibility at local level. While in some countries the SBS teams have hired communications specialists (where donor budget allowed for that) which are often used also by the EBRD's resident offices for general visibility activities, in other countries there is not a dedicated person, and one of the SBS managers in those country teams is selected to pledge time to do that (a kind of 'brand ambassadors'), which is not ideal. Also, the SBS team is trying to consolidate centrally the experiences and create a community of practice on communications matters.

Another reason behind the lack of visibility at SBS clients' level could be that the focus of the SBS Programme is more on marketing rather than on donor visibility. In fact, as already mentioned, the SBS team has put a great deal of effort and resources to enhancing its marketing campaign. Already in 2012 it was decided to centralise the SBS communications as the Programme was growing and there was a need to harmonise its messages. Therefore, also thanks to the services of a consulting company, a new information campaign was developed and eventually launched in April 2014 across the 26 countries in which SBS operates. The campaign is focused on SMEs and its objective is to promote more widely and more effectively the value of external advice for small businesses. Centred on the concept of "know-how", the materials are focused on describing the benefits of advisory projects and include a set of brochures and other materials for enterprises, but also local consultants, international advisers and donors, presented in a colourful and client-focused way. Furthermore, the SBS team has developed a complementary film, which can be found on the [EBRD's home page](#). As indicated in the Operations Manual the campaign is

"intended to result in a greater number of applications for projects, a reduced number of projects sourced from

⁹¹ Independent evaluation of the activities under the SIDA-SBS Energy Efficiency Fund for Moldova 2008-2012 (circulated in August 2013), page 16

⁹² European Commission, Ongoing Monitoring Report – Support to SME Development in Mongolia, November 2012, page 2

consultants, and an increase in client recall of our [SBS] brand in the market.”⁹³

The campaign has been running for two years which seems to be a reasonable time after which an assessment of its effectiveness could be carried out. However, as just described, the campaign is essentially a marketing campaign and serves the SBS team to attract clients and consultants. This also contributes to visibility of the EBRD, and the donors (whose flags or logos are included as agreed in the donor agreements), though the focus of the campaign is on marketing rather than visibility.

Another aspect to be considered that came across from interviews with SBS clients, consultants and other national stakeholders, is that the SBS Programme is not widely known among SMEs, but often much more known among consultants (in areas where it operates) and stakeholders (with which it cooperates or coordinates). This is also indicated by the fact that many SME clients are in fact informed about the Programme by their consultants (and therefore one of the drivers that brought to develop the ‘know-how’ campaign as quoted above). In the view of some SBS team members a more widely conducted marketing campaign aimed at SMEs could mean an increase in demand to which the country teams would not be able to respond efficiently, and ultimately hamper its reputation. Nevertheless, some stakeholders, e.g. local SME agencies or consultants’ associations noted that sharing more case studies and examples of work over general (technical) information about the Programme might be a useful communication tool.

As part of the centralisation of SBS communications, all possible SBS stakeholders (clients, consultants, etc.) have to refer to the SBS page on the EBRD’s corporate website – whereas in the past there were several webpages dedicated to country or region level SBS Programme.⁹⁴ While the harmonisation of communications campaign makes sense from effectiveness and efficiency point of view, at local level this choice has not been entirely appreciated, as the EBRD’s website is perceived to be not tailored to local needs, it is difficult to navigate, it is managed centrally in EBRD headquarters, and it is not translated into local languages. This issue was brought to the attention of the evaluation team by SBS clients and consultants, and it was also raised by the evaluation of the SIDA-SBS Energy Efficiency Fund in Moldova which states that:

“The programme website is not practical: It is integrated into the EBRD website meaning that information and application forms cannot be found easily. The website is also crucially not available in any of Moldova’s languages.”⁹⁵

According to the SBS team, currently project application forms are available on the country-specific pages of ebrd.com in English and the local languages of each country. Since 2015 SBS teams are making increasingly more use of the social media accounts on Facebook, twitter and LinkedIn which are more tailored to the local contexts but also more focused on current events rather

than providing comprehensive information about the Programme.

Overall, the SBS team has put a great deal of its time and resources in the past five years to comply with donors’ visibility requirements and to promote its own brand. However, so far more focus has been on marketing than (donor) visibility. From interviews with donors and other stakeholders it emerges that adjustments are needed to improve visibility, especially to reach out the local stakeholders, which, for instance, on several occasions commented that the SBS Programme is not visible enough and there are no events in which its results are shared locally (i.e. awareness campaigns on successful projects, case studies, etc.). On this particular point the evaluation team notes that most probably insufficient resources have been dedicated to ensure visibility at local level (clients and consultants), as many SBS country teams do not have a dedicated person, and there are very few cases of EBRD resident offices having a communications person in its structure.

3.3.4 Adequacy of SBS management information system

The SBS team is currently using two management information systems, one for the BAS Programme and one for the EGP Programme. The introduction of the systems has increased the efficiency of both programmes and increased internal and external accountability mechanisms. Thanks to the system, the SBS team is able to collect and report considerable amount of data, especially compared to other EBRD Technical Cooperation systems. The system is also used to manage and monitor the processes of the entire workflow. This has brought many advantages particularly from the perspective of the Head of Regional Programmes (HRPs) and National Programme Managers (NPMs), and headquarters managers, who are able to follow the entire projects’ cycle in the management information system and use it as a management tool.

However, there are a number of issues that have been identified by the SBS team, which so far limit the efficiency of the IT system in some areas. For instance:

- The EGP and BAS systems are not entirely interlinked with one another, so a snapshot at country or sector level is done by entering in the two systems separately.
- The EGP and BAS systems are not fully interlinked with other EBRD IT systems (such as DTM, SAP, Datawarehouse, TIMS). This inevitably brings inefficiencies in the daily work of the SBS staff especially in view of a closer collaboration with Banking. Moreover, from the information provided to the evaluation team, this issue will not be addressed by the new EBRD IT Technical Cooperation platform that went live in Q2 2016. Whereas technical issues explain such decision, the integration of the SBS teams in the EBRD should pass also from access to the same databases and IT platforms.
- From an accounting perspective, the SBS system isolation (from SAP in particular) requires the SBS finance and administration team to manually reconcile the figures every month.

From the information available to the evaluation team in

⁹³ Operations Manual – Delivering business advice, September 2014, page 71

⁹⁴ <http://www.ebrd.com/small-business-support.html>

⁹⁵ Independent evaluation of the activities under the SIDA-SBS Energy Efficiency Fund for Moldova 2008-2012 (circulated in August 2013), page 16

the future SBS plans to merge the EGP and BAS management information systems and eventually link the new system to Datawarehouse. However, the risks attached to the isolation of the SBS system with the rest of the EBRD systems are significant. While the reason for such isolation was substantiated with the historical independence of the TAM/BAS team from Banking, this argument is not valid anymore, especially since SBS has been fully integrated in SBI. Reliance on manual work processes and controls poses risks in a number of key areas, which may affect many aspects of the SBS Programme.

Moreover, a new SBI system is under development and it is still unclear how SBS will be incorporated into that. According to the available documentation the new SBI system will allow to collect and elaborate more systematically information on the EBRD's SME business across the five pillars that compose SBI. The documentation available states that:

"For Pillar 4, SBS has a comprehensive bespoke management information system, which holds detailed record about enterprises advised, project information, as well as impact reflection of the advisory activities. SBS management information system is following key project indicators over time, allowing for rapid and straightforward real-time reporting of portfolio composition. This management information system assists in management of the SBS project process flow, creates a central interface for all those involved in the project cycle. In order to reflect Pillar 4 in the SBI system, aggregated data from the SBS system (Appian) should be made available to the DW [DataWarehouse] so that it may be presented via the BPN

[Business Performance Navigator]. The [SBI] Group will work with IT to develop the most efficient data interface between SBS and SBI systems, which will allow easy transfer of the relevant data from SBS system into SBI system in order to facilitate the uniform reporting across all the Pillars. Further enhancements will be implemented in DTM on a 'strategic initiatives and expected outcomes' tab, where introduce additional questions regarding SBS contribution, to enable scorecard cross-reference with SBS."⁹⁶

As of today the evaluation team was not provided indication about the interface between SBS and SBI systems.

Overall, the introduction of the management information system for EGP and BAS has increased the efficiency of both Programmes as well as internal and external accountability mechanisms. However, the two systems are disconnected and both isolated from any other EBRD IT platform thus raising a number of significant risks.



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⁹⁶ Regional: Small Business Initiative - Restructuring and Consolidating EBRD Operational Facilities for SMEs, BDS15-050, Annex 9, pp. 63-64

4. Conclusions and recommendations

4.1 Conclusions

The conclusions of this evaluation are based on the assessment of the implementation of the TAM/BAS Strategic Plan 2011 to 2015, guided by the analytical framework developed based on the main directions and objectives of the paper. Due to SBS integration within SBI, this evaluation can be considered a final external assessment of the SBS Programme operating with its own strategic directions.

The conclusions below address the SBS Programme and the EBRD context in which it operated:

- A. The overall relevance of the SBS programme to the EBRD mandate and general function to promote vibrant entrepreneurial sector in its countries of operations is undisputed, and the Programme is recognised to be broadly consistent with national strategic plans for private sector development. SBS is perceived as a useful Programme with a unique value added by key stakeholders in the countries of operations, including SME clients, consultants, national and local counterparts, and by donors.
- B. In the period under evaluation SBS made considerable investments in time and human resources to make effective changes in order to address the strategic directions outlined in the TAM/BAS Strategic Plan 2011 to 2015, as well as to adjust to the evolving context. Undoubtedly, SBS has striven to be forward looking, innovative, and to provide a development connotation to the EBRD's activities in the countries of operations.
- C. The processes of SBS strategic planning and prioritisation were essentially independent from EBRD strategic planning at country level for most of the period under evaluation. There was no contradiction of the priorities between the two as both were broadly defined, and in general the SBS broad objectives would always be complementary to the work of the EBRD in the private sector development. At the end of the period under evaluation, SBS was integrated within the SBI and fully integrated within the EBRD country strategies under new thematic priorities and their results frameworks. However, this development led to the disappearance of the discussion of country context and transition challenges with respect to the local business advisory services at country level.
- D. The Strategic Plan 2011 to 2015 sought to establish a firm link of TAM/BAS to its transition impacts. It foresaw the development of a comparative framework to prioritise interventions at the market level and to guide exit strategies. This materialised in 2011 in the collaboration between TAM/BAS and the EBRD's Office of the Chief Economist on the Assessment of Transition Challenges of the infrastructure of MSME support – extended to capture the challenges of the markets for local business advisory services that BAS sought to alleviate. However, this methodology did not become a part of standard OCE Assessments of Transition Challenges at country level, and SBS had limited resources to carry out such exercise regularly. This affected in the past the ability to formulate and monitor specific objectives and targets at local consultancy market level, the main transition rationale for the BAS programme. As for the future, there is no evidence that the SBI strategic framework will address this issue.
- E. The BAS transition rationale in developing local consultancy markets presented also the justification for the development of exit strategies based on local market maturity, but in practice the actual criteria and mechanisms for withdrawal were not adequately identified. There have been no exits effected in the 2011-15 period and SBS appears less purposeful in its efforts to achieve exits going forward. The SBI strategic documents make no longer explicit the link between market level objectives and country exits.
- F. SBS existence still fully depends on availability of donor resources, which not only support the implementation of projects, but also fund almost the entirety of the SBS staff working in the countries of operations. This has affected all aspects of the Programme (planning/prioritisation, implementation, accountability and sustainability) to the point that donors' ownership over it (especially BAS) is greater than that of the EBRD. Donor priorities (where specified) have been the main driver of prioritisation/planning exercise conducted by SBS and affected implementation. Accountability mechanisms have been tailored to donors' needs leading to fragmentation and lack of comprehensive country-level reporting, including the lack of independent country-level evaluations. Formal occasions to ensure complementarity and convergence of priorities and expectations of the parties involved in the SBS Programme (Steering/Coordination meetings) have been established only if requested by the donors. Financial sustainability of the Programme was affected by low donor funding predictability especially in the first years of the period under evaluation. These constraints have been addressed by improved fundraising function of SBS, by donors' shift to multi-year commitments, and by growing support from the EBRD Shareholder Special Fund.
- G. The increasing volume of EBRD Shareholder Special Fund resources for SBS projects and staff was not used as opportunity to find a mechanism to better balance donors' priorities with EBRD priorities. Instead of using the EBRD's SSF to impose 'donor-type' conditions to address specific transition challenges in the countries of operations (and actually put in place a planning/prioritisation exercise) its resources were used to cover funding gaps (including SBS ones).

- H. In the period under evaluation the SBS broad objectives (as captured in the theory of change of this evaluation) and its *modus operandi* did not change. The greatest achievements have been attained at client level in terms of contribution to growth and competitiveness, where reported data indicate that the advisory services provided through SBS to SMEs led to considerable improvements in the clients' performance and competitiveness, and contributed to their improved business prospects. While there are other contributing factors in the clients' growth and performance, there is sufficient qualitative evidence to conclude that SBS projects are consistently achieving their objectives at client level and positively reinforcing clients' growth potential captured in key business indicators improvements. There is also some evidence of contribution of the Programme to the development of sustainable local business advisory services. Nevertheless, the assessment of the achievements at market level has been hampered by the fact that objectives at that level were rarely specified, and market and context level analysis was missing.
- I. Integration with Banking, one of the main directions of the Strategic Plan 2011 to 2015, has significantly progressed, and manifested itself through physical location of SBS in the EBRD resident offices, review of processes, development of joint products, and increase in cross-referrals of clients. This has been also reflected in more prominent focus on access to finance as an SBS objective. The EGP Programme started targeting high growth potential companies, with the prospect of future bankability, and in close cooperation with Banking teams. BAS linking with Banking products has so far proven more challenging, as limited evidence was found of systematic linking of BAS clients for partner financial institutions or other SME-financing products. In the case of the Women in Business Programme (the flagship joint product) where the ambiguity on the sources of synergies between the financial and non-financial components is leading to disconnections in expectations of results. The integration process was also formalised through the incorporation of SBS within the newly established EBRD Small Business Initiative. However, expectations of reciprocal roles and mutual responsibilities have not yet been fully aligned and the contribution of SBS to Banking deals is not adequately recognised. In addition, SBS is still largely separated from the rest of the EBRD in terms of IT systems, including the transition impact monitoring system (TIMS).
- J. SBS has a well-developed system of project-level monitoring, evaluation and learning focused on assessment of the deliverables/outputs of the advisory provided, and has invested significant efforts into the development and sharing of best practices to ensure quality and consistency of its services across countries. However, reporting has been mainly focused on ensuring compliance with the requirements of internal processes and with donor agreements. Country-level reporting has been fragmented by donor funds, and overly reliant on project-level data available and lacked narrative/qualitative discussion underpinning the SBS contribution to market level changes, contextual analysis (including complementarity with similar government and donor funded programmes), and risk analysis. This has affected the ability of SBS to ascertain results at market and sector level.
- K. As currently designed, the SBS Programme cycle does not foresee comprehensive country level external evaluations. In the period 2011 to 2015 only three donor independent portfolio evaluations were carried out specifically commissioned by the donors, thus not covering the entirety of the SBS Programme in the countries nor including EBRD priorities (transition impact, internal coordination, access to finance, integration with Banking products). This affected the ability of SBS to learn from implementation and utilise experience as input for design changes and development of portfolio at country level, and to gain understanding of its contribution to results at sector/market level.
- L. Formal compliance with donors' visibility requirements was ensured, and considerable work to maximise the visibility of the donors, especially through various public events, was carried out. There is little doubt that donor visibility at the level of national authorities and key players is high. However, there is still little awareness of the role of the donors in the Programme at the level of SME clients and consultants. This is partly due to resources, but mostly a matter of limited systematic reinforcement of the message in the Programme implementation carried out by consultants. It is also partly due to the fact that the focus of the communication of the Programme towards ultimate clients is on marketing rather than donor visibility. In fact, SBS has put a great deal of resources to enhance its (and the EBRD's) brand, and it has streamlined its marketing processes and tools.

4.2 Recommendations

The conclusions of this evaluation identified issues that offer opportunities for learning not only for the SBS Programme in the framework of SBI, but to the EBRD and its existing and future products which make use of considerable donor resources. Based on that, the implementation of the recommendations below will be the responsibility not only of SBS/SBI, but also of the other relevant units of the EBRD.

Importance	Recommendation
High	<p>1. SBS planning and fundraising should be rooted in EBRD country-level transition priorities and results frameworks. Historical independence of SBS led to donor priorities being the primary driver of SBS planning and prioritisation. With the integration of SBS within the SBI and the growing proportion of the Programme financing coming from the EBRD itself through the Shareholder Special Fund, it is expected that priorities of SBS will be closely linked to EBRD transition priorities. With the integration of SBS through the SBI within EBRD country strategies (and their result frameworks), the SBS has a medium-term strategic guidance on the EBRD objectives, which should be unequivocally reflected in SBS planning. EBRD country priorities should also be used for SBS fundraising purposes, so that agreements with donors reflect these priorities rather being driven by SBS financial sustainability concerns and clarify mutual expectations.</p>
High	<p>2. Transition rationale for development of local consultancy markets should be made explicit. Given the disappearance of the discussion of country context and transition challenges with respect to the local business advisory services at country level in the SBI and EBRD country strategy documents, continued SBS activity (especially) in market development of local business advisory should be substantiated by appropriate assessment of transition challenges in that sector and market level analysis. Objectives and targets should be specifically formulated and monitored at that level. An adequate market analysis should serve also the purpose to implement Market Development Activities more tailored to local needs and to be managed locally. Finally, SBI should clearly specify what will in the future guide exits of the SBS Programme from countries.</p>
Medium	<p>3. Ensure effective programme coordination with external partners at the country level. Steering committees have proven to be a valuable mechanism for coordinating SBS activities with those of governments, other donors, multilaterals and advocacy groups. As such, they also promote a synergistic approach to development/transition, and help avoid duplication or conflicting interventions that so often typify countries with heavy donor / international financial institution involvement. Accordingly, they are strongly encouraged and should be extended to regional products. Even where not requested by donors, SBS country programmes should have annual coordination meetings with the participation of all relevant stakeholders (donors, national authorities, etc.), to ensure complementarity, confirm priorities, and clarify mutual expectations – especially in countries with multiple donors involvement or multiple SBS parallel products. Similar arrangements should also be planned and included in the budget for specific regional products such as Women in Business.</p>
High	<p>4. Reporting to EBRD Board and donors should be enhanced. At present SBS reporting is activity and donor driven and fragmented. The EBRD’s Board of Directors has at best partial information about the SBS Programme and its internal visibility has decreased with its integration under the SBI. SBS should prepare an annual comprehensive report on its outcomes at country level regardless of the source of funding, providing information about complementarity with existing government and other key players’ activities in the same sector, and discussing achievements in terms of contribution to tackling transition gaps. Comprehensive country reporting should also sufficiently serve the needs of donors. Formal occasions of discussions for the EBRD’s Board (information sessions) should be planned for the proposed annual SBS report and similar opportunity should be given for specific products, such as Women in Business.</p>
High	<p>5. Country-level outcomes should be periodically evaluated. The current M&E systems employed by SBS should be augmented to capture and report more meaningful outcome-level results data at the country and programme level. They should also seek to demonstrate more robustly the causal link between client performance data or increased access to finance and the SBS project intervention. SBS independent country level (interim) evaluations should be planned regularly, ideally aligned with the EBRD’s cycle for Country Strategies in order to provide feedback on Programme design, challenges, opportunities, and assessment of results for the future planning cycle. As well as reports, evaluations should be conducted at country level regardless of the sources of donor funding. Donors should participate in the development of the evaluation terms of reference, and be included on the evaluation management group. Evaluations should consider the full SBS country portfolio and assess both donor priorities and the EBRD’s priorities (including, among other, transition impact, internal coordination, access to finance, integration with Banking products). Similar evaluations should also be planned and included in the budget for specific regional products such as Women in Business.</p>
High	<p>6. Synergies from joint SBS–Banking products should be identified clearly at the design stage. While in the past financial and non-financial EBRD products were not combined by design, new joint products, such as WiB, are aimed to implement integrated programmes. However, synergies (supposedly more substantial than complementarity) between financial and non-</p>

Importance Recommendation

financial components in terms of results are ambiguous in the design of the WiB Programme. While synergies exist in terms of fundraising, reporting and awareness/visibility events, expected interlink at the level of results/ transition impacts is not embedded in the design of joint products and should be clarified. This would avoid problems in synchronisation of the components implementation as harvested so far, as well as monitoring and reporting disconnections.

Medium 7. **Ensure consistency of internal approaches to EBRD fundraising.** Over the years SBS has developed a strong fundraising function and role, which are becoming more instrumental for Banking products. Given the growing role of and need to raise additional donor resources the Bank should ensure that it operates its formal fundraising framework as effectively as possible. The Bank should therefore address any issues to do with misalignment of communication, delayed engagement during fundraising processes and lack of systematic sharing of information between SBS and DCF that may arise in particular from SBS relationships with donors in the field. This will ensure consistency, better internal coordination and streamlined partnerships with donors.

Medium 8. **Enhance donor visibility at final beneficiary level.** A review of SBS processes and resources devoted to donor visibility should be conducted in order to ensure awareness of donors' role in all SBS activities at the level of clients and consultants.

High 9. **Integrate SBS management information system with the EBRD IT systems.** The risks attached to the isolation of the SBS system with the rest of the EBRD systems are significant. While the reason for such isolation was substantiated with the historical independence of the TAM/BAS team from Banking, this argument is not valid anymore, especially since SBS has been fully integrated in SBI. Resources should be made available for full integration of the SBS system to the EBRD IT systems.



Independent opinion – External peer review

For accountability purpose and quality control of this Study, an external peer reviewer, Dileep Wagle, has been contracted to provide an independent opinion in written form on its final version. The independent opinion is provided below.

Mr. Wagle has an extensive background of economic development, having worked for a number of years in both the World Bank and IFC, in operations and strategy, as well as in the private sector. He is currently a consultant to the World Bank's Independent Evaluation Group, as well as a Director of a consultancy organization, GBRW Inc.

1. This report is a well-prepared strategic-level evaluation of the EBRD's flagship, donor-funded Small Business Support Program (SBS) and the operation of its two interlinked advisory programs, the Business Advisory Program (BAS) and the Enterprise Growth Program (EGP), formerly the Turn-Around Management (TAM) Program. The objective of the evaluation, as stated in the Approach Paper, 2015, was to provide an independent view on the working of the SBS Program during 2011-15 - the framework period of the Bank's TAM/BAS Program Strategic Plan - through assessment of the relevance, efficacy (including sustainability and impact) and some aspects of efficiency of the program. The methodology used was described in the Approach Paper, 2015, and included a combination of portfolio analysis, review of internal documents and interviews, supplemented by country and thematic case studies. The overall approach was articulated through three evaluation questions regarding the adequacy of SBS's strategic planning towards meeting the needs of SMEs at the country level, the nature and sustainability of the results that it has delivered, and the effectiveness of its governance and management processes in meeting the expectations of its donors. These questions have overall been addressed satisfactorily, adequately supported by evidence and with a fair degree of candor.

2. This candor is reflected, for instance, in the report's finding that though SBS has been clearly relevant to the EBRD's mandate of transition impact and private sector development strategy, its strategic planning and prioritization was not particularly well aligned with the Bank's Country Strategies. This may be unsurprising given SBS's heavy dependence on donor funding, which would dictate a degree of independence in the way SBS's Business Plans were formulated, but it is interesting that this applied equally to the EBRD's Shareholder Special Fund (SSF), which was its second largest source of funding. At the same time, to the extent that this relevance was dependent - as specified in the TAM/BAS Strategic Plan - upon SBS phasing out specific market segments in which it was no longer additional, the report points out that such exit strategies were never systematically implemented, with the result that no country was fully exited during the period under evaluation. Similarly, in analyzing performance indicators for BAS and EGP projects, the report has been careful to highlight the difficulty in attributing ostensibly highly positive results that were observed in terms of employment/turnover growth and access to finance to the advisory services facilitated by SBS. In addition, the report identifies several inconsistencies and possible reporting biases whereby zero or negative growth rates were under-reported and did not reflect in the self-evaluation ratings of a number of projects. Equally important is the report's finding that in complying with donor reporting requirements, SBS has tended to provide mostly activity and output driven data, and very little information about results obtained at outcome level, or even about bottlenecks and country-level challenges constraining implementation. As pointed out in report, this has been similarly reflected in SBS's annual updates on the

TAM/BAS Strategic Plan 2011-15 to the EBRD's Board, which have provided very little information on outcome-level results per country beyond the aggregation of project-level numerical data.

3. Keeping in mind these caveats, the report's overarching finding however is that on balance the SBS did contribute to the growth and competitiveness of its clients through advisory services that helped improve their business prospects. This is substantiated through qualitative information collected at country level, suggesting that clients saw value in the advisory services they received and felt that they did produce some tangible results in terms of growth and performance improvements for them. The report also finds some evidence of the contribution of SBS to the development of local business advisory services, though assessment of achievements at the market level would have been easier had objectives been specified ex-ante. This overarching conclusion may be somewhat less true of the access to finance objective, which though fairly central to the SBI rationale and strategy, was less important for SBS itself. However, even here, the fact that most EGP projects with EBRD clients were implemented concurrently with the investment did help create synergies with the EBRD's financial products.

4. That said, the report finds considerable room for improvement in the organization and implementation of the SBS program, especially in light of the integration of SBS within SBI and the growing proportion of program financing coming from the EBRD's SSF. Notably, it suggests a stronger role for the EBRD's country-level transition priorities and results frameworks in SBS's planning and fundraising efforts, as well in its efforts to develop local consultancy markets. Secondly, it calls for more comprehensive reporting by SBS to the EBRD's Board, with a much greater focus on country level outcomes, accompanied by better measurement of results, through better-designed M&E systems. Management Information Systems for SBS need to be fully integrated with the EBRD's IT systems, not isolated as they currently are. Thirdly, it calls for synergies from joint SBS-Banking products to be identified more clearly at design stage.

5. One additional issue, raised in the report, that might usefully be further developed, looking forward, is the question of exit strategies. Exit strategies are an important part of an institutional graduation policy aimed at ensuring the efficient use of limited resources, by phasing out countries and clients that no longer need international financial institution support (in this case, SBS) support and by providing a benchmark for measuring success of transition impact. The lack of progress on this front for SBS clients reflects to some extent the lack of systematic implementation of the approach used, but a more comprehensive, prescriptive approach may need to be developed, with the aim of graduating countries from this kind of support rather than just market segments.

6. In conclusion, the report provides a detailed and well-substantiated analysis of the working of the SBS program during the period under review. As an evaluation, its methodology is sound and sufficiently broad-based, and consistent with the approach outlined in the Approach Paper. The report's findings can be considered reasonably robust and are well reflected in its conclusions and overall recommendations.

Dileep M. Wagle, September 27, 2016

Management Comments

Summary

Management thanks EvD for the study and welcomes the findings of the high relevance of the Small Business Support (SBS) programme for the Bank's mandate and strategy, significant results achieved through its activities, effective fundraising, and advanced monitoring and evaluation practices. Management believes that the predominantly positive findings of the study, as evidenced by both the main text and annexes, reflects great progress made by SBS in addressing shortcomings identified in previous evaluations of the programme, and demonstrates significant improvements achieved in its management, design and implementation.

Management finds many conclusions and recommendations helpful and will ensure they contribute to improvements in the programme going forward. These include further improving internal and external coordination, and donor reporting, increasing donor visibility from an already solid base, and, subject to the availability of resources, enhancing IT systems.

Management notes that the study covers the period 2011 to 2015, whereas there were significant changes to SBS operating context and organisation thereafter. SBS is now firmly anchored in the SBI, but this major initiative of the Bank is given only limited attention in the study. Beyond the activities covered by the Evaluation, in the same period, the Bank launched a successful engagement in the SEMED countries with SBS in the vanguard. The process for preparing country strategies has changed and continues to evolve. Throughout the period, the Bank has adapted its approach to transition impact (TI) to address inclusion, and the Bank has adopted a Gender Strategy. These developments form a critical background for considering the engagement of SBS in the core of the Bank's work over the evaluation period.

Management notes that internal reviews of principles and processes related to the TI concept, country strategies, and results management are underway, while actions in response to recommendations on reporting and IT depend on the Operational Effectiveness and Efficiency (OE&E) programme.

Management's response to recommendations is provided below followed by detailed comments on selected findings, organised by specific number/letter given to them in the study.

Recommendations:

1: SBS planning and fundraising should be rooted in EBRD country-level transition priorities and results frameworks. The integration of SBS into the Small Business Initiative (which is explicitly driven by country strategies), coupled with the growing weight of programme financing from the Shareholder Special Fund (SSF), provide both the means and context to accomplish this.

– Management agrees in principle with the recommendation but believes there is no need for any separate action plan and/or a follow up. Management

believes that SBS country priorities are already well aligned with the country strategies, including their results frameworks. Country strategies are formulated with SBI involvement and inform SBS annual business plans. SBS indicators are often used in the results frameworks. SBS fund-raising efforts are aligned with country strategies, including involvement in EU country days where the EBRD has discussed its country strategy with participation of SBS/SBI along with other sector teams. Moreover, since 2015 the assessment of Bank's donor funding needs and planning is based on country strategy themes and the SSF allocation is based on country strategy priorities.

– It would be a mistake, however, to restrict SBS/SBI to engage only in the activities highlighted in the country strategy, given the country strategies' focus on main priorities only and the need to respond to unforeseen developments in the countries of operations. For example, the refugee response which has become a key priority in Turkey was not envisaged in the country strategy approved in 2015.

2: Transition rationale for development of local consultancy markets should be made explicit.

Prospective SBS support for local business advisory should explicitly be based on a market analysis and assessment of transition gaps, with objectives and monitoring specifically set out. At present these issues are not prominently featured in SBI and EBRD country strategy documents. On the same line, SBI should clearly specify what will in the future guide exits of the SBS Programme from countries.

– Management partially agrees with this recommendation. With the launch of the SBI, the logic for the engagement of SBS in a market has shifted to emphasize the benefits to the ultimate SME beneficiaries and the impact achieved with the combination of finance and advisory services, in addition to the transition process at the level of the consulting market. The development of the local consultancy market is an important means to this end but is no longer the core source of TI in itself. SBS will continue to provide training to local consultants, however, to ensure an adequate level of services and to support the sustainability of advisory service provision in support of local SME development. The assessment of transition challenges (ATC) for the SME sector encompasses all features of the SBI, including those closely linked to SBS, i.e., the skills levels of SMEs and their use of consultancy services. Also, the Bank's Country Strategy Results Framework (CSRF) prominently features indicators on aspects of "Entrepreneurship and SME Skills Development" and "Improved Business Environment that Supports SME and Entrepreneurship Development", identified as applicable to ensure their relevance to international advisory as well as local consultancy activities.

– Management believes that with the shift in emphasis described above, these existing processes are sufficient to capture country context and transition challenges, as well as to monitor performance at the country level.

- Management will undertake periodic reviews of the local consultancy markets to identify and offer training to local consultants and to SMEs directly to address the evolving needs of SMEs.
- Management believes that the know-how provided by SBS to SMEs is a key component of the SBI, and therefore, the engagement of SBS in or exit from the countries of operation will be guided by the strategy for the SBI as a whole and the ATC for SME development, an important component of a competitive market economy.

3: Ensure effective programme coordination with external partners at the country level. Good coordination of SBS activities with governments, donors, multilaterals and other key stakeholders has been accomplished through Steering Committees. Coordination events with all relevant stakeholders and partners, regardless of their financial contributions, to ensure complementarity, confirm priorities, and clarify expectations should be planned and budgeted. Similar arrangements should also be planned and included in the budget for specific regional products such as Women in Business.

- *Management agrees with this recommendation*, and will take stock of existing stakeholder coordination efforts to identify where the benefit of organising additional platforms and/or events is sufficient to justify the resources needed for their planning and implementation, and will introduce them into future programme budgets accordingly.
- Management notes an already impressive progress made in donor coordination to date. SBS participates or leads stakeholder coordination meetings in more than 20 out of 26 countries, currently not reflected in the study findings or recommendation. There are markets where such coordination will remain less formally organised or is already well organised by others. Coordination with donors will also be strengthened through the Small Business Impact Network (SBIN) of the SBI, a platform specifically created for this purpose.

4: Reporting to EBRD Board and donors should be enhanced. There is scope and need to improve the value and effectiveness of SBS reporting that is now fragmented and mainly donor-driven. A comprehensive annual reporting on SBS activities and outcomes at the country level and through the lens of SBS's articulated strategic/transition priorities is needed; a regular occasion for Board review would be valuable. Formal occasions of discussions for the EBRD Board (Info Sessions) should be planned for the proposed annual SBS report and similar opportunity should be given for specific products, such as Women in Business.

- *Management agrees in principle with the recommendation*, and will consider its implementation subject to conclusions of OE&E review of results management, including improving and streamlining of reporting. SBS reporting to the Board will continue to be consolidated with reporting of the SBI, of which SBS is an integral part. Subject to the outcome of OE&E, SBI Management will continue to hold an annual Board Information Session (as in April 2016), to provide an opportunity for Board discussion and engagement as a complement to the Board approval of the SBI Business plan.
- Management agrees that donor reporting can always

be improved. However, there are also trade-offs to be made on this resource-intensive exercise that encompasses over 80 reports a year. SBS is piloting an improved donor report template which captures the analytics required by most donors. Future donor reporting will be consolidated through the Small Business Impact Network, where all participants receive a unified report that addresses the results framework of the SBI as reflected in CSRFs. This does not exclude the obligation to report to individual donors based on their requirements, but where feasible, SBS will recommend to donors to accept consolidated reports that cover their contribution to wider programmes, facilitating a more analytical approach. Providing donors with an appropriately restricted online view of the Bank's results data is also envisaged in the future as part of improving and streamlining reporting.

5: Country-level outcomes should be periodically evaluated. SBS monitoring and performance assessment systems should be strengthened to enable capture of outcome results data at the country and programme level; they should illuminate causal links between SBS project elements and client performance or access to finance. Full independent evaluation of SBS activities should occur at country level and in the context of the country strategy on a regular cycle. Similar evaluations should also be planned and included in the budget for specific regional products such as Women in Business.

- *Management partially agrees with the recommendation.* Many donor agreements are regional rather than country-based, and require external mid-term and/or final evaluations in timeframes and following terms of reference designed to the requirements of the donor. Management will encourage donors that do not have an established approach to evaluations and that will find it beneficial for themselves to incorporate such country-based evaluations into programme budgets. This will be subject to the agreement of individual donors.
- Management believes that the evaluation of country-level results of SBS activities should be part of the evaluation of the Country Strategy implementation as a whole, given links to the SBI, synergies with other objectives, and in the interest of efficiency. This recommendation therefore covers the broader issue of Country Strategy evaluation, a complex exercise requiring a consistent approach as well as significant resources and expertise. Management believes that such evaluations, aligned to EBRD country strategies, are primarily a learning tool for the EBRD rather than for the donor, and therefore as already envisaged, should be carried out as part of the EvD work programme.

6: Synergies from joint SBS–Banking products should be identified clearly at the design stage. Joint products such as Women in Business (WiB) aim to integrate programmes and both financial and non-financial products, and explicitly anticipate programme-level synergies. However the assumed interlinks have historically (and in the case of the WiB Programme) not been sufficiently embedded into design beyond efficiency aspects in fundraising, reporting, or visibility. Clarity at the design stage is essential for effective monitoring, accountability, and execution.

– *Management agrees with this recommendation* that synergies on joint SBS-Banking products can be identified and articulated more clearly in project documents to the Board of Directors and reports to donors. In the case of the WiB Programme, Management notes that the Programme was designed from conception as an integrated product with financial institution Banking and gender teams with clear integration mechanisms and synergies, including: (i) EBRD financing approval (jointly positioning the financing facility in the context of a wider programme including SBS); (ii) one Policy Statement to partner financial institutions including references to SBS and stating joint eligibility criteria; (iii) one programme consultant procured and co-managed jointly; and (iv) one branding with a clear offer of both finance and advice to partner financial institutions. When it comes to links between partner financial institutions and SMEs supported under the Programme, these are very well defined in the Programme by means of bringing them together under WiB seminars and any marketing event as well as by the additional grant provided to SMEs if they access the dedicated credit line one year after completion of an advisory project.

7: Ensure consistency of internal approaches to the EBRD’s fundraising. The Bank should ensure that it operates its formal fundraising framework as effectively as possible, and should address any issues to do with misalignment of communication, delayed engagement during fundraising processes and lack of systematic sharing of information between SBS and DCF. This will ensure consistency, better internal coordination and streamlined partnerships with donors.

– *Management agrees with the recommendation.* Management welcomes EvD’s conclusions that there is generally a good collaboration between SBS and the main departments involved in grants management, i.e. DCF, OGC and the TC team. Management will work to ensure consistency of internal approaches to EBRD fundraising, including timely sharing of information and early engagement between the SBS Team, SME F&D Group and DCF, especially with respect to the relationships with donors in the field.

8: Enhance donor visibility at final beneficiary level. A review of SBS processes and resources devoted to donor visibility should be conducted in order to ensure awareness of the donors’ role in all SBS activities at the level of clients and consultants.

– *Management agrees with this recommendation.* Management believes that good progress has been made to date as regards donor visibility. The importance of informing final beneficiaries about the donors that have made their project possible is well recognised and great effort is made to do so. In addition to inclusion of donor visibility repeatedly in leaflets this includes case studies and webpages, references to the donor in the Grant Agreement signed by the SME and verbal discussion of the donor with the final beneficiary by the team. Management however agrees that donor visibility at individual project level can be enhanced, and has already initiated several actions. Completion certificates are being planned for introduction upon successful completion of individual advisory projects to enhance donor visibility and reinforce institutional recall at beneficiary enterprises over time. In addition, detailed communication and

visibility plans are agreed with donors as part of the funding agreement negotiation process, which are then implemented jointly with the Bank’s Communication Department and in close coordination with donors.

9: Integrate SBS management information system with the EBRD IT systems. Separation of the SBS Management Information Systems from the rest of the EBRD’s IT systems brings both risks and inefficiencies. It should be fully integrated.

– *Management agrees in principle with the recommendation* and will consider its implementation based on the conclusions of the on-going OE&E review, in particular in light of the budget resources needed to fully integrate the SBS management information system with the EBRD IT systems. Management notes that a business case was already approved on 26 July 2016 to bring SBS data into the Data Warehouse, which will allow for production of integrated reporting through Business Performance Navigator. As a longer term solution, the work is underway as part of OE&E to develop an integrated results management IT architecture that will incorporate the SBS system, among other platforms.

Conclusions and Findings:

E: While accepting that “criteria and mechanisms for SBS exit were not adequately identified,” it should be noted that SBS has successfully phased out of market segments where its interventions were less additional and has increasingly focused on products and engagements that are not offered locally. SBS has avoided using the SSF to maintain the BAS programme with its local staff component in EU Member States in the absence of other donor funding. The 2011 to 2015 Strategy, which stated the intention to exit from Croatia and Romania, did not anticipate the severe and long-term impact of the 2008 financial crisis. The sustained crisis in SME financing was recognised by the Board of Governors in mandating the Bank to pursue the Small Business Initiative at the Annual Meeting in Istanbul in 2013. Even before 2013, it became clear that the exit from Bulgaria in 2010 had been premature relative to the market needs, and there was a strong need for continued support of varying types to SMEs in Bulgaria, Croatia and Romania. Later it also became clear that such support should be extended to Cyprus and Greece after they gained country of operations status for a limited period. SBS is active in Cyprus but has not yet sourced donor funding to engage in Greece, while sourcing donor funds to re-start work in Bulgaria and to continue SBS activities in Romania remains a challenging work in progress.

F: Management notes that TI considerations have consistently remained at the core of SBS activities. While additional objectives relevant for donors have been added, these have been in line with EBRD strategic priorities and did not lead to a decreased focus on TI. Indeed, it is a strength of the programme that SBS can engage in new activities in collaboration with a donor, such as export promotion in Central Asia or engagement with business intermediaries in Mongolia, where there is clear alignment between the EBRD’s and donors’ priorities and relevance for the countries of operation and the Bank’s role therein. Such engagements have helped SBS develop skills and methodologies later implemented

in other countries and regions, and enabled a quick response to the new EBRD strategic priorities.

G: SSF funding: SSF funding should be considered in a wider context and in light of developments prior to the start of the evaluation. SSF funding for SBS was at its peak in 2009, but then reduced sharply to zero in 2010. The reinstatement of SSF support in 2011 therefore resulted in a significant increase.

Table 17: SSF contributions to SBS, 2009 to 2015

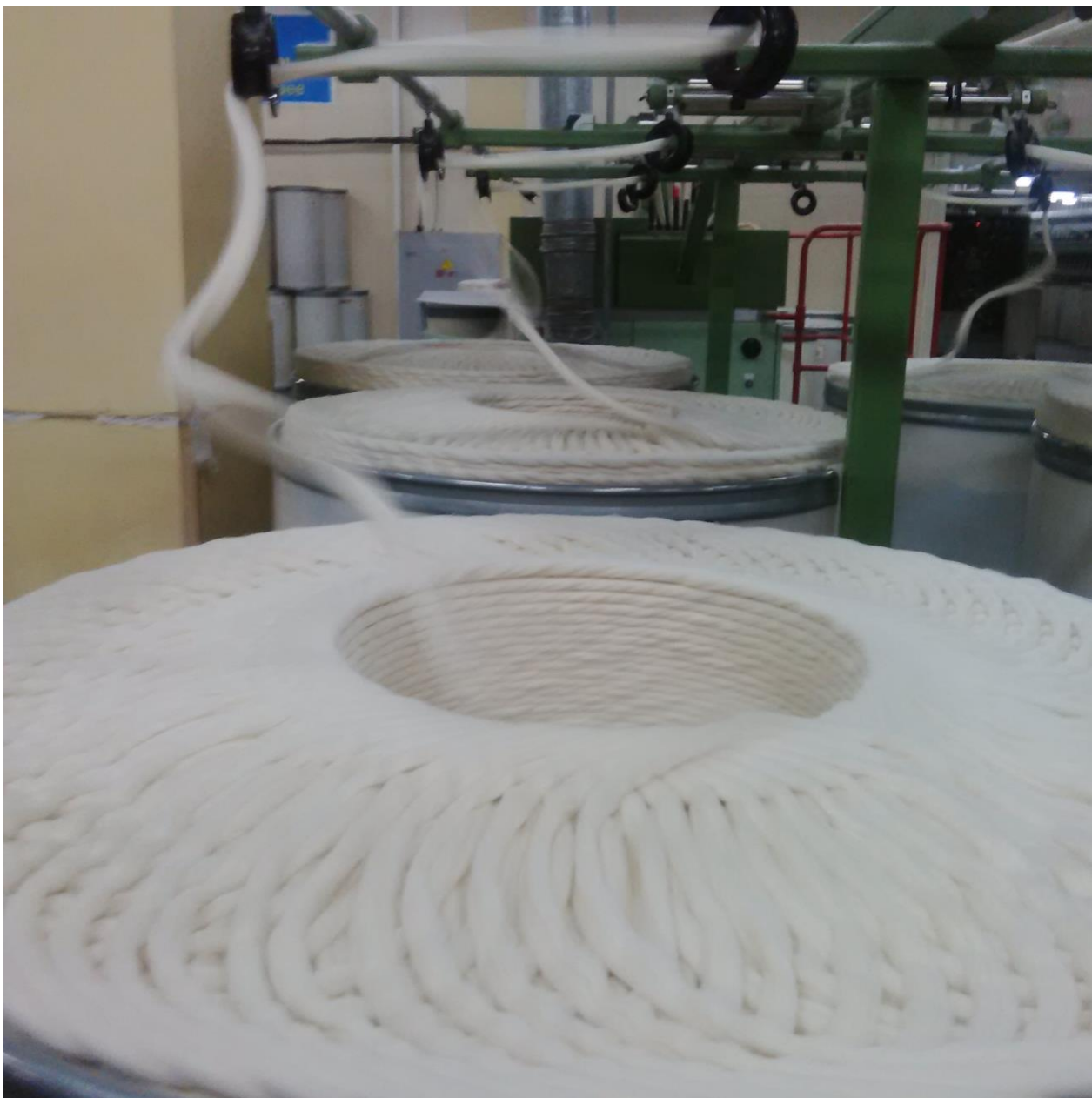
€ '000	2009	2010	2011	2012	2013	2014	2015
SSF commitments	7,000	0	2,608	3,121	4,700	7,050	4,114
SSF disbursements	4,347	4,742	2,602	2,554	3,329	3,928	4,415

Management notes that SSF funding has increased in line with the growth of the programme and overall expansion of donor contributions as well as cost-sharing by clients, enabling the programme to expand to cover additional seven countries over the period 2011 to 2015.

At 22% of donor funds committed and 19% of donor funds disbursed, SSF contributions have provided

important support without which the programme would have had difficulties to maintain continual engagement in all of the markets where SBS is working. Such support provided an important degree of freedom in the period 2011 to 2015 but a larger share of total donor funding would have been necessary to ensure real “strategic freedom”.

J: Management welcomes the conclusion that SBS uses a well-developed methodology to monitor and evaluate projects and also appreciation of the efforts put in to disseminate best practices. However, this conclusion is a bit at odds with the later remark on lagging behind other development programmes when it comes to portfolio level evaluation and lessons learning. Management would like to highlight initiatives such as the development of SBS best practice guidelines and sharing them internally for quality assurance purposes, which are indeed efforts precisely based on portfolio and country level learning. These initiatives have spurred the development of products such as the Accounting Improvement Programme, Grow Your Consulting Business training courses, sector development activities, among others.



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