

Evaluation Approach

Evaluation of the Pacific Private Sector Development Initiative (2007–2016)

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I. Background

1. The Pacific Region economies are small and isolated with natural disasters, economic shocks, and political turmoil that can all have a major impact on the Pacific Developing Member Countries (PDMCs). These weaknesses have been abundantly analyzed through several economic, country, and sector works, which laid down the basis for engaging in private sector development (PSD) in ADB's PDMCs. ADB's *Swimming Against the Tide*,¹ a major analytical work in 2004, focused on private sector assessments (PSA) in the Pacific Region and laid out strategies for upscaling PSD activities despite the inherent disadvantages caused by the region's isolation, which contributes to the fragility and vulnerability of individual country economies. It stated that governments played a large role in the development of the private sector in each of the PDMCs, and that policy reforms reducing bureaucratic processes of governments were imperative. These would need to be accompanied by strong political will to provide good governance for the enabling environment for PSD to prosper. Strategies similar and parallel to those identified in *Swimming Against the Tide* are reaffirmed further in various ADB papers. ADB recognized good governance as a core strategic intervention under the Long-term Strategic Framework (2001–2015),² as well as one of three pillars in ADB's 2004 enhanced Poverty Reduction Strategy,³ and identified good governance and capacity development as a key driver of change under Strategy 2020.⁴

2. In the mid-2000, development in the Pacific was characterized as being laggard, with regional economic growth averaging less than 1% per capita annually over the past 30 years. Among the conditions that led to such a poor economic predicament were: (i) lagging critical investments in basic infrastructure and human potential (health and education); (ii) hard poverty affecting many; (iii) high and rising youth unemployment; (iv) brain-drain due to skilled professionals increasingly seeking opportunities abroad; and (v) growing in-country migration to towns even when opportunities do not exist.

3. The above-mentioned circumstances led PDMCs to recognize the contribution that the private sector could have in reversing those conditions, triggering regional and national level

¹ ADB. 2004. *Swimming Against the Tide? An Assessment of the Private Sector in the Pacific*. Manila.

² ADB. 2001. *Moving the Poverty Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework, 2001–2015*. Manila.

³ ADB. 2004. *Poverty Reduction Strategy*. Manila.

⁴ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

discussions on PSD reforms to enable a better business environment in the Pacific. PSD analysis and benchmarking, especially the PSAs of ADB⁵ and the Doing Business⁶ surveys by the World Bank and the International Finance Corporation, have increased the level of awareness, understanding, and public debate for the underlying issues highlighting the positive relationship between private-sector led economic growth and poverty reduction. These advances prompted the response by development partners, which started to earmark resources for PSD in the region.⁷ ADB has elevated PSD as a major thrust in its Pacific Strategy 2005–2009,⁸ when the Pacific Private Sector Development Initiative (PSDI), a regional technical assistance facility cofinanced by ADB with the Governments of Australia and more recently New Zealand, was introduced.

4. PSDI started in 2007 to provide flexible responses to the common challenges highlighted in *Swimming Against the Tide* and as part of the overall ADB engagement in the Pacific. It aimed at improving the business environment in Pacific Islands by promoting effective PSD policies and practices within the context of ADB country assistance strategies. PSDI was envisioned to have a strong focus on core themes relating to the following: (i) financial intermediation; (ii) institutional, legal, and regulatory business environment; and (iii) state-owned enterprise reform and public-private partnerships.

II. Evaluation Portfolio

5. The proposed technical assistance performance evaluation report (TPER) will cover the ten-year implementation (2007–2016) of the PSDI program, including the following: (i) TA 6353-REG: Pacific Private Sector Development Initiative (PSDI I); (ii) TA 7430-REG: Pacific Private Sector Development Initiative Phase II (PSDI II); and (iii) TA 8378-REG: Pacific Private Sector Development Initiative Phase III (PSDI III). The first two completed phases of PSDI were implemented over the period 2007–2014. PSDI III started in 2013 and is currently in its mid-term of implementation.

6. PSDI TA recipients included the 14 Pacific developing member countries (PDMCs) of ADB: Cook Islands, Federated States of Micronesia (FSM), Fiji, Kiribati, Nauru, Palau, Papua New Guinea (PNG), the Republic of the Marshall Islands, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

7. **TA cost and financing.** Total financing for PSDI amounted to \$60.4 million—PSDI I \$9.8 million, PSDI II \$12.0 million, and PSDI III \$38.6 million. The contribution of ADB to PSDI from its Technical Assistance Special Fund (TASF) totaled \$6.1 million. Cofinancing from the Government of Australia amounted to \$49.8 million while cofinancing from the Government of New Zealand amounted to \$4.5 million. PDMCs that requested assistance from PSDI also provided counterpart

⁵ ADB. 2003. *Keeping Reform Alive – A Private Sector Assessment for Samoa*. Manila; ADB. 2003. *Issues, Challenges and Policy Options—A Private Sector Assessment for Vanuatu*. Manila; ADB. 2003. *The Realities of Crisis—A Private Sector Assessment for Papua New Guinea*. Manila; ADB. 2003. *Promoting Growth Through Reform—A Private Sector Assessment for the Republic of the Marshall Islands*. Manila; ADB. 2004. *Swimming Against the Tide? An Assessment of the Private Sector in the Pacific*. Manila; ADB. 2005. *Promise Unfulfilled—A Private Sector Assessment for Fiji Islands*. Manila; ADB. 2005. *Private Sector Assessment for Solomon Islands*. Manila; and ADB. 2006. *Policies for Sustainable Growth—A Private Sector Assessment for Palau*. Manila. ADB's private sector assessments are published at <http://www.adb.org/PrivateSector/development/assessments.asp>

⁶ See <http://www.doingbusiness.org>.

⁷ Australian Agency for International Development (AusAID). 2004. *Pacific Regional Aid Strategy 2004-2009*. Canberra; AusAID. 2006. *White Paper on Australia's Aid Program*. Canberra; AusAID. 2005. *Pacific 2020 Background Paper: Private Sector*. Canberra; and World Bank. 2005. *Pacific Regional Strategy 2006–2009*. Washington.

⁸ ADB. 2004. *Pacific Strategy, 2005–2009*. Manila.

contributions through provision of counterpart staff salaries, office accommodation, local transport, support services, and facilitation of consultations. Shown in Table 1 is a summary of the three technical assistance projects covered by the evaluation including: (i) a breakdown of financing by phase and by cofinancier, (ii) the number of subprograms⁹, and (iii) the approval and financial closing dates for each TA.

Table 1: Technical Assistance Projects Covered by the Evaluation (\$)

TA No./EA	Project Title	Total Financing (% disbursed)	Cofinancing (Government of Australia)	Cofinancing (Government of New Zealand)	ADB financing	No. of subprograms/initiatives ^a	Approval Date	Financial Closing Date
6353/ADB	PSDI I	9,839,350 ^b (99.69%)	8,739,000	-	1,100,000	128	21 Nov 2006	30 Nov 2011 (original) 31 July 2013 (actual)
7430/ADB	PSDI II	12,000,000 (99.71%)	9,000,000	-	3,000,000	29	10 Dec 2009	31 Dec 2013 (original) 31 Mar 2015 (actual)
8378/ADB	PSDI III	38,580,000 ^c (39.53%) ^d	32,080,000	4,500,000	2,000,000	96	06 June 2013	May 2019 ^e
Total		60,416,350	49,819,000	4,500,000	6,100,000	253		

^a PSDI initiatives can start in one phase and continue to the next PSDI phase. Figures presented are IED estimations based on cumulative totals in annual progress reports.

^b Original approved amount was \$8,700,000.00 plus a 2008 supplementary financing of \$1.139 million.

^c Original financing totaled \$30,500,000.00 plus a 2015 supplementary financing of \$8.08 million.

^d As of 30 June 2016.

^e Implementation closing date.

8. **TA subprograms.** PSDI's interventions are implemented in six focus areas: financing growth/access to finance, business law reform, SOE reforms and PPPs (focus areas since PSDI I) as well as economic empowerment of women, competition and consumer protection (focus areas introduced in PSDI III). These interventions are complemented by analytical work and ad-hoc subprograms on crosscutting issues. For a specific focus area in each country (ex. business law reform), PSDI first identifies a subprogram (ex. company law reform) under which specific TA projects are designed to accompany the implementation of the subprogram (ex. drafting a bill, enact regulation, etc.). As of June 30, 2016, total number of subprograms amounted to 253, of which, 77 have been completed, 150 are ongoing, and 26 are in the pipeline. The portfolio summary for the period 2007–2016 show a total committed funding of \$35.89 million. The average cost per subprogram is \$141,870. The countries with the biggest number of subprograms were: (i) Tonga (29); (ii) Papua New Guinea (29); (iii) Solomon Islands (26); (iv) Vanuatu (24); (v) Samoa (17) and (vi) Timor-Leste (13); On a multi-countries regional basis, PSDI gave origin to 70 subprograms. The two countries with the lowest number of subprograms were Kiribati (3) and Tuvalu (2).

9. **PSDI commitment and disbursement.** As of 30 June 2016, 96% of the total committed funds (\$34.34 million) have been disbursed. The countries with the largest share of the PSDI commitments are: (i) PNG (\$5.23 million); (ii) Solomon Islands (\$5.14 million); (iii) Tonga (\$3.79 million); (iv) Timor-Leste (\$3.30 million); (v) Vanuatu (\$2.34 million); and, (vi) Samoa (\$2.33 million). In terms of disbursements, countries which exhibited good absorptive capacity are: (i) Solomon Islands (\$4.93 million or 95.9%); (ii) Papua New Guinea (\$4.78 million or 91.4%); (iii)

⁹ Subprograms are referred by PSDI as "initiatives."

Tonga (\$3.69 million or 97.4%); (iv) Timor-Leste (\$3.30 million or 100%); (v) Samoa (\$2.33 million or 100%); and (vi) Vanuatu (\$2.22 million or 94.8%). Regional subprograms have the lion's share of resource allocation with \$10.74 million in commitment and \$10.44 million in disbursements. Detailed and full commitment and disbursement figures are included in Attachment 1.

10. **Expected outputs, outcomes, and impacts.** The expected impact for PSDI I was to contribute to poverty reduction by promoting enterprise, investment, and economic growth. The TA design was based on consultations with Pacific DMC governments, private sector and development partners. The expected outcome of the TA was an improved enabling business environment, with emphasis on core themes of (i) SOE reform and public-private partnerships; (ii) financial intermediation; (iii) business law and regulation; and (iv) mainstreaming of PSD in priority sectors. The expected outputs were (i) diagnostic studies, dialogue, and communication; (ii) rapid response, technical advice, and capacity development; and (iii) regional initiatives and monitoring.

11. The second phase, PSDI II, aimed to build on the achievements of PSDI I, particularly on the analytical foundations, the partnerships developed with key counterparts and reformers across the region, and the ongoing reform work to continue strengthening the interventions. Similar to PSDI I, the TA's impact was to contribute to poverty reduction by promoting private enterprise, investment, and economic growth. Likewise, the expected outcome of the TA was improve business enabling environment through the implementation of focused reform strategies, measures, and project designs by the concerned Pacific Island governments. However, the range of TA outputs was expanded to include the following: (i) policy advice, comprising (a) advocacy, research, and communication, (b) technical advice, and capacity development, and (c) regional cooperation and results monitoring and benchmarking; and (ii) transactions support, comprising (a) initial assessments and prefeasibility studies, and (b) feasibility studies, due diligence, and project and transactions design and packaging. In addition, PSDI II introduced during implementation two cross-cutting themes of (i) monitoring and evaluation framework and (ii) gender empowerment, with no performance targets associated with them.

12. PSDI III saw an expansion of focus of PSDI in the areas of competition and consumer protection, and the economic empowerment of women. In addition, the design and monitoring framework (DMF) was revised to reflect that PSDI III aimed at deepening and broadening critical reforms supported under PSDI I and II. The expected impact of the TA in PSDI III is sustained economic growth in Pacific DMCs that increases incomes. The envisioned outcome is an equitable business environment encouraging new business formation, and increased domestic and foreign investment in Pacific DMCs. TA outputs are redefined to have a more selective and narrowed focus: (i) businesses and households in selected Pacific developing member countries have improved access to financial services; (ii) selected business laws in Pacific developing member countries promote inclusive business formation, investment, entrepreneurship, and trade; (iii) the delivery of infrastructure services will be made more efficient and cost-effective; (iv) selected Pacific developing member countries' governments establish a framework that promotes competition; (v) successful pilot initiatives promoting the economic empowerment of women are implemented in selected PMDCs; and (vi) strategic and knowledge management services are effectively provided. Attachment 2 details the results chain of PSDI's three phases.

III. Summary of Self and Third Party Evaluations

13. Technical assistance completion reports (TCRs) have been completed for PSDI I and PSDI II. Likewise, third-party evaluations have been commissioned by AusAID (now DFAT) for

both phases. A mid-term self-evaluation of PSDI III is currently on-going and expected to be completed by the end of 2017.

14. **PSDI I.** The TCR for PSDI I was completed in 2013. The TA was given an overall rating of *highly successful*. The assessment centered on evaluating observable improvements in doing business. It was reported that the TA positively impacted Pacific DMCs by improving the climate for growth, increasing access to finance, and improving the performance of SOEs. Project achievements reported included: (i) 8,518 new loans in the Solomon Islands and Vanuatu (as of 31 December 2009) as a result of secured transactions reforms implemented under the TA; (ii) decline in the drain on state budgets due to assistance to SOEs undertaken under PSDI; and (iii) increase in the availability of financial services, especially in rural areas, as a result of PSDI supported microfinance initiatives. Because of the said PSDI reforms, Solomon Islands and Tonga were among the most improved performers in the World Bank Doing Business Indicators.

15. Meanwhile, a third-party evaluation of PSDI I commissioned by AusAID rated the PSDI I as a 5 for relevance, efficiency, and sustainability and a 4 for effectiveness. The rating scale ranged from 1 to 6, with 1 being very low quality and 6 being very high quality. Aside from the ratings provided, the evaluation did not offer an overall rating for the evaluation, citing that it was still too early to discern development outcomes with respect to reforms and initiatives implemented.

16. **PSDI II.** The TCR for PSDI II was completed in 2015. The TA was assessed an overall rating of *highly successful*. The rating was justified by referencing an independent evaluation performed by AusAID in February 2013, using its evaluation rating scale, which assessed PSDI across six criteria—effectiveness (a rating of 6 on a scale of 1 to 6, with 6 as the highest rating), efficiency (5), sustainability (6), impact on the empowerment of women (4), monitoring and evaluation (5), and analysis and learning (6). Relevance was not explicitly part of the evaluation criteria, although it is part of the scope of work in the consultant’s terms of reference i.e., “assess the relevance of PSDI RETA for achieving AusAID’s broad regional economic objectives as outlined in its Private Sector Development Strategy.” It is inferred that the program remained relevant to the Pacific region with its objectives, given the high ratings per criterion and the overall rating.

17. **Lessons.** Some key takeaways from the TCRs and the third-party evaluations of PSDI I implementation include the recognition of PSDI’s role in knowledge formation and its implementation efforts on PSD reforms, fostered by the flexibility of the PSDI’s instrument as compared to stand-alone country TAs. This has helped cement Pacific governments’ commitment to the many reforms identified by the program. For its part, PSDI II self-evaluation was advocating a more harmonized effort between PSDI and governments (as development partners) to maximize impact in the small, fragile states. Further, the third-party evaluations acknowledged that PSDI has its strengths in its foundations, core personnel, and the flexibility and responsiveness to adapt to varying country circumstances in the Pacific. They also recognized that PSDI’s efforts are also subject to varying political whims and are in need of continuous improvement in its systems, e.g., monitoring and evaluation (M&E). The complete list of lessons identified by the two ADB TCRs and the third-party evaluations are detailed in Attachment 3.

IV. Evaluation Approach and Methodology

18. **Evaluation objective.** The main objective of the independent evaluation is to inform ADB Board and Management on the value and merit of PSDI as well as capture lessons to understand the mechanisms through which business environment reforms occur. The findings of the

evaluation are expected to generate knowledge to inform future project designs and implementation of similar ADB endeavors. A complete independent evaluation of the decade of PSDI activities was never performed and it is expected to feed into larger independent evaluation studies, such as the thematic evaluations on State-Owned Enterprises (SOEs) and Small and Medium-sized Enterprises (SMEs). Lastly, the evaluation will also try to establish how PSDI has been utilized in support of PBLs and corresponding reforms to feed into the ongoing IED PBL evaluation.

19. **Evaluation scope.** The evaluation will cover the first decade of PSDI existence (2007–2016). It will perform an ex-post evaluation of the focus areas included in first two completed phases. It will assess the partial performance of PSDI III, particularly in the area of Economic Empowerment of Women, which was introduced as a cross-cutting theme of gender empowerment in PSDI II and converted into a focus area in PSDI III.

20. **Overarching evaluation question:** To what extent was PSDI successful in improving the enabling business environment of the PDMCs?

21. **Subquestions:** The evaluation will assess PSDI performance in key core operational areas:

- (i) Has PSDI improved access to finance in PDMCs?
- (ii) Did PSDI foster business laws reform in PDMCs?
- (iii) To what extent and in what ways has PSDI supported SOEs reforms and PPPs in PDMCs?
- (iv) How has PSDI incorporated economic empowerment of women as a priority agenda?

22. **Evaluation methodology.** The evaluation methodology includes a mix of qualitative and quantitative approaches reflecting the unique nature of PSDI, which features a multi-year programmatic intervention with a cluster of several thematic areas. The evaluation will follow IED's standard project/TA evaluation criteria. The evaluation will be assessed in terms of relevance, effectiveness, efficiency and sustainability, with both retrospective and forward-looking perspectives considered in accordance with the Guidelines for the Evaluation of Public Sector Operations.¹⁰ More specifically, the evaluation will measure these four main criteria as follows: (i) relevance—confirming the alignment of PSDI activities with national and regional strategies as well as Donors and ADB's corporate strategies, (ii) effectiveness—assessing PSDI activities vs. the envisaged outcomes as elaborated in the approval documents, (iii) efficiency—analyzing how financial and other resources were used to achieve the desired outcome in a timely manner, and (iv) sustainability—ascertaining the likelihood of these outcomes to become sustainable after PSDI intervention. A more detailed list of evaluation questions can be found in Attachment 4.

23. The evaluation will also endeavor to assess at the program level: (i) ADB performance in administering the TA; (ii) development partner/executing agency performance; and (iii) PSDI benefits (both intended and unintended) on beneficiary countries. In terms of ultimate impacts, these subprograms may take several years after project completion to be visible.

24. **Country Case Assessments.** The evaluation will be complemented by country case assessments of the three largest recipients of PSDI funds (Papua New Guinea, Solomon Islands and Tonga) as well as one of the smaller PDMCs (Palau) where PSDI has provided a variety of

¹⁰ ADB. 2016. *Guidelines for the Evaluation of Public Sector Operations*. Manila.

interventions. These assessments will evaluate at the country-level specific subprograms in core focus areas (business law reform, financing growth/access to financial services, SOEs and PPPs) with a special emphasis on women economic empowerment activities in each country¹¹. As of 30 June 2016, the selected focus areas represent around 63% of PSDI commitments¹² while the top three recipients of PSDI represent nearly 40% of PSDI commitments. Palau, while only representing 1.8% of total commitments, undertook subprograms in the original core focus areas. The top countries in terms of fund commitments and exposure to the mentioned focus areas are outlined in Table 2 (detailed country financial indicators are in Attachment 5).

Table 2: Top 6 PSDI Country Recipients

Country	Country Fund commitment (\$ million)/ Share in total PSDI funding of \$35.89 million	Expenditure (disbursement) by Focus Area (\$ million)
Papua New Guinea	5.23/14.57%	Financing Growth/Access to Finance (\$1.88 or 39%); Competition (\$0.99 or 21%); PPPs (\$0.86 or 18%); Crosscutting (\$0.50 or 10%); SOE Reform (\$0.43 or 9%); Economic Empowerment of Women (\$0.10 or 2%); Business Law Reform (\$0.02 or 0.4%)
Solomon Islands	5.14/14.32%	Business law Reform (\$2.24 or 45%); SOE Reform (\$1.17 or 24%); Financing Growth/Access to Finance (\$0.78 or 16%); Economic Empowerment of Women (\$0.39 or 8%); Crosscutting (\$0.26 or 5%); Competition and Consumer Protection (\$0.09 or 2%); PPPs (\$0.0005 or 0.01%)
Tonga	3.79/10.56%	Business Law Reform (\$1.18 or 32%); Cross-cutting (\$0.83 or 22%); SOE Reform (\$0.71 or 19%); Financing Growth/Access to Finance (\$0.56 or 15%); PPPs (\$0.21 or 6%); Economic Empowerment of Women (\$0.12 or 3%); Competition and Consumer Protection (\$0.08 or 2%)
Timor Leste	3.30/9.19%	Financing Growth/Access to Finance (\$2.15 or 65%); PPPs (\$0.86 or 26%); Crosscutting (\$0.12 or 4%); Competition and Consumer Protection (\$0.08 or 3%); Business Law Reform (\$0.06 or 2%); Economic Empowerment of Women (\$0.02 or 0.6%); SOE Reform (\$0.008 or 0.2%)
Vanuatu	2.35/6.52%	Business Law Reform (\$0.89 or 40%); Financing Growth/Access to Finance (\$0.60 or 27%); Crosscutting (\$0.26 or 12%); SOE Reform (\$0.22 or 10%); Competition and Consumer Protection (\$0.13 or 6%); Economic Empowerment of Women (\$0.09 or 4%); PPPs (\$0.03 or 1%)
Samoa	2.33/6.49%	Financing Growth/Access to Finance (\$0.61 or 26%); Business Law Reform (\$0.49 or 21%); SOE Reform (\$0.47 or 20%); Crosscutting (\$0.38 or 16%); Competition (\$0.37 or 15%); PPPs (\$0.01 or 0.4%)

¹¹ Given that competition and consumer protection was only introduced in Phase III, the number of initiatives is still limited, and thus this area will not be part of the country case assessments. However, the evaluation will consider the interventions in those areas as part of the desk review exercise, which will inform the overall evaluation.

¹² Analytical Work and Crosscutting Issues represent the 2nd largest focus area of PSDI commitments (22.48%) but preference is given to other more targeted focus areas directly impacting the enabling environment. However, when relevant for the evaluation, Analytical Work and Crosscutting Issues will be referenced and examined.

25. **Evaluation Activities.** The evaluation will include the following activities: (i) project site visits to the chosen locations; (ii) in situ beneficiary interviews; and, to the extent possible, (iii) semi-structured surveys through key informant interviews (KII) and/or focus group discussion (FGD) to be administered in the case countries. In addition, the evaluation team will conduct (iv) interviews with project staff from Pacific Department/Pacific Liaison and Coordination Office and PSDI in Sydney; (v) interviews with key stakeholders such as Australian and New Zealand government staff; (vi) desk review of all relevant project documents (ex-ante to ex-post) and PSDI databases, including M&E reports; and (vii) gathering and review of secondary data including relevant reports on PSDI I and II, and if available, PSDI III.

V. Implementation Arrangements and Resource Requirements

26. The independent evaluation team will be composed of the following members: (i) Enrico Pinali, Senior Evaluation Specialist (Team Leader); (ii) Noel Gamo, Senior Evaluation Officer; (iii) Jerome Jovellanos, Evaluation Officer, (iv) Irene Garganta, Associate Evaluation Analyst, (v) an international consultant with expertise in private sector development and/or monitoring and evaluation in the finance and governance sector, preferably in the Asia and the Pacific and/or with similar regional technical assistance facilities; and (vi) a national consultant (research associate) with background/considerable experience in evaluation, preferably in the finance and/or governance sector, data gathering and analysis (working on ADB databases). The internal commenter is Joanne Asquith, IED Principal Evaluation Specialist. In addition, the evaluation will be reviewed by two external reviewers. The time commitment for the evaluation will be about six (6) months intermittently for the Team Leader and the Evaluation Officers and about 35 to 50 working days for the consultants.

27. The proposed schedule is as follows:

Approval of Evaluation Approach Paper	IV July 2017
Recruitment of Consultants	II July – IV July 2017
Initial Desk Work (HQ)	IV July 2017
Independent Evaluation Missions	July–August 2017
IED Internal Review	II October 2017
Interdepartmental Review	IV October 2017
Draft to Editor	II November 2017
Submission to Director, IED2	III November 2017
Submission to Director General, IED	IV November 2017

attachments: (1) PSDI Portfolio Highlights (2007-2016)
 (2) Intended Outputs, Outcome and Impact of PSDI I, PSDI II, and PSDI III
 (3) Lessons identified from PSDI TCRs
 (4) Evaluation Criteria and Indicative Guide Questions
 (5) Portfolio Summary (2007-2016)

cc: Directors General, IED, PARD; Directors, IESP, PLCO; IEOD; Project file

PSDI PORTFOLIO HIGHLIGHTS¹ (2007–2016)²
(\$ million)

Item	Amount (\$ million)	%
A. Expenditure by Focus Area vs. Total PSDI Commitment (\$35.89 million)³		
1. Financing Growth/Access to Finance	9.36	26.07
2. Analytical Work and Crosscutting	8.07	22.48
3. SOE Reform and PPPs	6.87	19.14
4. Business Law Reform	6.42	17.88
5. Competition and Consumer Protection	2.05	5.71
6. Economic Empowerment of Women	1.23	3.42
B. Total Fund Commitment in Top 6 Countries vs. Total PSDI Commitment (\$35.89 million)		
1. PNG	5.23	14.57
2. Solomon Islands	5.14	14.32
3. Tonga	3.79	10.56
4. Timor Leste	3.30	9.19
5. Vanuatu	2.34	6.52
6. Samoa	2.33	6.49
C. Total Fund Disbursed in Top 6 Countries vs. Total Funding Disbursed (\$34.34 million)		
1. Solomon Islands	4.93	14.35
2. PNG	4.78	13.92
3. Tonga	3.69	10.75
4. Timor Leste	3.30	9.61
5. Samoa	2.33	6.78
6. Vanuatu	2.22	6.46
D. Expenditure by Focus Area in the Top 6 countries		
1. Solomon Islands (\$4.93 million)		
Business law Reform	2.24	45.00
SOE Reform	1.17	24.00
Financing Growth/Access to Finance	0.78	16.00
Economic Empowerment of Women	0.39	8.00
Crosscutting	0.26	5.00
Competition and Consumer Protection	0.091	2.00
PPPs	0.0005	0.01
2. PNG (\$4.78 million)		
Competition	0.99	21.00
PPPs	0.86	18.00
Financing Growth/Access to Finance	1.88	39.00
Crosscutting	0.50	10.00
SOE Reform	0.43	9.00
Economic Empowerment of Women	0.10	2.00
Business Law Reform	0.020	0.40
3. Tonga (\$3.69 million)		
Business Law Reform	1.18	32.00
Cross-cutting	0.83	22.00
SOE Reform	0.71	19.00
Financing Growth/Access to Finance	0.56	15.00
PPPs	0.21	6.00
Economic Empowerment of Women	0.12	3.00

¹ Figures may not add up to 100 or 100% due to rounding.

² Until 30 June 2016

³ Excludes Undisbursed and Project Administration figures.

Item	Amount (\$ million)	%
Competition and Consumer Protection	0.081	2.00
4. Timor Leste (\$3.30 million)		
Financing Growth/Access to Finance	2.15	65.00
PPPs	0.86	26.00
Crosscutting	0.12	4.00
Competition and Consumer Protection	0.082	3.00
Business Law Reform	0.064	2.00
Economic Empowerment of Women	0.020	0.60
SOE Reform	0.008	0.20
5. Samoa (\$2.33 million)		
Financing Growth/Access to Finance	0.61	26.00
Business Law Reform	0.49	21.00
SOE Reform	0.47	20.00
Crosscutting	0.38	16.00
Competition	0.37	15.00
PPPs	0.009	0.40
6. Vanuatu (\$2.22 million)		
Business Law Reform	0.89	40.00
Financing Growth/Access to Finance	0.60	27.00
Crosscutting	0.26	12.00
SOE Reform	0.22	10.00
Competition and Consumer Protection	0.13	6.00
Economic Empowerment of Women	0.095	4.00
PPPs	0.029	1.00

INTENDED OUTPUTS, OUTCOME AND IMPACT OF PSDI I, PSDI II, AND PSDI III

TA 6353: Private Sector Development Initiative	TA 7430: Pacific Private Sector Development Initiative Phase II	TA 8378: Pacific Private Sector Development Initiative Phase III
Impact To contribute to poverty reduction by promoting enterprise, investment, and economic growth.	Impact To contribute to poverty reduction by promoting private enterprise, investment, and economic growth.	Impact Sustained economic growth in Pacific DMCs equitably increases incomes
Outcome Improved enabling business environment (focusing on reform policies, strategies, and measures) with emphasis on core themes of: (i) SOE reform and public-private partnerships; (ii) financial intermediation; (iii) business law and regulation; and (iv) mainstreaming of PSD in priority sectors.	Outcome Improved business enabling environment, through implementation of focused reform strategies and measures, and project designs by the concerned Pacific island governments.	Outcome An equitable business environment encouraging new business formation, increased domestic and foreign investment in Pacific DMCs
Outputs (i) Diagnostic studies, dialogue, and communication; (ii) Rapid response, technical advice, and capacity development; and, (iii) regional initiatives and monitoring.	Outputs (i) Policy advice, comprising: (a) advocacy, research, and communication; (b) technical advice, and capacity development; (c) regional cooperation and results monitoring and benchmarking; and, (ii) Transactions support, comprising: (a) initial assessments and prefeasibility studies, and (b) feasibility studies, due diligence, and project and transactions design and packaging.	Outputs (i) Businesses and households in selected Pacific DMCs have improved access to financial services; (ii) Selected business laws in Pacific DMCs promote inclusive business formation, investment, entrepreneurship, and trade; (iii) The delivery of infrastructure services will be made more efficient and cost-effective; (iv) Selected Pacific DMC governments establish a framework that promotes competition; (v) Successful pilot initiatives promoting the economic empowerment of women are implemented in selected Pacific DMCs; and, (vi) Strategic and knowledge Management services are effectively provided

LESSONS IDENTIFIED FROM PSDI TCRS

PSDI I	PSDI II
<p>From ADB TCR: The TCR attributed success of the TA to the following:</p> <ul style="list-style-type: none"> (i) accumulated in-depth knowledge and institutional memory of PSD reforms and implementation; (ii) close relationships developed with Pacific DMC governments and private sectors through the continuity of PSDI programs and personnel; (iii) flexibility compared with stand-alone country TAs; (iv) the significant duration of the TA that has allowed complex reforms to be designed and implemented fully; (v) its impact on country programs, which included many reforms identified under PSDI and which cemented government commitment; (vi) the demonstration effect of its initiatives, which resulted in reforms in one country being requested by other countries; (vii) the close relationship with AusAID; (viii) the development of an extensive budgeting and monitoring and evaluation framework to carefully track progress. 	<p>From ADB TCR:</p> <ul style="list-style-type: none"> (i) Promoting an enabling environment for the private sector in the Pacific remains a crucial challenge and requires a thorough analysis of the economic, political, and cultural issues and challenges facing Pacific developing member countries. (ii) Regional benchmarking is an effective advocacy tool and provides valuable information for monitoring progress. (iii) The approach used in PSDI has perpetuated demand-driven reforms, often with success in one country motivating others to follow suit. (iv) A rapid-response capability brings the flexibility to quickly mobilize expertise as reform opportunities arise, and to demobilize promptly when political commitment wanes, allocating resources where the demand is greatest and effectively supporting reformer governments and champions. (v) Long-term engagements are important, as reform initiatives often require several years to design and implement, and because relationships take time to build. (vi) Close collaboration and coordination among development partners is important to maximize impact, especially in small, fragile states. Harmonization of private sector development assistance through co-financing has proved effective.
<p>From third-party evaluation:</p> <ul style="list-style-type: none"> (i) The importance of the PSDI program's microeconomic approach to the promotion of PSD being highly relevant to the achievement of PSDI objectives; (ii) The PSDI flexibility in implementation is recognized as a strength e.g. its ability to quickly mobilize resources in response to emerging reform opportunities in the PDMCs; (iii) PSDI initiatives are subject to individual government appetites for reform (subject to political will); (iv) Coordination among international financing institutions (donors) is crucial in order to avoid overlap/ duplication of activities already being pursued through PSDI. 	<p>From third-party evaluation:</p> <ul style="list-style-type: none"> (i) The strength of the PSDI lies in its analytical foundations, rigorous process for vetting projects and initiatives, and the technical capacity of its core personnel. (ii) There is a need for continuous development of the M&E tool to improve its utilization e.g. to transition it from a monitoring tool, to a more in-depth management tool for evaluation.

EVALUATION CRITERIA AND INDICATIVE GUIDE QUESTIONS

Evaluation Criteria	Guide Questions
Relevance	<ul style="list-style-type: none"> - To what extent are the interventions consistent with program documents? - To what extent is PSDI countries-driven and in alignment/consistent with national and regional development strategies, priorities and objectives? - Were the interventions and approaches appropriate responses to identified development problems in individual PDMCs? - To what extent is PSDI assistance properly coordinated with the work of development partners operating in the same area, as well as at the country level? - To what extent does PSDI TA complement other ADB TA programs and core tasks like PBLs and what would be the risks of overlap? To what extent have other ADB programs and core tasks had the potential to reverse private sector reforms supported by PSDI? - Were the designs of the interventions informed by sound background diagnostics and analytical work, including analyses of political-economy issues and factors? - Has PSDI ensured strong country ownership of its activities and established proper governance, including strategic direction and oversight? - Has PSDI succeeded in establishing a clear comparative advantage compared with other sources and delivery modes of related TA?
Effectiveness	<ul style="list-style-type: none"> - To what extent has PSDI TA led to tangible and lasting results and strengthened capacity? - To what extent were the DMF outputs and outcomes achieved and what major achievements were made (including any beyond the scope of the interventions)? What drove the change in DMF between phases II and III? - To what extent was PSDI effective in developing activities in the smaller PDMCs? - Were there any unintended outcomes, either positive or negative? - What was the quality of the outputs? - What were major factors that spelled success or failure in achieving intended outputs and outcomes? - Can the provision of the TA over a decade (2007–2016) be considered effective? - What institutional factors in PLCO and ADB influenced (positively or negatively) the effectiveness of the PSDI? What lessons and recommendations can be drawn going forward?
Efficiency	<ul style="list-style-type: none"> - How well were time, financial and other resources (as appropriated in the project plans) used in achieving outcomes? (timeliness on implementation and follow-up, cost efficiency of achieving results, absorptive capacity of PDMCs, monitoring, reporting and dissemination of TA) - Were adjustments (project design, costs, and timelines) required in the course of project implementation? How were they managed? - How efficient were ADB, co-financers, and recipient governments in managing the TA assistance? Has PSDI worked efficiently in leveraging its assistance with other TA provided by ADB and other development partners? - Has PSDI established robust management and operational systems? - Has PSDI established an efficient way to assure quality controls of the TA activities? - Does the current PSDI framework for planning, monitoring and reporting adequately meet the needs of all stakeholders?
Sustainability	<ul style="list-style-type: none"> - What is the likelihood that outcomes achieved under the PSDI TA are sustained? What factors affect TA sustainability? - Are M&E tools guaranteeing PSDI's ability to record and evaluate the impact of its interventions, learn from past activities, develop a knowledge base, and to support its reporting obligations? - In individual PDMCs, is human, institutional, and financial capacity sufficient to sustain the outcomes (i.e. absorptive capacity)?

Evaluation Criteria	Guide Questions
	<ul style="list-style-type: none">- Does the PLCO have the appropriate staff complement, policies, procedures, financial structures, and risk management approaches in place to ensure continued implementation of the PSDI and effectively support the PDMCs?- How strong is the ownership and political will of governments to continue reforms introduced under PSDI? How have they incorporated PSDI's TA recommendations in their regular operations? Have sufficient legal, regulatory and other policy measures been put into place in recipient PDMCs to sustain reforms and achievements made?

PORTFOLIO SUMMARY 2007–2016

Country	Initiatives and Projects						
	Analytical Work and Crosscutting	Business Law Reform	Competition and Consumer Protection	Economic Empowerment of Women	Financing Growth	State-Owned Enterprise Reform	Public-Private Partnerships
Regional	15 (25)	12 (13)	2 (3)	5 (6)	18 (35)	11 (14)	7 (7)
Cook Islands	1 (1)	1 (2)	3 (4)	n.a	2 (5)	1 (2)	n.a
Fiji	1 (2)	1 (1)	2 (4)	1 (2)	5 (13)	1 (6)	2 (6)
Kiribati	n.a	1 (3)	n.a	n.a	1 (1)	1 (2)	n.a
Nauru	n.a	1 (1)	n.a	1 (1)	1 (3)	1 (2)	n.a
Palau	1 (1)	2 (3)	n.a	n.a	2 (4)	1 (5)	1 (1)
Papua New Guinea	4 (4)	3 (6)	3 (4)	4 (6)	5 (12)	3 (5)	7 (11)
Marshall Islands	1 (1)	n.a	n.a	n.a	2 (3)	1 (4)	n.a
Federated States of Micronesia	n.a	n.a	n.a	n.a	2 (4)	1 (1)	1 (1)
Samoa	2 (2)	5 (9)	1 (2)	n.a	4 (5)	2 (5)	3 (3)
Solomon Islands	1 (1)	8 (14)	1 (1)	5 (6)	6 (12)	4 (10)	1 (1)
Timor-Leste	1 (2)	2 (6)	1 (1)	1 (1)	6 (17)	1 (1)	1 (6)
Tonga	4 (4)	9 (15)	2 (3)	2 (5)	7 (13)	2 (8)	4 (6)
Tuvalu	n.a	n.a	n.a	n.a	1 (1)	1 (2)	n.a
Vanuatu	2 (2)	4 (9)	2 (3)	3 (3)	10 (19)	1 (6)	2 (2)
TOTAL							

() = number of projects; projects are discreet steps within a reform initiative; n.a. = not applicable (no initiatives or projects undertaken).
Source: Pacific Private Sector Development Initiative.

Total 2007–2016								
Initiatives	Projects	Total Funding Committed, 2007–2016	Total Funding Disbursed 2007–2016	Total Funding Committed 2015–2016	Total Funding Disbursed 2015–2016	Completed	Ongoing	Pipeline
70	103	10,748,514	10,447,065	1,671,208	1,499,071	32	33	5
8	14	564,473	534,253	251,404	221,184	3	5	0
13	34	1,134,211	1,122,211	426,601	414,601	2	10	1
3	6	51,473	51,473	808	4,938	0	2	1
4	7	358,344	358,344	7,934	48,469	3	1	0
7	14	643,674	604,174	126,708	87,208	0	6	1
29	48	5,234,707	4,838,614	1,234,519	1,143,480	9	17	3
4	8	162,013	162,013	23,506	23,506	0	3	1
4	6	56,130	56,130	5,171	5,171	1	2	1
17	26	2,331,692	2,150,779	379,097	198,184	5	7	5
26	45	5,145,230	4,862,703	338,059	597,574	4	21	1
13	34	3,309,923	3,204,802	485,693	768,572	2	11	0
29	53	3,790,088	3,765,077	334,091	391,328	7	19	3
2	3	16,449	16,449	0	0	1	0	1
24	44	2,346,237	2,161,262	459,793	487,478	8	13	3
253	445	35,893,158	34,335,350	5,744,592	5,890,765	77	150	26