

Evaluation of the Public-Private Development Partnership Program of the Austrian Development Agency

English summary

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Introduction. The Austrian Development Agency (ADA) has successfully piloted the instrument of development partnerships, within the Austrian development cooperation, through the “WiPa-Program”. This was introduced in 2005.

These development partnerships (WiPas) are projects that satisfy, on the one hand, the commercial interests of participating companies and, on the other hand, the development interests of the partner countries as well as of the development target groups in these states. The WiPa-Program differentiates between partnerships that are formed between European and local companies and those that involve a European company but are not focused on a local company partner.

Currently, 50 WiPas have been approved which translates into a total public contribution of close to €8 million. A further €0.75 million have been approved for travel subsidies and feasibility studies that are used to trigger new WiPas.

This report is a summary of an evaluation of the WiPa-Program conducted between March and December 2008 by the Global Public Policy Institute.

The main evaluation report is written in German in order to allow maximum penetration of the Austrian public and private sector. This English language executive summary is essentially the translation of the German language summary. In some cases, information has been added and formulations have been adapted in order to increase comprehensiveness.

Methodology. For this evaluation, six WiPas have been assessed in detail, including project visits to the implementing companies in Europe as well as to the project sites in partner countries. The results of these assessments have been summarized in reports that are available from ADA, provided the implementing companies agree to their publication. Six additional WiPas have been assessed and visited as well without compiling separate reports.

Apart from these individual project assessments, the entire project portfolio covering the WiPas, travel subsidies and feasibility studies has been analyzed based on a desk study, an assessment by the ADA implementation team, and an online survey of companies that implement WiPa-projects.

A key methodological feature throughout this evaluation was the consideration of private-sector aspects, e.g. through inclusion of financial and strategic business information into the assessment. These additional considerations were necessary since, for WiPas, a close interconnection exists between the financial and strategic *business case* and the *development case*. For example, additional development results can only be realized through those components of WiPas that would not have been implemented anyhow, i.e. in the absence of the public contribution. Short interventions may be economically viable but may not lead to development impact. While these risks exist, there is also a noticeable upside: WiPas with high and sustainable economic potential can hold tremendous development potential.

For the assessment of individual WiPas, a set of assessment criteria has been established and used. In order to aggregate project-level results to the program level, a *segmentation* of the entire project portfolio was performed that resulted in the definition of several basic WiPa-project types. For each project type, individual project assessments both by the evaluation team and by the WiPa-management team were aggregated and SWOT-analyses were carried out, analyzing typical strengths, weaknesses, opportunities and threats for each project type. By means of this segmentation approach it was possible to produce meaningful insights and specific recommendations for this otherwise rather complex project portfolio, as shown below.

In view of this segmentation, the existing differentiation of WiPas into partnerships involving a local company and others that do not focus on such a company-company connection is unnecessary.

The WiPa-Program is assessed along the standard criteria of relevance, effectiveness, efficiency and sustainability and synthesizes the analysis on the project level.

Program goals and relevance. The program goals can be summarized as follows:

- **Goal 1:** Establish a program that offers concrete implementation mechanisms for projects that satisfy both the commercial interest of participating companies and the development interest of the partner country as well as the target groups of development cooperation, respectively.
- **Goal 2:** This program is intended to harvest synergy potential between public and private activities and mobilize additional private resources for development purposes.
- **Goal 3:** This program is intended to maximize positive development effects of private economic relationships and investments and, as a consequence, improve livelihoods and economic conditions in the partner countries sustainably.
- **Goal 4:** This program is intended to increase sustainability and efficiency of private sector activity through complementary public contributions. This is intended to result in positive macroeconomic effects.
- **Goal 5:** This program is intended to strengthen local small- and medium-sized enterprises through partnerships with European companies and allow them to take advantage of globalization and to make a contribution to combating poverty.

These goals are considered appropriate for introducing a new instrument with which little experience existed at the time of program inception. On the basis of the experiences made until now, these goals should however be specified and based on a logical model.

The program goals are *relevant* from the international and Austrian donor perspective, the beneficiary perspective and from the point of view of participating companies. Interestingly, while the program, being opportunistic in nature, does not contribute to international donor harmonization and only partially to promote aid untying efforts, it is in line with internationally agreed goals of raising additional resources and including the private sector in international development.

WiPa-projects are not normally linked to other programs of international or Austrian development cooperation although general themes and development goals are addressed. However, in the cases where such linkages were observed, synergy effects existed.

On the basis of these observations that are substantiated in the full report, it is advisable to continue the program under the condition that further recommendations made in this report are observed.

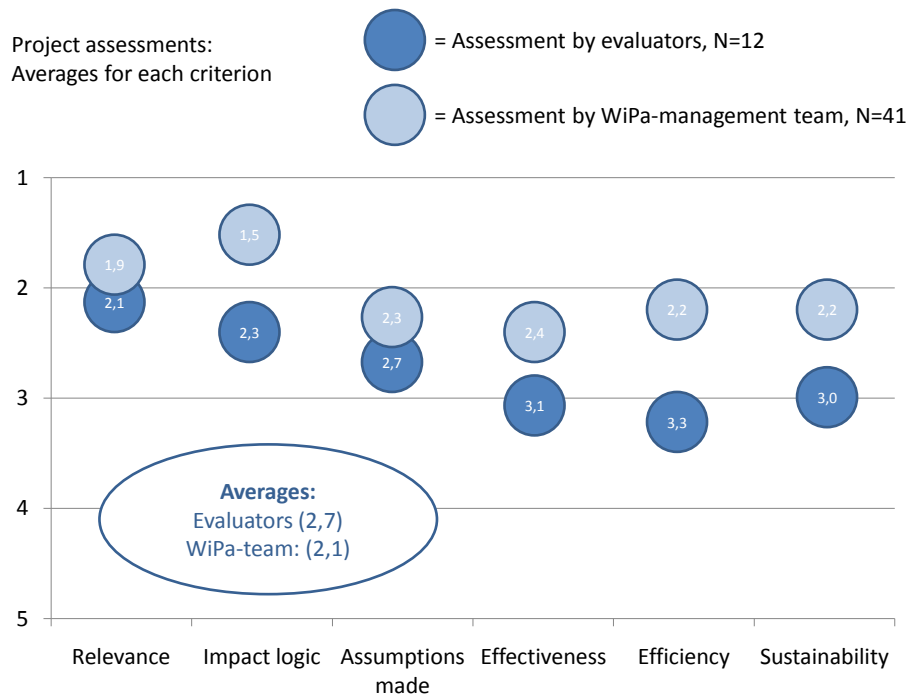
Assessment of individual WiPas. The project portfolio of the WiPa-Program is rather complex. At first glance, each of the 50 approved projects seems unique, bearing the sole commonality of representing some form of cooperation with the private sector. This diversity is not surprising in view of the rather general goals and objectives of the program.

Individual WiPas have been assessed based on standard OECD DAC evaluation criteria that were adapted to better reflect the critical issues in public-private development partnerships:

- Project relevance within the program (i.e. the extent to which the project objectives match the program objectives);

- Logical integrity of the project’s results chains;
- Plausibility of assumptions and hypotheses underlying the results chains;
- Project effectiveness in reaching its objectives;
- Project efficiency in reaching its objectives; and
- Sustainability of current and future project results.

The following figure summarizes the overall assessment of all WiPa-projects (on a scale of 1 to 5 where 1 = very good, 2 = good, 3 = satisfactory, 4 = sufficient, 5 = not sufficient).



The assessment of individual WiPAs resulted, on average, in good to satisfactory results. Objectives of WiPAs on the activity- and output-level were mostly realistic and attainable.

Keeping in mind that WiPAs are a new and largely untested instrument in (Austrian) development cooperation, the evaluation team considers this a remarkable and positive result. In a way, the program has successfully established the proof-of-concept for the program regarding implementability and acceptance by Austrian and European companies.

In the view of the evaluation team, two important reasons for the successful start of the WiPa-Program have been the decision to outsource program implementation as well as the relevant experience of the WiPa-management team.

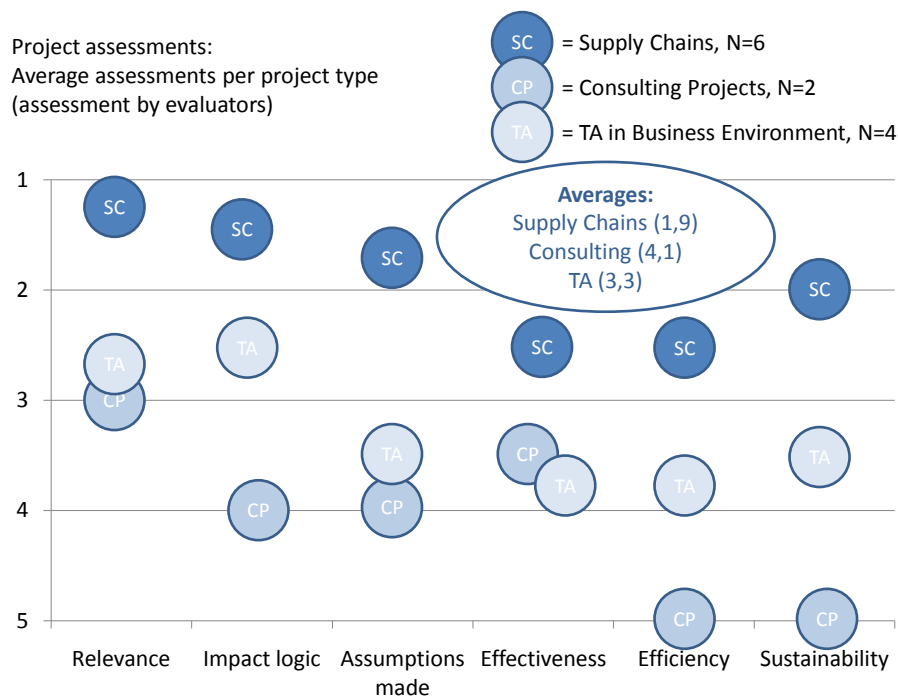
At the same time, there remains considerable improvement potential. The evaluation team recommends increasing the focus on project quality in order to ensure tangible development results.

Definition and assessment of WiPa-project types. Based on the assessment of individual WiPAs, the following three basic project categories have emerged:

- **Type 1: Development of supply and trade chains (short: “Development of Supply Chains”).** WiPAs in this category support local manufacturing of goods which are then processed and traded. Also service supply chains are included in this category. A substantial portion of the value added along the chain remains in the partner country. The main development effects are increase of local income and creation of sustainable jobs.

- **Type 2: Professional service delivery below market rates (short: “Consulting Projects”).** In these WiPas, the private counterpart essentially offers its services for a limited time at more favorable conditions than usual. These WiPas are mostly about classical service provision, but the category definition also includes goods. WiPas of this type do not usually aim at generating direct development impacts but instead try to increase the development effects of processes external to the project.
- **Type 3: Classical development projects in the operational business environment of partner companies and development projects accompanying investments (short: “Technical Assistance in Business Environment”).** WiPas of this type take place either in the business environment of partner companies or accompany private sector investments. The principal effects of these WiPas are an increased development efficiency compared to similar projects taking place outside of the business environment, either through direct development impacts or through increasing development effects of investments. This project class is very similar to “technical assistance” projects of development banks.

Based on this segmentation of the WiPa-project portfolio into three project categories, a more differentiated picture emerged as shown in the following figure (assessment on a scale of 1 to 5 where 1 = very good, 2 = good, 3 = satisfactory, 4 = sufficient, 5 = not sufficient).



Similar relative results are obtained from the assessment of the entire project portfolio by the WiPa-management team.

Based on these results and the analysis of the inherent impact logic for each project type, a SWOT-analysis was performed for each project type. The results can be summarized as follows:

The program segment *Development of Supply Chains* has produced the most convincing development results so far. Projects of this type generally show large poverty-reduction potential and are, provided the supply and trade chain is economically viable, automatically sustainable.

In order to further increase the development impacts of this project type, a number of specific risks and potential pitfalls should be managed:

- The trade relationship between the WiPa-partner and the local producer should be opened (i.e. rendered non-exclusive) after the implementation phase;
- Harmful replacement effects that endanger the supply with other important goods for the development target group should be avoided;
- A substantial portion of the value creation along the supply and trade chain should remain with the development target group;
- The economic feasibility, profitability and sustainability of the supply and trade chain should be assessed beforehand;
- Additionality, i.e. the fact that the public contribution will actually generate *additional* development effects that would not arise otherwise, should be ensured.

The project type *Consulting Projects* has been the weakest program segment regarding development impact. Many WiPas of this kind are stand alone projects that are not sufficiently tuned to meet existing needs nor are they sufficiently connected to other activities that would guarantee further implementation. Although services by the private partner have usually been of high professional quality, development effects have mostly been very limited. The evaluation team does not recommend continuing this project type.

WiPas in the program segment *Technical Assistance in Business Environment* have shown strongly varying development performance, reflecting a number of weaknesses and risks that are specific for this project type and can considerably reduce development impact. At the same time, the evaluation team has come to the conclusion that, in contrast to the project type “Consulting Projects”, these weaknesses and risks can easily be avoided in the future. This entails, for example;

- Ensuring sufficient quality in planning and implementation with regard to development outcomes and impacts. This also includes removing pressure in terms of numbers of WiPas per year that have to be established;
- Further developing general results chains for this project type in order to allow for some degree of comparability of planned and actual results;
- Avoid allocating public funds to activities that would have taken place anyhow. There is a high risk of no additionality, especially in the context of large investment projects.

Program governance and management. The WiPa-Program has been managed professionally and oversight has been adequate, considering that WiPas are a new instrument, as is the program.

Yet, based on the experiences gathered in the first years of program implementation, program governance and management can be further developed in order to boost program performance further. The evaluation team has recommended a number of improvement measures regarding project planning, project selection and project implementation.

- Developing and describing results chains for each WiPa-Program segment;
- Developing and using comprehensive progress indicators for these results chains;
- Assessing the economic feasibility of projects through experts;
- Introducing a standardized balanced scorecard for the transparent assessment of WiPa-project ideas (and for subsequent ex-post assessment); and
- Producing a short policy paper that clarifies the role, tasks and decision-making processes of the programs main supervisory body, the “WiPa-Fördergremium”.

These recommendations, as well as those regarding the three basic project types, are intended to support a dynamic and realistic evolution of the WiPa-Program. The evaluation team encourages the adaptation and further refinement of the segmentation that has been developed for this assessment.

Monitoring and evaluation. Project-level monitoring of the WiPa-Program is almost entirely based on project progress reports. The indicators used are mostly at the level of activities and outputs. Often, these reports are not validated by ADA which is sometimes due to the long distances between the project site and ADA's coordination offices ("KoBüs"). Any assessment of the accuracy of progress reports requires familiarization with complex project settings and needs to be based on a sound knowledge of business logic.

Therefore it may be advisable to continue with the current practice of primarily relying on progress reports and to complement this passive monitoring by conducting thorough evaluations of individual WiPas by experts on a sample basis.

On the program level, no monitoring system is in place. Program progress is mainly measured on the project level, through aggregated financial information and simple summary information such as the total number of WiPas. The evaluation team recommends introducing a program-level monitoring system based on standardized project level indicators that can be aggregated for each of the basic project types.

Perception of the program by the Austrian private sector. Most WiPa-company partners feel that WiPas can be described as an instrument for which their strategic benefits more than compensate for the costs and risks incurred. Companies participate in the WiPa-Program for a variety of reasons: In projects of the type "Development of Supply Chains", the main company motivation is assistance in establishing or developing stable trade relationships. For "Consulting Projects", firms often see WiPas as an opportunity to enter a new market. In projects of the type "Technical Assistance in Business Environment", they often aim at improving their operative environment.

Participating WiPa-company partners mostly describe ADA's current (1st half of 2008) administrative requirements as "inconvenient but necessary". ADA is generally praised for assisting in project preparation and implementation.

This rather positive perception may be endangered by the ongoing integration of the formerly outsourced WiPa-management into ADA structures, if a potential increase in administrative requirements for participating companies is not avoided: 97% of all respondents in a survey indicated that participation of Austrian companies in the program would drop if administrative requirements increased.

The evaluation team supports plans of the ADA management to conduct, among other tasks, a process analysis in order to identify optimization potential in the interaction with WiPa-companies. The evaluation team further recommends adapting the mandate of the WiPa-management team in such a way that necessary management flexibility remains intact.

Effectiveness, efficiency and sustainability on the program level. The program was assessed along the standard dimensions effectiveness, efficiency and sustainability with respect to the five program goals that have been discussed before.

Regarding *effectiveness*, the following observations have been made:

- Regarding goal 1: The program has been established successfully. The targets for number of WiPas per year have been reached. The current WiPa-portfolio largely fulfills the requirement of simultaneously satisfying commercial and development-related interests;

- Regarding goal 2: The WiPa-Program has mobilized additional resources;
- Regarding goal 3: For two of the three program segments, additional positive development effects have been triggered. For the program segment “Consulting Projects”, however, these effects have been very limited;
- Regarding goal 4: Only the segment “Development of Supply Chains” has continuously increased the sustainability and the efficiency of private sector activities, while some projects of the type “Technical Assistance in Business Environment” also demonstrated these effects. Projects in the segment “Consulting Projects” were usually not sustainable which may be due to their short-term nature;
- Regarding goal 5: The strengthening of local businesses in the context of a WiPa can only occur if such local companies are actually involved in some way with the WiPa. For projects of the type “Development of Supply Chains”, this is usually the case and, subsequently, strengthening of local businesses has been observed. This is in contrast to the other two project types, where strengthening of local business was the exception rather than the rule.

Program *efficiency* can only be assessed roughly and on a qualitative level, since no quantitative targets or measurable indicators have been defined. The evaluation team therefore recommends the development and introduction of measurable indicators that will allow for a more thorough and quantitative assessment of program efficiency in future evaluations. However, two general remarks can be made.

- The establishment of the program by means of outsourcing seems to have been more efficient than the hypothetical alternative of establishing the program through “organic growth” within ADA. In the opinion of the evaluation team, these benefits more than compensate for the integration costs currently incurred;
- The program has generated public-private synergies but considerable improvement potential remains. A key question is whether the advantages of public-private cooperation had more weight than potential concessions regarding individual project goals. The evaluation team has seen both: in many cases, financial synergies and in some cases, synergies regarding project implementation have been observed. However, for several projects in the categories “Technical Assistance in Business Environment” and “Consulting Projects”, loss of development impact through concessions made regarding project objectives have exceeded all positive cooperative effects;

Since the earliest WiPa-projects were only established in 2005, the assessment of *sustainability* is largely based on a projection of probable future results.

- Projects of the type *Development of Supply Chains* are sustainable if the supply and trade change is economically viable;
- For the program segment *Consulting-Projects*, effectiveness and therefore sustainability are generally questionable;
- Regarding projects of the type *Technical Assistance in Business Environment*, sustainability largely depends on the results logic. If WiPAs are disconnected from the core business of the participating company they show typical features of “normal” projects of technical development cooperation, also with regard to sustainability. If, instead, business processes of the private sector partner are sustainably changed, development effects also tend to be sustainable.

On the program level, sustainability of planned or actual development results cannot be assessed in any aggregated way unless comprehensive indicators and targets have been developed as has been recommended previously.

Instead, the operative sustainability of the program itself seems to be ensured, since public and private interest for the program appears to be high.

Effectiveness and efficiency of feasibility studies and travel subsidies. Both types of “triggering instruments” are not necessary for the generation of WiPas. Only 8% of WiPas have taken advantage of funding for feasibility studies, which are thought to have the potential to trigger a WiPa. About 20% of projects used travel subsidies before project start. While considered useful, these subsidies were however not considered critical for triggering a WiPa by participating companies. Therefore, the overall effectiveness of both “triggering instruments” appears to be rather low. However, since related costs are also low, their efficiency may be satisfactory.

The evaluation team recommends that ADA decide on further use of these instruments based on these and additional considerations, such as personnel resources needed for management and a potential marketing effect that goes beyond triggering individual WiPas.

“Out of the box” ideas for further development of the WiPa-instrument. Most observations and recommendations presented so far concern the optimization of the *status quo* of the WiPa-Program. Some additional ideas that exceed this scope may be relevant and are summarized here.

Within ADA, the WiPa-Program is a special program with its own budget and management. From similar settings, several bilateral donors have attempted to integrate their programs partly or entirely into the supervision and the budget lines of their regional or national implementation units. One goal for these *mainstreaming* approaches was to better link development partnership projects with bilateral technical development cooperation and, in this way, to transform development partnerships into one among several *standard instruments* of development cooperation.

In case ADA considers a similar integration in the future, some fundamental points that reflect international experience should be observed: How should ADA’s country coordination offices be involved and how could ADA employees be adequately trained? Would the overall benefits (i.e. increased development effectiveness) compensate for additional resource needs, e.g. additional staff training costs and more complex project structure? How does the size of ADA’s organization and budget influence the decision? Should a central WiPa-Program continue to exist after successful integration?

On the level of Austrian development cooperation, potential synergies exist between the Austrian Development Bank and ADA regarding the project type “Technical Assistance in Business Environment”. While ADA already implements projects of this type, the Austrian Development Bank is planning very similar projects that aim at increasing the development effectiveness of its loans.

The evaluation team finds that synergies can be realized if some degree of cooperation can be established for this project type regarding the further development of results logic and progress indicators, the planning and implementation of short expert assessments on economic feasibility, and project selection and implementation procedures.

On the international level, there are two relevant points. For about 10 years, the international donor community has accumulated experience with development partnerships or, more precisely, *public-private development partnerships (PPDPs)*. Several international conferences on this topic have taken place.

In the international discussion, the focus lies on the exchange of experience and the development and refinement of the donor's PPDP instruments. As a matter of fact, very little sound project-level evaluations of PPDPs have been conducted, leading to a rather theoretical and general discussion on the subject. The experience gathered by ADA may well have the potential to contribute to substantiating the international discourse.

Apart from this exchange of experience and learning, some donors are interested in international cooperation regarding PPDPs or similar instruments. One such possibility could be to develop successful components of national programs into multilaterally financed instruments. ADA's experience with the project type "Development of Supply Chains" might be of interest in this regard.

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The evaluation team would like to thank the Austrian Development Agency for this interesting assignment. Without exception, the team has experienced constructive and professional assistance by people inside and outside of ADA. We would like to specifically mention the ADA evaluation unit, the WiPa-management team and the contact persons in the companies participating in assessments of individual WiPas. Without their support, this in-depth evaluation would not have been possible.