

INDEPENDENT EVALUATION REPORT

**TA-7430 REG: PACIFIC PRIVATE SECTOR
DEVELOPMENT INITIATIVE PHASE II**

FEBRUARY 2013

CONTENTS

Abbreviations and Acronyms.....	ii
Executive Summary.....	iii
Introduction	1
Background to Evaluation	1
Overview of PSDI	1
Assessment of Phase 2.....	4
Assessment of Focus Areas	4
Business Law Reform	5
State-Owned Enterprise Reform and Support for Public-Private Partnerships.....	6
Access to Finance	6
Competition.....	7
Performance and Effectiveness	7
Analysis.....	8
Focus on Objectives.....	8
Coordination.....	8
Operating Model and Responsiveness	8
Adequacy of Resources	9
Economic Empowerment of Women.....	10
Monitoring and Evaluation.....	10
DCED Standard	11
PSDI M&E Framework	12
Overall Assessment.....	13
Overall PSDI Ratings	14
Strengthening the Foundations for PSDI III	15
The Organisational Underpinnings of PSDI.....	15
Recommendations.....	18
References.....	19
Appendix 1. Terms of Reference	20
Appendix 2. List of Persons Interviewed.....	24
Appendix 3. Monitoring and Evaluation Data Sheets	28

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ATF	Access to Finance
AUD	Australian Dollar
AusAID	Australian Agency for International Development
BLR	Business Law Reform
BNCTL	Banco Nacional de Comércio de Timor-Leste (National Commercial Bank of Timor-Leste)
CEO	Chief Executive Officer
CSO	Community Service Obligation
DCED	Donor Committee for Enterprise Development
FSM	Federated States of Micronesia
ICCC	Independent Consumer & Competition Commission (PNG)
IFC	International Finance Corporation
M&E	Monitoring and Evaluation
MCIL	Ministry of Commerce, Industry & Labour (Samoa)
MOU	Memorandum of Understanding
NZAID	New Zealand Agency for International Development
PIAC	Pacific Infrastructure Advisory Center
PRIF	Pacific Regional Infrastructure Facility
PLCO	Pacific Liaison and Coordination Office
PNG	Papua New Guinea
PPP	Public-Private Partnership
PSD	Private Sector Development
PSDI	Private Sector Development Initiative
RETA	Regional Technical Assistance
SOE	State-Owned Enterprise
TA	Technical Assistance
TOR	Terms of Reference
USD	United States Dollar

Executive Summary

The Private Sector Development Initiative (PSDI) has proved itself as a very effective modality for addressing selected institutional constraints to private sector development in the 14 Pacific developing member countries of ADB.

PSDI has evolved into a performance-driven, technical assistance (TA) instrument that is closely integrated into host government strategic and development programmes. The in-country interviews conducted as part of the evaluation confirmed that the assistance is highly valued by the recipients. Moreover, PSDI is seen as the instrument of choice by those who have benefited from the assistance. This reflects PSDI having demonstrated an understanding of government intentions and country-specific conditions. In short, PSDI works well because the core consultants know what is required to be successful in the Pacific.

PSDI owes its success to the flexibility of its operating model, the continuity of consultant involvement, the technical ability and experience of the consultants, the ability of the consultants to work at all levels of government, the emphasis placed on research and analysis, and the coherence of its focus on institutions.

To date, PSDI has focused on three core areas: business law reform (BLR), state-owned enterprises (SOEs) and public-private partnerships (PPPs), and access to finance (ATF). There are also several cross-cutting engagement areas, such as monitoring and evaluation (M&E), the gender strategy for PSDI that sees gender issues mainstreamed into the core areas wherever possible, and the private sector assessments of individual countries. Latterly, PSDI has also become involved in competition policy and law.

PSDI offers very good value for money, in the evaluator's assessment. PSDI has demonstrated that it can work across several focus areas and undertake multiple initiatives and projects on a modest budget. PSDI calls on high-quality consultants — often leaders in their field — and the average daily rates for these consultants compare more than favourably to the rates under the AusAID remuneration framework.

PSDI began to redesign its M&E framework in 2010 and improvements continue to be made. The evaluator was impressed with what has been achieved and the functionality of the M&E database. The improvements are such that the database could now be used more widely as a management tool, in addition to its monitoring and evaluation uses. Given the importance of PSDI's analytical work to identifying and removing institutional constraints to private sector development, the evaluator encourages PSDI to give consideration to incorporating the relevant material on Pacific PSD that predates PSDI. PSDI stands on the merits of its approach, and that approach needs to be periodically validated. The evaluator is of the view that the PSDI framework is better suited to the PSDI environment than the standard being developed by the Donor Committee on Enterprise Development (DCED). Accordingly, the evaluator does not favour compelling PSDI to comply with the DCED framework.

Donor coordination has improved in the areas where PSDI is involved. This reflects an increased willingness on the part of individual donors to coordinate, over time, and also the role played by AusAID in the quarterly meetings of the Pacific Private Sector Development Group — the donor group meetings. Nevertheless, two areas need to be addressed:

AusAID's use of the International Finance Corporation (IFC) and PSDI for, at times, similar interventions, albeit in different countries; and the potential lack of consistency in AusAID's approach to PSDI due to Timor Leste-not being part of AusAID's Pacific grouping.

There is almost no awareness of AusAID involvement in PSDI, outside of those who are associated with Australian government programmes or agencies and those who attend the private sector development donor meetings. PSDI consultants are seen as ADB consultants and there is limited awareness of PSDI as a distinct work area within ADB's Pacific Liaison and Coordination Office (PLCO).

Overall, PSDI rates highly against the criteria on AusAID's evaluation rating scale:

Criterion	Rating (1–6 scale, with 6 the highest rating)
Effectiveness	6
Efficiency	5
Sustainability	6
Impact on the Economic Empowerment of Women	4
Monitoring & Evaluation	5
Analysis & Learning	6

While PSDI is undoubtedly successful, organisational change is needed to protect the character — especially the focus on institutions—and operational features of PSDI — especially the retention and development of the core consulting base. The changes are needed to provide a stronger foundation for the proposed expansion of PSDI and the proposed addition of another donor partner underscores the need to review the management arrangements. The Regional Director of PLCO has acted to strengthen the organisational underpinnings through structuring contracts to provide continuity of core consultants and is working towards isolating PSDI from other ADB work undertaken within PLCO.

The evaluator favours a model whereby PSDI would become an organisational entity within PLCO. PSDI needs a stronger identity going forward and this model makes a clearer distinction between PSDI and mainstream ADB activities and protects the integrity and coherence of PSDI. If the model is structured appropriately, there will be a clearer distinction between ADB/PLCO as manager of PSDI and the technical assistance provided under PSDI.

These organisational changes need to be supported by the continued development of PSDI's M&E framework, a continued emphasis on PSDI's research and analytical work, and a clearer articulation of the expected evolution of the PSDI work programme, particularly as AusAID will be developing a Pacific private sector development strategy.

AusAID needs to clarify where PSDI fits within its own strategic objectives and, assuming it supports the continued use of PSDI, then it also needs to endorse the approach being taken by PSDI. Otherwise, there is a real risk that PSDI becomes subsumed within AusAID's private sector strategy, as opposed to AusAID using a technical assistance instrument that

complements the AusAID strategy in certain areas. Such an outcome would undermine the operating model and focus of PSDI and constrain what it offers the overall AusAID programme. The single most important contribution that AusAID could make at this time would be to raise awareness within AusAID of PSDI and the achievements under PSDI.

Recommendations

AusAID

- Clarify strategic objectives for supporting PSDI.
- Endorse PSDI's focus on institutions.
- Selectively use PSDI as part of AusAID's PSD strategy.
- Rationalise the use of PSDI and IFC for similar initiatives.
- Take steps to increase awareness of PSDI within AusAID.

ADB

- Endorse PSDI as a distinctive technical assistance modality within ADB.
- Structure PSDI as an organisational unit within PLCO.
- Make the organisational changes that are needed to underpin continuity of core consultants and the longer-term replenishment of this consulting base.

PSDI

- Continue the development of the in-house M&E framework rather than adopting the DCED standard.
- Give consideration to how PSDI's focus on institutions and its analytical approach can be periodically validated and how the supporting material on Pacific PSD that predates PSDI can be incorporated into the M&E database.
- Develop additional briefing materials that present the PSDI 'vision' in terms of the phased approach to institutional constraints in PSDI constituent countries.
- Review the adequacy of the core consultant staffing to mitigate key-person risk and to ensure that core consultants can continue to have a hands-on involvement in initiatives.

INTRODUCTION

Background to Evaluation

This independent evaluation of the second phase of PSDI (PSDI II) was undertaken between late-October and mid-December 2012. The terms of reference for the evaluation are provided in Appendix 1. This is the second independent evaluation of PSDI, the evaluation of Phase I having been undertaken in May 2010.¹

The purpose of this evaluation and associated report is to assess the performance and effectiveness of the PSDI Regional Technical Assistance (RETA) in its key focus areas and to develop recommendations, where appropriate, that would improve the administration, performance and effectiveness of PSDI III.² More generally, any expansion of PSDI provides AusAID with the opportunity to satisfy itself that PSDI is well run. And it also provides an opportunity to review what AusAID expects of PSDI, especially now that AusAID had released its private sector development (PSD) strategy and is drafting a complementary Pacific PSD strategy. Equally, PSDI is at the point where it needs an endorsement of its approach and for both AusAID and ADB to commit to an organisational structure that will support the proposed expansion. The possible addition of another cofinancing partner reinforces this need. It became clear during the evaluation that AusAID's main questions on PSDI concerned the way PSDI operated. Similarly, the major concern for PLCO was in ensuring that AusAID had a good understanding of the approach and operational distinctiveness of PSDI. This report, therefore, emphasises the methodological and organisational underpinnings of PSDI and its M&E framework.

The evaluation involved a combination of desk research on relevant PSDI publications, a review of the previous independent evaluation and AusAID's Quality at Implementation Report,³ interviews with ADB's PLCO staff and Canberra-based staff from AusAID's Pacific Division, who are directly involved in the implementation of PSDI, and country visits. Five country visits were undertaken: Papua New Guinea, Samoa, Solomon Islands, Timor Leste and Tonga. During these visits the evaluator met with government officials and advisors, private sector representatives, and AusAID staff who have had direct involvement in PSDI II activities. (See Appendix 2 for the list of persons met).

Overview of PSDI

PSDI has its origins in the *Swimming Against the Tide*⁴ study that was prepared in 2004 as part of the ADB's Pacific Studies Series. The study was an assessment of the underlying issues that were inhibiting private sector development in the Pacific. PSDI was the technical

¹ Edwards, Murray. 2010. "Review of ADB Private Sector Development Initiative Phase I: Independent Completion Report".

² The draft concept paper for Phase III indicates a mid-2013 commencement.

³ AusAID. 2012. 'Quality at Implementation Report for Private Sector Development Initiative Phase 2'. February 2012.

⁴ Paul Holden, Malcolm Bale and Sarah Holden, 'Swimming Against the Tide? An Assessment of the Private Sector in the Pacific' (ADB Pacific Studies Series, January 2004).

assistance response to this assessment.⁵ The first phase commenced in November 2006 and the second phase commenced in January 2010. The concept for a third phase is being discussed by AusAID and ADB for a mid-2013 start, subject to approvals. USD 9.8 million was committed under Phase 1, USD 12.0 million under Phase 2.

PSDI initiatives are directed at the 14 Pacific developing member countries 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.⁶ These initiatives focus on three core areas:

- Legal and regulatory reform to improve the business environment, in particular business law and institutions and the strengthening of personal property rights.
- Reform of SOEs and support for public-private partnerships to promote competitive markets and to allow greater private sector participation in the economy. SOE reform work also includes structuring the SOE to be able to meet any community service obligations (CSOs) that have been prescribed by government.
- Access to finance, where the emphasis is on reform of secured transaction frameworks. In addition, PSDI is involved in: regulatory reforms that support financial inclusion in a broad sense, covering for example microfinance institutions and branchless banking, which exploits mobile phone technologies; building the strategic and operational capacity of financial institutions that service low-value transactions; and innovative approaches, such as microinsurance products and financial literacy programmes.

Latterly, competition policy and law reform has become an important work stream and PSDI intends to develop this stream into an additional focus area under the proposed PSDI III. Gender initiatives have been mainstreamed into the core focus areas.

PSDI is distinctive in two respects: its methodology — the focus on institutions — and its operating model — the way in which the technical assistance is delivered. As *Swimming Against the Tide* notes, institutions are the framework for human interaction: they are the rules of the game. They reduce uncertainty, provide structure in which individuals and organisations can operate, and determine the production and transaction costs for business entities.⁷ The role of the state then is one of

promoting private sector development is to provide the institutions that underlie business activity. The institutions, in turn, define the transactions costs faced by business and, ultimately, the incentive for individuals to undertake entrepreneurial activities. Currently, incentives in the Pacific are poor, transactions costs are high, and institutions as well as the state are both intrusive and exclusionary for potential and existing businesspeople.⁸

Swimming Against the Tide concluded that economic development in Pacific countries had been impeded by the failure of the state to develop the necessary institutions in these countries. The most important constraints were: state interference in the economy, poor

⁵ ADB. 2006. 'Proposed Technical Assistance for the Private Sector Development Initiative (Cofinanced by the Government of Australia)'. ADB Board Paper R245-06, 31 October 2006.

⁶ The evaluation covered PSDI initiatives in Papua New Guinea, Samoa, Solomon Islands, Timor Leste and Tonga.

⁷ *Swimming Against the Tide*, p. 2.

⁸ *Swimming Against the Tide*, p. 27.

provision of public goods, a high-cost operating environment, underdeveloped financial markets, natural resource issues, poor investment policies, and land rights issues.⁹ The current core focus areas derive from that analysis.

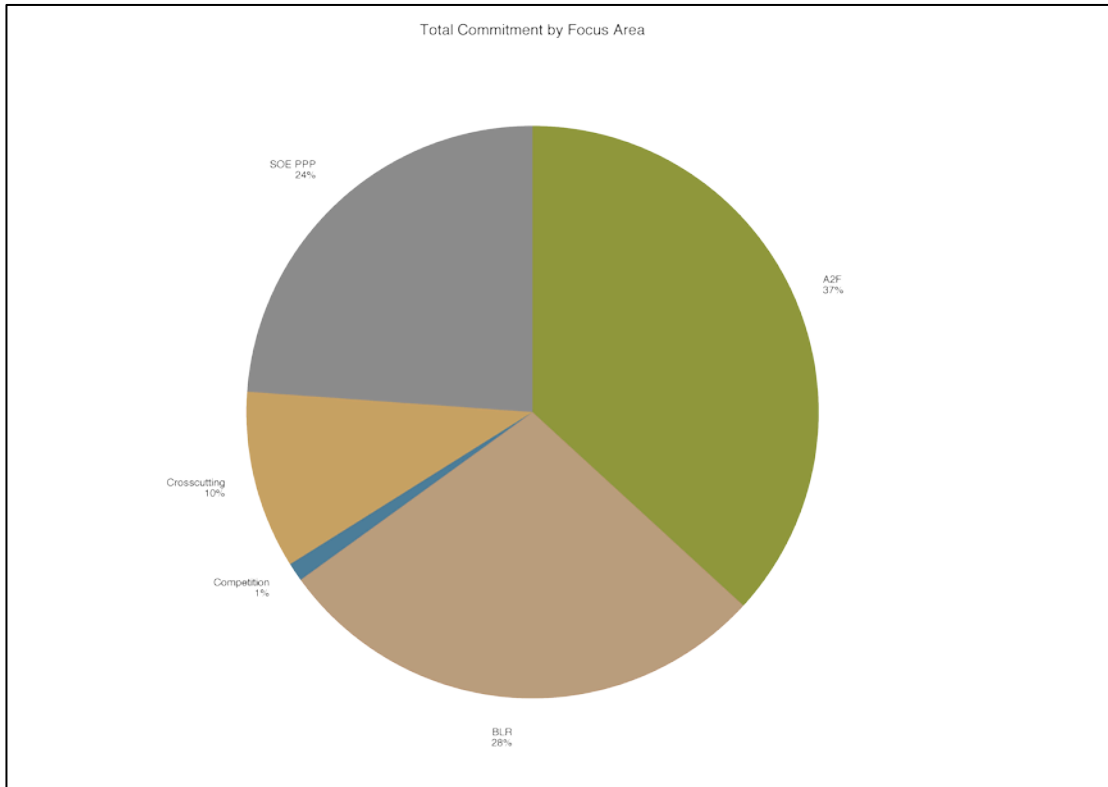
The distinctiveness of the operating model lies in the demand-driven nature of the assistance. PSDI responds quickly to any requests for assistance that are consistent with the focus areas and can provide this assistance remotely or through in-country assistance for whatever duration is needed, subject to budget and consultant availability. Another distinctive feature is PSDI's withdrawal of an in-country presence when the commitment from the host government or executing agency wanes.

PSDI is administered by ADB through PLCO in Sydney in line with a cofinancing agreement, and subsequent amendments, between AusAID and ADB for each phase.¹⁰ The grant funding under this agreement is tranching. ADB is entitled to an administration fee of five percent of any funds disbursed in line with the Memorandum of Understanding (MOU) covering cofinancing between AusAID and ADB.¹¹ As well as managing PSDI, PLCO is also responsible for other ADB activities, including the country programmes for Nauru, Solomon Islands and Vanuatu, and liaison with Australian and New Zealand government agencies. Consequently, no permanent ADB-PLCO staff are engaged on PSDI activities on a full-time basis. A Senior Private Sector Development Specialist, who reports to the Regional Director PLCO, is responsible for day-to-day management of PSDI. In addition, one permanent staff member is a designated specialist on ATF issues that fall within PLCO's responsibilities, including PSDI. PSDI technical assistance, programme development and M&E is provided through a group of eight core consultants, most of whom work out of PLCO's office. These consultants are not permanent ADB staff. Other consultants are engaged on a short-term basis to supplement the core consultants in the delivery of PSDI assistance.

⁹ *Swimming Against the Tide*, pp. 4–9.

¹⁰ The agreement covering Phase II is the *Cofinancing Agreement Between the Government of Australia and Asian Development Bank with Respect to Technical Assistance on Private Sector Development Initiative, Phase II (PSDI 2)*.

¹¹ *Memorandum of Understanding on Channel Financing 'MoU' 8 October 1993*.



ASSESSMENT OF PHASE 2

The Terms of Reference (TOR) requires an assessment of the performance and effectiveness of PSDI against several questions as well as a rating of PSDI against six criteria typically used by AusAID in evaluations: effectiveness, efficiency, sustainability, impact on the economic empowerment of women, monitoring and evaluation, and analysis and learning. The assessment that follows is structured around the questions asked in the TOR and supplements the responses, where necessary, to provide the basis for the ratings against the six specific criteria. The discussion is relatively more expansive, where the evaluator regards the issues as especially significant to understanding the nature of PSDI.

Assessment of Focus Areas

This section provides a summary of PSDI initiatives. More detailed information on individual initiatives is available from the PSDI annual progress reports and the PSDI M&E system.

Performance by Focus Area

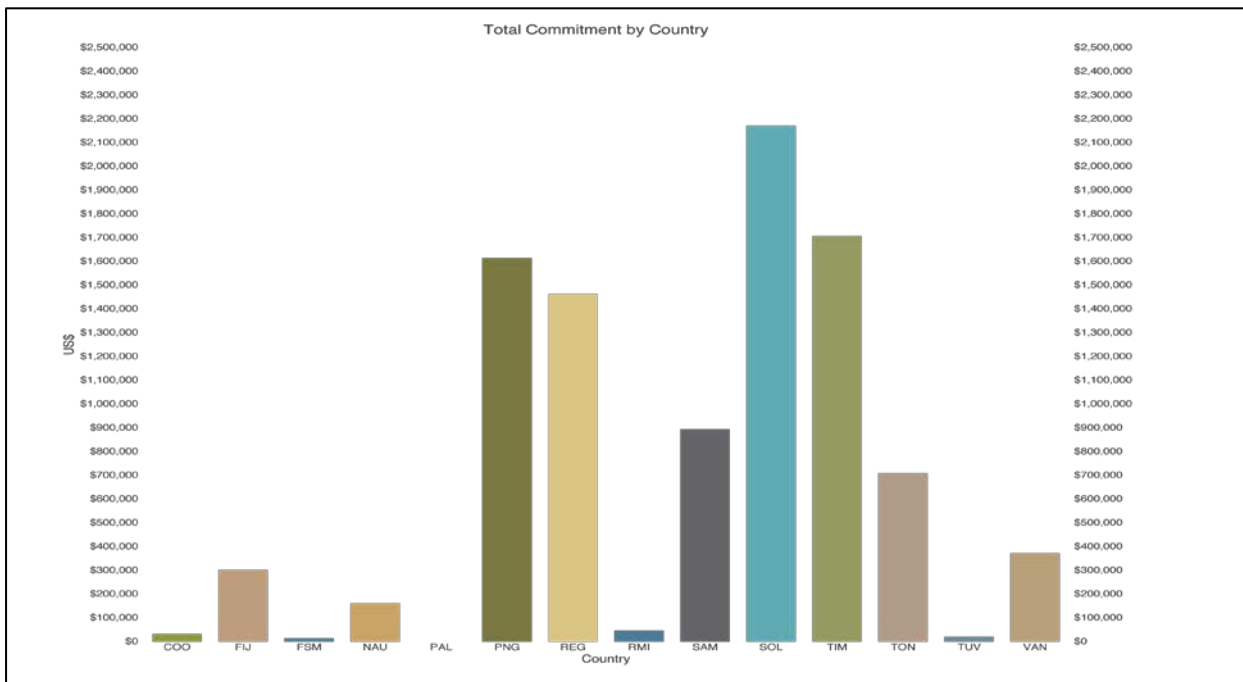
The three main focus areas accounted for 89 percent of commitments: 37 percent to access to finance, 28 percent to business law reform, and 24 percent to SOEs and PPPs.

The majority of these commitments have been directed to Solomon Islands, Timor-Leste, PNG, Samoa, and Tonga, in that order. Regional initiatives have also been important.

Business Law Reform

The primary focus of BLR initiatives has been company law reform and improvements to company registries in Samoa, Solomon Islands, Tonga, and Vanuatu. The reform of business names legislation and business registries has usually accompanied the business law reform work. The single, largest initiative by value is the assistance to the Solomon Islands for the reform of the customs and excise legislation. Other initiatives have been concerned with contracting frameworks, trustee law reform, and foreign investment registries.

The largest single company law reform initiative has been undertaken in the Solomon Islands. This has resulted in a new Companies Act and the implementation of an online companies’ registry. Prior to the introduction of the new registry in December 2010, it could take anywhere from 6–12 months to register a company. Now, in nearly all cases, registration is finalised within one day. The system has clearly had a positive impact on the rate of company registrations and several interviewees commented on the impetus that the



system had given to women to establish companies. The Permanent Secretary of the Ministry of Commerce, Industries, Labour & Immigration commented that the success of the registry had encouraged him to investigate ways of using similar tools for other ministry applications, such as migration data. Over the period 2005–09, prior to the new registry, company registrations averaged 127 per year. Since the introduction of the online system, registrations have averaged around 280 per year. It has been estimated that seven additional jobs are created with the establishment of each new company.¹² The online registry is now widely seen as a useful tool in reducing corruption through the increased transparency associated with the availability of companies’ information and the strict regime for lodging annual company returns.

¹² Source:

State-Owned Enterprise Reform and Support for Public-Private Partnerships

In terms of countries engaged, SOE reform has the largest footprint of the PSDI focus areas. Initiatives have been undertaken in the Cook Islands, Marshall Islands, Nauru, PNG, Samoa, Solomon Islands, Timor-Leste, Tonga, and Vanuatu. The SOE work is also wide-ranging in terms of content, covering CSOs, governance reform, corporatisation, improvements to accounting systems, and privatisation. In addition, there was the regional *Finding Balance* study in 2011 and the SOE benchmarking study for PNG. PPP work has been concentrated on PNG and Timor-Leste.

In broad terms, this focus area is concerned with reducing the drain on the government budget from state ownership of businesses and improving the service delivery and efficiency of these businesses where continued state ownership is justified. The PSDI contribution was very highly valued in each of the countries visited and relevant ministries were very anxious to see a continuation of the assistance as it is central to government reform strategies. Two interventions, in particular, were widely commented on. The first was the *Finding Balance* studies. Interviewees in each of the countries visited stressed how important these studies had been to raising awareness of the need to improve SOE performance and the impetus that regional comparisons gave for individual governments to take action. The benchmarking study in PNG was widely reported within PNG and has re-ignited calls for reform. The second example is the change to the governance arrangements of SOE boards in Samoa. The prime minister acted on PSDI advice for legislative change to bar politicians and related parties from holding board positions. It was widely held that this change has had a profound impact on the local business environment. Both the current and previous CEOs of the Ministry of Finance had the highest praise for the work that PSDI had done, in general, in Samoa; and this despite PSDI pulling back on its assistance at one stage when the political support for the reforms weakened.

Access to Finance

The centrepiece of the ATF initiatives has been the reform of secured transactions frameworks (or personal property securities frameworks) in FSM, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu, bearing in mind that there is considerable overlap with the BLR focus area. There has also been substantial ongoing support to strengthening Banco Nacional de Comércio de Timor-Leste (BNCTL) and to its predecessor microfinance institution since inception, and to microfinance and branchless banking initiatives in Fiji, PNG, Solomon Islands, Timor-Leste, and Vanuatu. Of note among the smaller initiatives is the research undertaken into the introduction of the first community-based microinsurance product into the Pacific.

The secured transactions work is similar to the companies' reform in that it typically has involved legislative reform and the improvement of the registry of secured transactions. The impacts are similar to that seen where business law reform has taken place. Registration times have reduced markedly — from several months to several days and to same-day where the online system has been fully implemented. Financial institutions interviewed value the system highly, as it gives greater certainty on actual secured interests and reduces the risk profile for the lender. The cumulative total secured transactions filings has increased in each year in each of the countries where the secured transaction reforms have been completed (FSM, Marshall Islands, Solomon Islands, Tonga, and Vanuatu) and there have been over 60,000 searches of the registries in those countries since the implementation of

the new registries. In time, this will reduce the cost of capital in the economy, but it is difficult to quantify precisely. It is similarly difficult to estimate the direct employment impacts, but these are undoubtedly positive based on the positive correlation between ATF and employment growth that has been observed elsewhere.

PSDI is boosting access to financial services through initiatives to encourage the opening of savings accounts in PNG, through the MiCash accounts accessed through mobile phones,¹³ and in Timor-Leste, through BNCTL. There are specific targets for women account-holders and rural account holders. As at end 2012, approximately 8,000 MiCash accounts have been opened at Nationwide Microbank since the launch of its pilot in November 2011 and its broader roll out in June 2012. Approximately 81 percent of these accounts being held by people who did not previously hold a bank account and 53 percent of the MiCash accounts being held by people living in rural areas. Deposit accounts increased from 18,000 in 2008 to 57,500 in 2011 and 122,000 in 2012 at BNCTL. PSDI is also supporting improvements to BNCTL's banking and risk management systems and this will underpin the increased provision of financial services.

Competition

Competition emerged as priority issue for several Pacific countries and the intention is to build this work stream into a focus area under Phase III. PSDI provided technical assistance to build the capacity of the Independent Consumer and Competition Commission (ICCC) in PNG and also with the preparation of specific ICCC legal actions. More recently, PSDI has been assisting the Ministry of Commerce, Industry & Labour (MCIL) and the Office of the Attorney-General in Samoa with the development of competition policy and the drafting of a competition law, and initial assessment work has also been undertaken in Tonga and Solomon Islands.

The PNG and Samoa cases both illustrate the responsiveness and effectiveness of PSDI. The three department heads praised the quality of the assistance and stressed how important it had been to realising governments' policy agendas. ICCC are in the process of appointing several long-term advisors under AusAID's economic governance programme in PNG, but the CEO was at pains to make it known that he still wanted to be able to access PSDI assistance because of the quality of the consultants and their proven experience with complex competition cases. The CEO of MCIL explained how he approached PSDI because he was dissatisfied with the assistance provided by another donor and how pleased he was that PSDI immediately agreed to his request and commenced the work very soon afterwards, with the result that the ministry and the Office of the Attorney General will be able to complete the work with minimal disruption and minimal delay. Both departmental heads acknowledged that the request to PSDI, and PSDI's ability to respond to the request, reflected the strong relationships that PSDI has forged with their respective institutions through earlier work on company law reform.

Performance and Effectiveness

This section responds to specific questions raised in the TOR.

¹³ It is estimated that 85 percent of PNG citizens do not hold a bank account, whereas many of these people hold mobile phones.

Analysis

The evaluator considers that the emphasis placed on analysis is the cornerstone of PSDI's effectiveness. In many ways, PSDI is an intellectual product: its origins lay in *Swimming Against the Tide*, focus areas have been determined with reference to this original work and subsequent analysis of the in-country institutional constraints, and, as the M&E system becomes increasingly sophisticated, operational reviews are more analytical. This analytical work is valuable in its own right, regardless of whether it translates to the implementation of technical assistance. The country private sector assessments and the *Finding Balance* studies are cases in point.

Focus on Objectives

PSDI is clearly focused on addressing the constraints to private sector development in the Pacific as identified in *Swimming Against the Tide* and subsequent country private sector assessments. The core focus areas for Phase II derive from these analyses and account for the bulk of PSDI engagements. PSDI has demonstrated its flexibility in adapting to changes that impact on the ability to deliver its assistance in these areas, and also to respond to other pressing government needs that fall within PSDI's overall focus.

In line with the previous comments on the analytical foundations of PSDI, it follows that the ongoing effectiveness of PSDI depends on the relevance of the analytical work. To this end, there is a need for periodic updates. The evaluator understands that PSDI plans a comprehensive update of *Swimming Against the Tide* and additional country private sector assessments.

Coordination

PSDI is well-integrated into host government strategic and development programmes and donor coordination has improved in the areas where PSDI is involved. This reflects an increased willingness to coordinate over time, but also the role played by AusAID in the quarterly private sector donor meetings. Nevertheless, two areas, in particular, need to be addressed: the way that AusAID uses IFC and PSDI for, at times, similar interventions, albeit in different countries; and the awkwardness that arises from Timor Leste not being part of AusAID's Pacific grouping. The participation of IFC's Resident Representative in Timor-Leste in some of the quarterly private sector donor meetings is a positive step, nevertheless. While acknowledging that no rigorous comparison has been made, the evaluator questions whether the IFC-implemented registry systems in Timor-Leste match the performance of those implemented by PSDI elsewhere in the Pacific. The evaluator is also concerned that AusAID seems to be looking to IFC as a source of assistance on business law reform in Timor-Leste without testing this view against what PSDI can offer.

Operating Model and Responsiveness

PSDI has a distinctive operating model whereby it can respond quickly to government requests: it is demand driven. But the model also allows it to disengage when little progress can be made and re-engage when the operating environment is more conducive to achieving the desired results. The technical assistance is provided primarily as short-term assistance, but longer-term assistance can, and has been, provided. Underpinning the operating model is a speedy approvals process that is a reflection of PLCO having responsibility for day-to-day decisions affecting PSDI.

In every interview, the evaluator questioned the interviewees on the responsiveness of PSDI and, whenever relevant, their views on PSDI not usually having a full-time presence in-country and the impacts whenever assistance has been scaled back. Universally, respondents praised the responsiveness of PSDI and the access they had to PSDI consultants whenever they were not in-country. This access made a full-time in-country presence redundant, unless the nature of the assistance warranted it. There was no criticism of PSDI for pulling back on engagements, whenever this had happened, and respondents indicated that the relationship with PSDI was not impaired in any way on these occasions.

The privatisation of Sasape Marina in the Solomon Islands illustrates the point. In 2007, the then-minister of finance requested PSDI's assistance to start the process. This process stalled with the subsequent change in government and minister of finance. However, the former minister was acting minister on several occasions through 2008 and 2009 and he was able to rejuvenate the process during those acting appointments. The stop-start nature of the process continued over three years and was only completed once the former minister was reappointed. When progress slowed, PSDI maintained a close liaison with the Economic Research Unit in the Ministry of Finance & Treasury and retained the PSDI transaction team through extending their contracts without increasing the funding for the project. The SOE programme in Samoa is another example where, after extensive initial assistance through 2008–9, government support waned and PSDI pulled back on its engagement. With renewed government interest in 2012, PSDI quickly resumed assisting the ministry of finance with the restructuring of SOE boards and with a new request to assist with preparing two SOEs for privatisation. In both cases, PSDI had no full-time presence, but established relationships with the counterparts enabled the lines of communication to be kept open even though no project work was being undertaken.

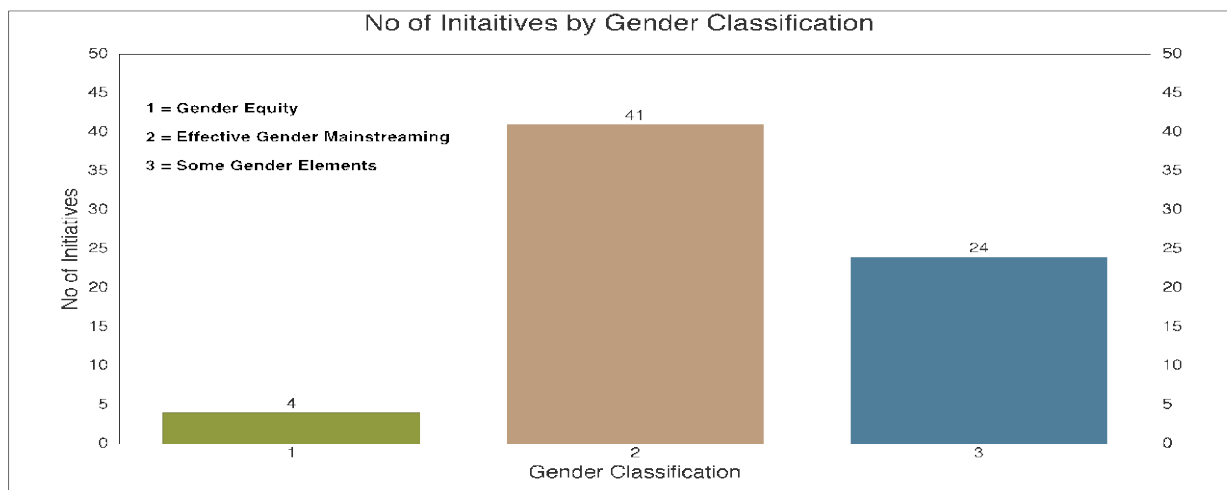
Adequacy of Resources

The work programme of PSDI is tailored to the committed technical assistance funds. Under the PSDI operating model, consultants are engaged, as needed, to supplement the core full-time consultants. It is a cost-effective approach that enables the core consultants to work across multiple countries and projects, but the number and availability of core consultants further constrain PSDI activities. It is clear that the demand for PSDI support justifies an increase in funding and this is a tenable starting point for the discussions on expanding the scale and scope of PSDI in a third phase. But the impact of any expansion on the workloads of the existing core consultants needs to be carefully assessed and factored into the discussion on the funding envelope.

The evaluator has two particular concerns. First, there is, effectively, only one full-time equivalent consultant in dedicated to access to finance work. Consequently, greater use is made of non-core consultants than would be the case in the other focus areas. The experience of those other two areas, which have two full-time consultants, suggests that additional resources are needed as it is the hands-on involvement of the core consultants that strengthens the quality of the PSDI outputs. The more PSDI moves to being merely a manager of other consultants, the greater the chance that PSDI's effectiveness will be compromised. The second concern is that much of the analytical work is concentrated on one person. As noted, the analytical work is a fundamental strength of PSDI and the analytical component needs to grow as PSDI grows.

Economic Empowerment of Women

PSDI prepared a gender strategy for Samoa and Tonga in Phase II to supplement the strategy prepared under Phase I for PNG, Solomon Islands, Timor-Leste, and Vanuatu. Currently gender is mainstreamed into PSDI initiatives, and gender impacts are assessed against ADB’s three-category gender classification as part of PSDI’s M&E framework. The categories are: gender equity, gender mainstreaming, and some gender impacts. Gender equity initiatives are aimed at women and at narrowing gender disparities and/or promoting women’s empowerment through promoting access to economic opportunities and financial resources. One example is the explicit target for accounts to be opened by women with the introduction of the MiCash (branchless banking) accounts in PNG. Gender mainstreaming initiatives are not specifically aimed at women, but they incorporate aspects that enhance the economic status of women through improving access to economic and financial resources and opportunities. Initiatives with some gender impacts contribute to the economic enhancement of women without explicitly targeting this impact. The impetus that the online companies’ registry in Solomon Islands has had on company formation by women is a case in point. As the following graphic illustrates, the bulk of PSDI initiatives fall within the gender mainstreaming category.



Under the concept being discussed for Phase III, the ‘Economic Empowerment of Women’ would become an additional PSDI focus area and PSDI staff have had discussions with relevant AusAID personnel to better understand AusAID’s approach to this area and to develop the content.

Monitoring and Evaluation

The TOR asks for comments on the relevance and applicability of the M&E standards of the Donor Committee on Enterprise Development (DCEd), and, if so, whether they have been applied. AusAID has indicated in its Private Sector Development Strategy that it intends to draw on the DECD standard in the development of a more detailed results framework for its

PSD programme, including the disaggregation of results by gender, socio-economic quintile and relevant disability criteria.¹⁴

DCED Standard

DCED currently comprises 23 member agencies, including AusAID, but not ADB. The DCED M&E standard was introduced in 2008 with the objective of providing donors with a more rigorous tool in order to improve the measurement and reporting of the results of donor PSD programmes. DCED has progressively improved the Standard since its introduction in 2008: the current release is Version V and Version VI is expected shortly. The Standard is available through DCED's website, which also provides a range of case studies and other reference materials to support the implementation of the Standard.

The Standard comprises eight elements: articulating the results chain; defining indicators of change; measuring changes in indicators; estimating attributable changes; capturing wider changes in the system or market; tracking programme costs; reporting results; and managing the system for results management. Currently, the Standard is supplemented by three implementing guidelines: on the standard as a whole, making results chains, and attribution of changes, although DCED intends to provide guidelines on the other elements of the Standard.

The Standard can be thought of as an enhanced logframe, where the logic is concerned with the process of change, as opposed to events. Furthermore, the results analysis automatically feeds back into programme improvements. In DCED's assessment, the Standard brings greater clarity to the M&E framework through a more rigorous articulation of the logic and underlying assumptions of the programme, with this increased clarity translating into greater effectiveness.

The Standard, and supporting materials, are clearly a work in progress and, even when all the guidelines are developed, the Standard will continue to evolve. The current strength of the standard is in the structure it brings to the articulation of the results chain. It is useful for identifying where to make strategic interventions, for example, research and development, at the farm gate, in distribution channels, etc. The other elements are underdeveloped, in comparison. The discussion on the tracking of costs is not substantive and there are only minimal references to sustainability throughout the standard. Consequently, the Standard will not, at this stage, enhance value-for-money considerations.

The most problematic aspect of the Standard is the approach to attribution. The Standard is much more rigorous in the identification of direct impacts compared to indirect impacts, although DCED intends to improve this aspect. Furthermore, by DCED's own admission, the Standard does not address displacement effects — where some people are made worse off as a result of programme activities. Without using the words, DCED is effectively flagging a concern with the net economic benefits of a programme. If the focus moves in time to net economic benefits, it will bring into question the current, narrow focus of PSD on increased income and employment consequent to increased profits.

In summary, the Standard is under continuous development and at this stage is better suited to programmes involving private sector actors and where the results chain can be isolated to inter-business linkages.

¹⁴ AusAID. 2012. *Sustainable Economic Development: Private Sector Development*, p. 31.

PSDI M&E Framework

The improvement in the PSDI M&E framework is a feature of PSDI II. PSDI recognised that a more comprehensive framework was needed for its own purposes, in addition to being able to demonstrate positive outcomes from PSDI initiatives and projects to AusAID. Accordingly, PSDI have been progressively rebuilding the M&E framework during Phase II. Key to this rebuilding was the identification of suitable database software training a PSDI core consultant in the use of that software to implement an M&E tool tailored to the needs of PSDI and its enhanced M&E framework. This consultant remains a dedicated resource for the maintenance and development of the M&E framework.

These developments were documented in PSDI's annual report for 2010.¹⁵

The framework integrates financial planning and budgeting; identification of focus areas for reform; the planning and implementation of reform initiatives; and the evaluation of outputs, outcomes, and impacts. It incorporates a dynamic feedback mechanism that identifies problems as they arise in order to better focus initiatives on accomplishing their goals. In addition, the M&E framework builds in institutional memory through the M&E tool (i.e., database), which, as an added feature, allows the storage of relevant documents within each initiative or project sheet.

PSDI staff have continued to develop the database and intend to progressively improve the functionality of the database through, for example, enhanced querying functions to increase its tracking capabilities and improved reporting characteristics to provide fuller information on various data that are maintained in the M&E database. The framework also provides for surveying the targeted beneficiaries to provide a "reality check" on the effectiveness of reform initiatives and to show where and how they might need to be modified to be fully effective. PSDI staff have also recently completed an initial draft of a comprehensive background paper on the PSDI approach to M&E, which was shared with the evaluator.

In designing the PSDI M&E framework, PSDI staff have taken the view that an overemphasis on quantitative indicators is to be avoided, as such an emphasis tends to bias reform efforts towards initiatives that are easy to measure. Having said this, PSDI does compile substantial quantitative indicators for each initiative and project. Similarly, PSDI M&E framework does not use broader measures of competitiveness on a cross-country basis, because that approach risks directing policies toward improving country rankings rather than basing reforms on priorities identified by in-depth analysis. The evaluator supports this approach.

M&E processes and procedures are embedded in every phase of PSDI, from conceptualisation of initiatives to completion and evaluation, as well as budgeting and financial control. The framework can be used as a management tool to monitor and evaluate initiatives and projects in a timely way. Quarterly reports are produced as a matter of course and these reports cover key information requirements, such as the gender dimensions of any project. Other summary reports and information requests are available on demand. The available information enhances the ability of PSDI management and task managers to make any adjustments that are required during the course of the technical assistance. Furthermore, information will be collected on the impact of any initiative beyond the lifetime of any technical assistance. This will enable a longer-term analysis of impacts than is typically the case in M&E frameworks.

¹⁵ *Pacific Private Sector Development Initiative Annual Progress Report 2010*, pp. 16–18.

The knowledge retention and document linkage aspects are impressive. For example, the database contains a narrative that tracks initiative and project developments and links to relevant country legislation, through a database of Pacific legislation, as well as links to the particular in-country registries that have been developed with PSDI assistance. These features are important to reducing the exposure to key-person risk through committing the TA experience and documentation to institutional memory. These features will make it possible to determine how past projects or initiatives evolved, what problems arose, and how those challenges were dealt with, thereby disseminating the lessons learned and underpinning the sustainability of any reforms undertaken. See Appendix 3 for examples of data sheets for M&E framework.

In summary, it is clear from the documentation supplied to the evaluator and the 'live' demonstration of the capability of the database, that the M&E framework is aimed at ensuring that PSDI effectively addresses the problems constraining the private sector in the Pacific, consistent with the foundational analytical work in *Swimming Against the Tide*. The evaluator is impressed with the capability of the system, with its ease of use, and with the efforts that have been made to use the M&E tool to integrate all aspects of PSDI operations. The evaluator is strongly of the view that PSDI should continue to develop its own M&E framework rather than be required to adopt the DCED Standard, as this will be in the best interest of the continued development of PSDI and AusAID's use of PSDI.

Overall Assessment

PSDI is a very effective technical assistance instrument: PSDI consultants have demonstrated that they know how to design and implement programmes aimed at removing institutional constraints to private sector development in the Pacific.

The strengths of PSDI are:

- The analytical foundations
- The rigorous process for selecting M&E projects and initiatives
- The operating model – the demand-driven nature of PSDI and the quick approvals process
- The quality of the core consultants – their technical competence, consulting experience, and ability to work well with counterparts at all levels of government
- The continuity of the core consulting base

The weaknesses are:

- Organisational arrangements that did not support the continuity of the core consulting base, at least for much of Phase II, and which are not strong enough to protect the distinctiveness of PSDI
- The potential for PSDI to be compromised through being too closely associated with mainstream ADB activities
- The underutilisation of the M&E tool, bearing in mind it is still under development — it is used mostly for monitoring as opposed to evaluation and as a management tool
- The exposure to key-person risk and an under-strength core consulting base for access to finance initiatives

Overall PSDI Ratings

In summary, PSDI has been highly effective in reducing selected constraints to private sector development in the Pacific. It is achieving the intended outputs in a cost-effective way, the quality of the outputs is very high and the impacts are sustainable.

Criterion	Rating (1–6 Scale, with 6 being the highest rating)	Comments
Effectiveness	6	Very high quality in terms of achievement of objectives, standard of outputs, and benefits to the target population.
Efficiency	5	Very high quality results in terms of timeliness and appropriateness, contract and activity implementation, partner government support, and monitoring systems are improving all the time. Efficiency could be improved with the organisational changes suggested and with AusAID be clearer on its strategic objectives for using PSDI.
Sustainability	6	Very high quality.
Impact on the Empowerment of Women	4	This will be a focus area in Phase III and PSDI are working closely with AusAID to meet AusAID requirements in this area.
Monitoring & Evaluation	5	Considerable effort has been put into the development of PSDI's M&E system. It is now high quality and is continually being improved.
Analysis & Learning	6	Very high quality.

STRENGTHENING THE FOUNDATIONS FOR PSDI III

Under the concept that has initially been discussed, Phase III would be considerably larger in scale than the two earlier phases.¹⁶ Any additional funding would be used to build on the three existing focus areas as well as developing new focus areas in competition and the economic empowerment of women. It would also see additional strategic project management work, such as M&E and private sector assessments, with the objective of strengthening the linkages between PSDI's analytical and technical assistance work.

The Organisational Underpinnings of PSDI

While PSDI has been successful, care is needed to protect the features that have contributed to this success. The evaluator is of the view that the organisational arrangement that existed for much of Phase II would not have been strong enough to support the continued existence of PSDI on the current scale of operations, let alone any expansion. The Regional Director PLCO has acted to address the problems surrounding the duration of core consultant contracts and this will underpin the consultant continuity that is essential to PSDI's effectiveness.

The broader, and more fundamental, issue is whether the way PSDI is managed within PLCO will provide the necessary foundation for the continued effectiveness of PSDI and protect its focus on institutions. Several alternative management arrangements have been canvassed through the evaluation, in addition to the possibility of AusAID engaging consultants directly through normal AusAID mechanisms to work on PSD issues rather than cofinancing PSDI. Three alternatives suggest themselves. The first is to continue with PSDI in its current form. The second is to transform PSDI into a vehicle that is similar to the Pacific Infrastructure Advisory Center (PIAC), which is hosted by PLCO and for which ADB also receives a management fee. The third is to structure PLCO as an organisational unit in its own right within PLCO.

The possibility of AusAID replicating PSDI through a management contractor arrangement is rejected because it is considered highly unlikely that consultants engaged directly by AusAID could match the performance and effectiveness of PSDI. PSDI is, in effect, a specialist consultancy on the institutions needed for private sector development. Furthermore, PSDI is cost-effective vehicle and it is similarly unlikely that AusAID could engage a managing contractor at a similar cost, let alone match the standards PSDI has achieved.

The option of continuing with the current management arrangements is also not favoured by the evaluator. It is clear that PSDI has, on admittedly limited occasions, been hindered or compromised through a conflict with ADB country operations or PSDI being seen as a tool to further mainstream ADB operations. To some extent, PSDI is a victim of its own success and the knowledge and experience it has accumulated. The evaluator is in little doubt that the core PSDI consultants are not able to both support any expansion of PSDI and contribute to mainstream ADB work. The Regional Director would appear to have similar misgivings and

¹⁶ Comments on scope of Phase III are based on conversations with the Regional Director PLCO and the draft Phase III concept note under discussion within PSDI.

the evaluator understands that she is trying to meet any increased demands on PLCO through additional permanent ADB staff, not PSDI consultants.

The potential participation of any additional donors in PSDI underscores exploring the suitability of the PIAC management arrangements to PSDI. PIAC coordinates the technical assistance and advisory work of the Pacific Regional Infrastructure Facility (PRIF), which is a multi-donor facility funded by ADB, AusAID, NZAID, The World Bank Group, and, more recently, the European Commission and the European Investment Bank. PRIF works in the same Pacific countries as PSDI, other than Fiji. The PRIF/PIAC model has some attractive features that resonate with PSDI operations: for example, the emphasis it places on governments as clients, the “ownership” the various governments have of work undertaken through PIAC and the corresponding downplaying of any attribution to the donor agencies, and the way the constituent donor agencies and beneficiary countries are referred to as partners. Less attractive is the more burdensome administrative arrangements under PRIF, certainly when compared to those applying to PSDI operations. PRIF comprises a senior management committee — similar to a board — an officials’ working group, and a small secretariat located at the World Bank’s Sydney office, in addition to PIAC. These arrangements have recently been reviewed and, as a consequence, the working group, secretariat, and PIAC will be merged into a new Pacific Regional Infrastructure Facility Coordination Office hosted by PLCO. It is difficult to see PSDI maintaining its responsiveness and coherence under such an arrangement and it would seem sensible to wait until the new PRIF arrangements are bedded down before looking more closely at the suitability of this model for PSDI operations, even if NZAID becomes a PSDI partner.

As for the third management option of establishing a PSDI operating unit within PLCO, the purpose is to give PSDI a stronger identity going forward and to make a clearer distinction between PSDI activities and other ADB activities. It follows that this option would require a clearer distinction to be made between ADB/PLCO as manager of PSDI and the technical assistance provided under PSDI. Treating PSDI as an organisational entity within PLCO will improve the respective incentive structures influencing both. PLCO will be responsible for managing PSDI in the interests primarily of PSDI; to make the point another way, in a manner that protects the integrity and coherence of PSDI, in addition to demonstrating the financial effectiveness of PSDI.

Under this type of generic structure, PSDI would have a full-time manager, who works solely on PSDI, but who would still report to the PLCO Regional Director. The evaluator understands that this type of model is favoured by the PLCO Regional Director, who is deliberating over the type of management arrangements that would quarantine PSDI from other ADB activities, including the appointment of additional permanent ADB staff to support other ADB activities managed through PLCO.

This type of management structure would clearly have to be supported by ADB management beyond PLCO. But it also needs to be supported by AusAID. Indeed, it challenges AusAID on a number of fronts: the strategic objective for entering into a cofinancing agreement with ADB, the extent to which AusAID differentiates between PSDI and mainstream ADB operations, and the fit between AusAID’s new PSD strategy and PSDI’s focus on institutions.

The evaluator is strongly of the view that AusAID needs to address these questions in the interest of extracting the most benefit from PSDI. Otherwise, there is a real risk of PSDI progressively becoming subsumed within AusAID’s private sector strategy, as opposed to

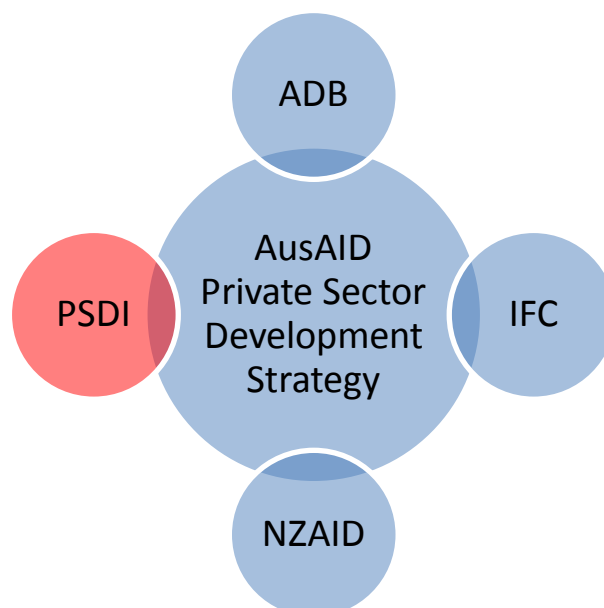
AusAID using a technical assistance instrument that complements the AusAID strategy in certain areas. Such an outcome would undermine the operating model and focus of PSDI and what it brings to the overall AusAID programme. In short, it would erode the foundations of PSDI and compromise its continued effectiveness.

The AusAID PSD strategy was only published in August 2012. The strategy emphasises: extending financial services, where the overarching goal is to increase access to financial services of the poor; women's economic empowerment; mining for development; infrastructure, which includes PPPs; education and health; economic reform, which includes microeconomic reform and productivity improvements through, for example, SOE reform; expanding markets through trade; and effective institutions and improving governance, which includes improvements to legal and regulatory frameworks.

AusAID's Pacific Division is now drafting a Pacific PSD in line with the areas identified in the overall strategy as priorities for the Pacific. These were:

- Fostering the environment for PSD through, for example, technical and vocational training, infrastructure and economic reform;
- Addressing poverty and encouraging formal sector development, particularly in agriculture and tourism;
- Private sector involvement in service delivery and infrastructure;
- Women's economic empowerment;
- The development of private sector peak bodies.

PSDI is consistent with these targeted areas, but the AusAID strategy should not be seen as overlaying PSDI, in the evaluator's opinion. Better to look to PSDI as a distinct vehicle that can assist AusAID in achieving some of its PSD objectives, as illustrated in the accompanying graphic. The key point is that these strategies should not dictate areas of intervention for PSDI. Rather, PSDI should be engaged where institutional issues are at the heart of the concerns expressed in these strategies. It follows that any new PSDI initiative or additional focus areas should firstly demonstrate the institutional issue to be addressed. Care is needed that the integrity of PSDI is not compromised by expecting PSDI to engage in areas within the wider development agenda, where institutions are not the issue of concern.



Recommendations

AusAID

- Clarify strategic objectives for supporting PSDI.
- Endorse PSDI's focus on institutions.
- Selectively use PSDI as part of AusAID's PSD strategy.
- Rationalise the use of PSDI and IFC for similar initiatives.
- Take steps to increase awareness of PSDI within AusAID.

ADB

- Endorse PSDI as a distinctive technical assistance modality within ADB.
- Structure PSDI as an organisational unit within PLCO.
- Make the organisational changes that are needed to underpin continuity of core consultants and the longer-term replenishment of this consulting base.

PSDI

- Continue the development of the in-house M&E framework rather than adopting the DCED standard.
- Give consideration to how PSDI's focus on institutions and its analytical approach can be periodically validated and how the supporting material on Pacific PSD that predates PSDI can be incorporated into the M&E database.
- Develop additional briefing materials that present the PSDI 'vision' in terms of the phased approach to institutional constraints in PSDI constituent countries.
- Develop additional briefing materials that present the PSDI 'vision' in terms of the phased approach to institutional constraints in PSDI constituent countries.

REFERENCES

ADB. Various. *Annual Progress Report: Pacific Private Sector Development Initiative*. Sydney.

ADB. 2004. *Swimming Against the Tide? An Assessment of the Private Sector in the Pacific* (ADB Pacific Studies Series).

ADB. 2006. 'Proposed Technical Assistance for the Private Sector Development Initiative (Cofinanced by the Government of Australia)'. ADB Board Paper R245-06, 31 October 2006.

AusAID. 2012. *Sustainable Economic Development: Private Sector Development*. Canberra.

AusAID. 2012. 'Quality at Implementation Report for Private Sector Development Initiative Phase 2'. February 2012.

Cofinancing Agreement Between the Government of Australia and Asian Development Bank with Respect to Technical Assistance on Private Sector Development Initiative, Phase II (Phase 2).

Donor Committee for Enterprise Development. 2010. *The DCED Standard for Measuring Achievements in Private Sector Development: Control Points and Compliance Criteria* (Version V). <http://www.enterprise-development.org/page/download?id=1449>

Donor Committee for Enterprise Development. 2010. A Walk Through the DCED Standard. <http://www.enterprise-development.org/page/download?id=1527>

Edwards, Murray. 2010. 'Review of ADB Pacific Private Sector Development Initiative Phase 1: Independent Completion Report'.

Memorandum of Understanding on Channel Financing 'MoU' 8 October 1993.

APPENDIX 1. TERMS OF REFERENCE

Contract 103805-S77355

Project TA-7430 REG: Pacific Private Sector Development Initiative Phase II - Independent Evaluator (43048-012)

Expertise Independent Evaluator

Source International

Objective and Purpose of the Assignment

The new Private Sector Strategy of the Australian Government recognises the importance of private sector development as a driver of broad based and inclusive economic growth in the Pacific. It recognizes that an enabling environment is a necessary condition for the private sector to flourish and seeks to support initiatives that focus on structural reform to improve access to finance, modernize business laws and institutions, improve the functioning of state-owned enterprises and promote the economic empowerment of women.

Major constraints to private sector development in the region include:

- (i) Small, remote domestic markets unable to provide economies of scale;
- (ii) State owned enterprises often crowding out private enterprise;
- (iii) Small and underdeveloped financial markets that fail to fund investment or provide adequate financial services;
- (iv) Outdated business laws that are unsuited to modern commerce;
- (v) Overly complex legal and regulatory environments that make establishing formal businesses difficult.

AusAID provided funding of AUD\$10 million (over 4 years) to the Asian Development Bank (ADB) to implement the second phase of the Private Sector Development Initiative (PSDI). The initiative is co-financed with the ADB and is designed to promote private sector development in the region through sound analysis and technical assistance that allows the ADB to respond opportunistically to reform priorities as they arise. AusAID and the ADB are considering a third phase (PSDI 3) which will commence in July 2013.

The focus of PSDI has been on:

- (i) Reform of state owned enterprises and support for public-private partnerships to promote competitive markets and allow greater private sector participation in the economy.
- (ii) Financial sector reform, focusing on secured transaction frameworks, rural finance and microfinance, financial sector outreach, financial products and services and partial credit guarantees.

(iii) Legal and regulatory reform to improve the business-enabling environment, in particular business law and institutions and the strengthening of personal property rights.

This review is intended to evaluate the performance, effectiveness and relevance of the PSDI RETA in terms of delivering technical assistance to improve the business environment in the Pacific. While not intending to quantify the impact of PSDI on employment and growth, the evaluation will examine selected individual initiatives to ensure that they are being delivered effectively. It will also evaluate the impact on selected countries of the PSDI programmes, focussing on PNG, Solomon Islands and Tonga.

The purpose of the independent evaluation and resulting completion report is to assess the performance and effectiveness of the PSDI RETA in its key focus areas, and to develop recommendations where appropriate to improve performance of activities funded under PSDI Phase 3.

Scope of Work

Assess the relevance of PSDI RETA for achieving AusAID's broad regional economic objectives as outlined in its Private Sector Development Strategy. The resulting completion report is to comprise three sections; performance, effectiveness, and recommendations, and also enable the consultant to prepare and provide ratings of the initiative's relevance and performance in terms of:

- (i) Effectiveness
- (ii) Efficiency
- (iii) Sustainability
- (iv) Impact on the Economic Empowerment of Women
- (v) Monitoring and Evaluation
- (vi) Analysis and learning

The reviewer will assess the relevance of the 2010 AusAID review. Where applicable the reviewer will assess progress on the recommendations. The review will contain a section outlining the strengths and weaknesses of PSDI and make recommendations for the next phase.

Detailed Tasks and/or Expected Output

The Consultant is expected to undertake the following tasks:

A. Performance

1. Assess whether the core focus areas remained relevant over the life of PSDI 1 and PSDI 2.
2. Did PSDI coordinate with country reform programmes in the private sector development area?
3. Did PSDI maintain its focus on its objectives in terms of:

- i) Ensuring that the long-term goals of PSDI retained their relevance
- ii) Adapting, if necessary to changes in circumstances, while continuing to focus on relevant long-term goals.

4. Assess the performance of PSDI to date in terms of its key focus areas, namely:

i) The contribution of PSDI to improving the performance of State-owned enterprises focussing on the ownership, efficiency and divestment of SOEs; economic regulation; the policy, legal and institutional framework for SOE operation and how PSDI promotes relevant opportunities for PPPs.

ii) The contribution of PSDI in promoting access to finance through financial sector reform—focusing on secured transaction frameworks, the legal framework for financial regulation, advancing rural and microfinance outreach, and promoting innovative approaches to gain access to finance including branchless banking;

iii) The effectiveness of PSDI in modernizing and strengthening commercial laws and regulations—focussing on reforming business laws, updating company registries, on streamlining regulation.

iv) Sectoral mainstreaming of private sector development issues.

v) Promoting the economic empowerment of women.

B. Effectiveness

Determine how appropriate the PSDI is to support AusAID objectives, namely:

i) Did PSDI RETA undertake sound analysis on which to base its initiatives?

ii) Did it respond in a timely and effective way to requests from Pacific Island governments?

iii) Did the focus of the PSDI RETA maintain its focus on its objectives?

iv) Did PSDI coordinate with other development partners to ensure that there was not duplication of effort?

v) Did PSDI RETA address the economic empowerment of women?

vi) Was PSDI RETA resourced adequately to meet the demand for PSDI activities over the life of the initiative?

vii) Assess the quality of monitoring and evaluation (M&E):

a) Does it reflect best practice?

b) Does it provide effective information?

c) Are the DCED M&E standards relevant and applicable and if so have they been applied?

C. Recommendations

Based on the above analysis, make recommendations about the following:

- i) Did PSDI RETA effectively meet AusAID's goals of stimulating private sector development to drive sustainable economic growth and help reduce poverty impacts in the Pacific? Did it represent value for money, particularly given other private sector development focused initiatives in the region?
- ii) What changes (if any) are required for the next phase of the PSD initiative to improve performance and achieve the aims of private sector development strategy?
- iii) How could the M&E approach used in PSDI RETA be improved to support more effective measurement of performance, impacts and development outcomes?

The consultant will do an independent evaluation resulting in a project completion report of no more than 20 pages, plus tables and appendices, which will be presented for peer review by AusAID and ADB. The consultant will report to the main contact at AusAID.

APPENDIX 2. LIST OF PERSONS INTERVIEWED

AusAID	
Jenny Asman	Timor-Leste
Vili Caniogo	Programme Manager, Pacific Branch
Conrad Bulenda	Second Secretary, PNG
Andrew Elborn	First Secretary, PNG
Jodie McAlister	Director, Governance and Growth Section, Pacific Division
Anna McNicol	Senior Development Programme Specialist – Economic, Policy and Performance, Solomon Islands
Luke Simmons	Rural Development Programme Specialist, Solomon Islands
Jeff Prime	Timor-Leste
ADB	
Erik Aelbers	Consultant, Private Sector Development Initiative, Pacific Liaison & Coordination Office
John Austin	Manager, Pacific Infrastructure Advisory Center
Laure Darcy	Consultant, Private Sector Development Initiative, Pacific Liaison & Coordination Office
Melissa Dayrit	Consultant, Private Sector Development Initiative, Pacific Liaison & Coordination Office
Paul Holden	Consultant, Private Sector Development Initiative, Pacific Liaison & Coordination Office
Andrea Iffland	Regional Director, Pacific Liaison & Coordination Office
Kymerberley Kepore	Private Sector Development Coordinator, Papua New Guinea Resident Mission
Kanokpan Lao-Araya	Deputy Regional Director, Pacific Liaison & Coordination Office
Aaron Levine	Private Sector Development Initiative, Pacific Liaison & Coordination Office
Terry Reid	Consultant, Private Sector Development Initiative, Pacific Liaison & Coordination Office
Christopher Russell	Consultant, Private Sector Development Initiative
Brigido De Sousa	Senior Project Officer (Infrastructure), Special Office in Timor-Leste & Director, Banco Nacional de Comércio de Timor-Leste

Sabine Spohn	Private Sector Development Specialist, Pacific Liaison & Coordination Office
Antonio Vitor	Lead Development Advisor, Special Office in Timor-Leste
Papua New Guinea	
George Awap	Manager, Banking Supervision Department, Bank of Papua New Guinea
David A Conn, MBE	CEO, Port Moresby Chamber of Commerce
Elastus Geroro	General Manager, Independent Consumer & Competition Commission
Harry Greenwell	Formerly Advisor, Structural Policy & Investment Division, Department of Treasury
Douveri Henao	Executive Director, Business Council of Papua New Guinea
Parkop Kurua	Senior Portfolio Manager, Independent Public Business Corporation
Elisabeth Kup	Senior Aid Coordinator, ADB Desk, Multilateral Branch, Foreign Aid Division, Department of National Planning & Monitoring
Bob Lowi	Manager, Competitive Market & Fair Trade Division, Independent Consumer & Competition Commission
Associate Professor Billy Manoka	Commissioner/CEO, Independent Consumer & Competition Commission
Grace Misina	Legal Officer, Independent Consumer & Competition Commission
Joep Roest	Financial Inclusion Specialist, Pacific Financial Inclusion Programme
Koney Samuel	Assistant Secretary, Multilateral Branch, Foreign Aid Division, Department of National Planning & Monitoring
Evangeline Taunao	Senior Portfolio Manager, Independent Public Business Corporation
Tony Westaway	Managing Director, Nationwide Microbank
Samoa	
Auelua Samuelu Enari	CEO, Ministry of Commerce, Industry & Labour
Donnie De Freitas	Regulator, Office of the Regulator
Margaret Fruean	Assistant CEO, Registration of Companies & Intellectual Property Division, Ministry of Commerce, Industry & Labour
Filifilia Iosefa	Sales and Marketing Manager, Computer Services

	Ltd.
Peresitene Kirifi	Aid Coordination and Debt Management Division, Ministry of Finance
Elisa Kohlhase	Legal Counsel, Office of the Regulator
Lupe Kapisi	Development Programme Coordinator, NZAID
Alesana Lafi	Development Bank of Samoa
Tupa'imatuna Iulai Lavea	CEO, Ministry of Finance
Pulotu Lyndon Chu Ling	Assistant CEO, Industry Development & Investment Promotion, Ministry of Commerce, Industry & Labour
Margaret Malua	CEO, Small Business Enterprise Centre
Michael	State Owned Enterprises Division
Hinauri Petana	HP Consult Ltd
Ane L Moananu	CEO, Samoa Chamber of Commerce & Industry Ltd
Bernie Poort	Head of Corporate, Commercial & SME Business, ANZ Bank
Noelani Tapu	Aid Coordination and Debt Management Division, Ministry of Finance
Elita Tooala	Assistant CEO, State Owned Enterprises Division
Aumua Ming Leung Wai	Attorney General, Office of the Attorney General
Saumani Wongsin	CEO, Development Bank of Samoa
Pete Zwart	Manager, NZADI
Solomon Islands	
Primo Afeau	Primo M Afeau, Primo M Afeau Legal Services
Roger Batch	Advisor, Customs Modernisation Programme, Department of Customs & Excise
Glenn Bennett	Managing Director, Silent World Shipping & Logistics (SI) Ltd
Lynette Dawheya	Deputy Registrar, Foreign Investment Registry
Phillip de la Rue	Advisor, Economic Reform Unit, Ministry of Finance & Treasury
Ning Gabrino	Solomon Islands Women in Business Association
Caroline Kanoko	Manager National Financial Inclusion, Central Bank of Solomon Islands
Tony Langston	General Manager, Credit Corporation (SI) Limited
Lonsdale Lungana	Economic Reform Unit, Ministry of Finance & Treasury
Wayne Morris	Partner, Morris & Sojnocki, Chartered Accountants

Norma Qurusu	Economic Reform Unit, Ministry of Finance & Treasury
Ed Saramo	Registrar of Companies
Greg Sojnocki	Partner, Morris & Sojnocki, Chartered Accountants
Katherine Tuck	Senior Adviser, Economic Reform Unit, Ministry of Finance & Treasury
Hence Vaekesa	Permanent Secretary, Ministry of Commerce, Industries, Labour & Immigration
Mike Watte	National Provident Fund
Timor-Leste	
Jose Abel	Debt Management and Investment Advisor , Ministry of Finance
Manuel Rangel da Cruz	Manager, Risk Management, Banco Nacional de Comércio de Timor-Leste
Milissa Day	Resident Representative, IFC
Jose M de J Luis Guterres	Director, Banco Nacional de Comércio de Timor-Leste
Cristovão Ribeiro dos Reis	Manager, Human Resources, Banco Nacional de Comércio de Timor-Leste
Tonga	
'Ofeina Filimoehala	Acting Director, Ministry of Public Enterprises & Information
Leta Havea Kami	Deputy Managing Director-Risk Management, Tonga Development Bank
'Aminiasi Kefu	Solicitor General, Attorney-General's Department
Eunice T Moala	Registry & Intellectual Property Office, Ministry of Commerce, Tourism & Labour
Simione Sefanaia	Managing Director, Tonga Development Bank
Dana E Stephenson	Partner, Stephenson Associates, Lawyers
Salote Vaimoana Taukolo	Deputy Director Trade and Investment, Ministry of Commerce, Tourism & Labour
Paula M Taumoepeau	Vice President, Tonga Chamber of Commerce
Distaquaine Tuihalamaka	Registrar of Companies, Registry & Intellectual Property Office, Ministry of Commerce, Tourism & Labour

APPENDIX 3. MONITORING AND EVALUATION DATA SHEETS

Initiative Secured Transactions Reform


Projects *Feliev Avaloatoni i le matafaiole o le Secured Transactions Act*
Feliev Avaloatoni i le matafaiole o le Secured Transactions Act
Le Matafaiole o le Secured Transactions Act

Country: **SGD** | Manager: **Feliev 1** | Core Inputs: **Feliev A** \$523, **Feliev B** \$73, **Feliev C** \$1708, **Feliev D** \$577, **Feliev E** \$28, **Feliev F** \$128
 Status: **Open** | Funding Source: **FSD 82** | Other Inputs: []
 Focus Area: **AE** | Commencement: [] | Gender Classification: **2**
 Budget: \$250 | Committed: \$250 | Disbursed: \$250 | Undisbursed: \$0 | Undercommitted: -\$0
 TOTAL: \$250

Pacific Private Sector Development Initiative

Monitoring and Evaluation

INITIATIVE SHEET



Objective Scope: *Feliev Avaloatoni i le matafaiole o le Secured Transactions Act and the implementation of the Secured Transactions Act in support of the economic recovery*

Progress Snapshot: *The Secured Transactions Act was passed in Aug 2002 and the implementation was completed in Sep 2003. The implementation was completed in Sep 2003. The implementation was completed in Sep 2003.*

Input Milestones / Outputs		Outcome Indicators
Input Milestones	Narrative	
X 1 <i>Payment</i>	<i>Complete Under FSD 1</i>	
X 2 <i>Final review conditions</i>	<i>Complete Under FSD 1</i>	
X 3 <i>Final review conditions</i>	<i>Complete Under FSD 1</i>	
X 4 <i>Final review conditions</i>	<i>Complete Under FSD 1</i>	
X 5 <i>Law passed</i>	<i>Passed in Aug 2003</i>	


Project Information for
Secured Transactions Reform
 Country: **SOL**

Project Name
Review, Amendment and Implementation of the Secured Transactions Act

Project Status: **Ongoing**
 Funding Source: **PSDI 1&2**
 Commencement:

Budget	\$99,538
Committed	\$99,538
Disbursed	\$99,538
Undisbursed	\$0
Undercommitted	\$0

Pacific Private Sector Development Initiative
Monitoring and Evaluation
PROJECT SHEET



Objective Scope
 Review, amendment and implementation of the Secured Transactions Act

Progress Snapshot
 PSDI is undertaking a review of current Act, with amendments to be finalized in end 2013.

Core Inputs	Other Inputs
Person 1 \$18,239	
Person 2 \$7,813	
Person 3 \$17,065	
Person 4 \$38,715	
Person 5 \$8,533	
Person 6 \$3,039	
TOTAL \$99,538	TOTAL

Input Milestones / Outputs

Input Milestones	Narrative
X 1. Development of training roadmap (previous and planned training)	Not completed by consultant (A. Welsh).
X 2. Preparation of materials	First draft of materials completed for review Nov 2011.
X 3. Delivery of training	Inland revenue received training on tax liens and presentations delivered to stakeholders in Gizo and Auki. Further training for 2012 to be determined.
X 4. Review and assistance on hosting/maintenance agreements	Completed. New hosting agreement executed.
X 5. Review law and regulations and discuss with stakeholders	Commenced. A. Welsh completed memo of amendments. A. Frazier reviewing law and regulations. Further consultations required.