



Project evaluation: summary report

Myanmar / Asia: Capacity Development for the Private Sector

Project no.:	2012.2451.8
CSR Purpose Code:	25010 Services and Institutions for the support of Private Sector Development
Project objective:	The public and private sector have improved strategy development and implementation capacities for SME promotion.
Project term:	07/2012 to 12/2017
Project volume:	23.250.000 EUR (including Co-financing of 10.000.000 EUR by the EU)
Commissioning party:	German Ministry for Economic Cooperation and Development (BMZ)
Lead executing agency:	Ministry of Industries
Implementing organisations (in the partner country):	Directorate of Investment and Corporate Affairs (DICA); Myanmar Fruit and Vegetable Producers and Exporter Association; Union of Myanmar Federation of Chambers of Commerce and Industry
Other participating development organisations:	-
Target groups:	Owners, General Managers and employees of Micro-, Small and medium-sized enterprises as well as small producers.

Project description

Since 2011, Myanmar has been undergoing a complex and ambitious reform process that saw the country move from a military regime towards a more democratic, civilian government. The re-engagement with the West and gradual liberalization has come with rapid economic development. However, despite the advances made in numerous policy fields, Myanmar continues to be one of the poorest countries in Southeast Asia. Approximately one third of the population still lives near or below the poverty line. Poverty is largely concentrated in rural areas where people tend to engage in subsistence agriculture.

Agriculture, trade and private sector promotion feature high on the agenda of the National League for Democracy (NLD), which won a landslide victory in the parliamentary elections in November 2015. However, riding on high expectations of the people, the NLD has thus far remained rather vague on actual strategies and priorities.

In view of the volatile context, the main challenge for interventions to support Private Sector Development in Myanmar lies in balancing different policy objectives and strategically sequencing reforms at the national and sub-national levels. This includes coordinating an increased inflow of external aid and ensuring that the assistance provided does not duplicate or undermine existing efforts. Policy formulation and implementation is likely to be faced with some “teething problems” for the new NLD-led government. For the conceptualization of the follow-on project, this means allowing for a certain degree of flexibility in order to be able to respond to potentially changing dynamics and demands.

The module objective of the Private Sector Development (PSD) project is defined as follows: The public and private sector have improved strategy development and implementation capacities for SME promotion. The overall volume amounts to 23.250.000 Euro (including co-financing with the European Union for the trade component) over a period of 5 years and 6 months (07/2012 – 12/2017).

When Germany resumed cooperation with Myanmar in 2012, Sustainable Economic Development (SED) was agreed as first focal area. The PSD project was the first project by Germany and in the initial phase it was also the basis to get all other projects and a formal framework for bilateral cooperation established. For the PSD project, the Government of Myanmar (GoM) named the Ministry of Industry (MoI) as main implementing partner.

SME promotion was a cornerstone of the early phase of cooperation and re-emphasized by BMZ as a link between modules in the SED focal area. Another cornerstone was the spatial focus on Shan State – a largely agrarian region – and on strengthening non-state actors in economic promotion, complementary to the support MoI and other public actors received.

Summarizing, entering into a new context with hardly any prior cooperation experiences and a lack of solid information on economic activities, the approach of the PSD project rather evolved “organically”, around cornerstones set by GoM and BMZ. While the time is certainly right for reviewing and streamlining the different lines of interventions, from the viewpoint of the evaluation mission, this open approach was functional in the first phase of implementation. In this situation, the formulation of the module objective with a focus on strengthened capacities was realistic considering the available resources and highly relevant for the development context of the country.

The result logic distinguishes three main outputs:

- A. Selected policy initiatives (e.g. the SME Act) have been carried out with a beneficial influence on relations between government and business and industry.
- B. Selected public and private institutions that play a prominent or promising role for private sector development in their region or sector have improved sectoral and institutional capacities.
- C. Cooperation among economically relevant actors (business and industry, public sector, civil society) has improved in specific pilot activities to promote SME competitiveness.

The results logic is consistent and based on a thorough assessment of the realities in Myanmar. The system boundary for project intervention was well defined. The mission team considered the module indicators to be SMART and suitable to measure the objective of the project. However, it seems that M1 goes beyond the module objective since it already measures the results of increased capacities. In order to evaluate the results the mission team attempted to assess how the results of the project will plausibly lead to changes in the near future as described in M1 so that entrepreneurs will actually confirm changes to a relevant degree. For several module indicators, no sufficient data was available at the time of the mission in order to fully evaluate them. In these cases the mission team used the results of existing surveys and own observations to assess performance.

The assessment of some criteria, especially of effectiveness was complicated by the fact that some of the baseline data provided has proven inadequate for assessing the module indicators. As much as possible the project provided alternative data (for example surveys via DICA). Based on that and other observations the mission team aimed to make plausible hypotheses regarding the fulfilment of indicators based on the results of the interviews and the analysis of available reports.

To evaluate impact, the PEV team looked at a) how capacities of organisations/individuals/networks/ systems were strengthened (program objective) and b) how the project contributed to overall development objectives like income and jobs (see also below). Especially the second point proved very important since the project significantly contributed to income and jobs in the promoted sectors. These results went far beyond the defined module objective.

Basis for assessment of the OECD-DAC criteria:	Individual and overall rating of the OECD-DAC criteria:
<p>To determine the TC measure's overall rating, calculate the average of the individual ratings of the five OECD-DAC criteria:</p> <p>14 – 16 points: very successful 12 – 13 points: successful 10 – 11 points: rather successful 8 – 9 points: rather unsatisfactory 6 – 7 points: unsatisfactory 4 – 5 points: very unsatisfactory</p>	<p>Relevance: 12 points - successful Effectiveness: 12 points - successful Impact: 12 points - successful Efficiency: 10 points - rather successful Sustainability: 12 points - successful</p> <p>Overall, the TC measure is rated successful with a total of 12 out of 16 points.</p>

Relevance (Are we doing the right thing?)

The specific development situation of Myanmar is characterized by the transition to a much more open society and economy. This will hopefully provide greater freedom for entrepreneurial activity. In the future, the group of small and medium-sized enterprises (SME) will therefore have a much stronger role in providing jobs and income opportunities for the local population. To do so, SME will need improved framework conditions and offers of support and services much more targeted to their needs. Public and private actors therefore need to adapt their strategies and their implementation structure to serve the development of SME. The project therefore clearly targets some of the political priorities of the Government of Myanmar in the area of private sector development as also reflected in the adoption of the SME development law. However, it has to be said that in the current political situation Government strategies are only provisional and the final shape of economic policy might of course change.

The design of the project also includes some of the main dimensions relevant for the target group as it aims to promote public- private policy initiatives (output 1), the capacities of relevant institutions (output 2) and the cooperation between private and public actors (output 3). All of these interventions can be regarded as crucial elements for improving framework conditions of the target group.

The efforts of the project to strengthen the capacities for economic policy and private sector promotion at the regional level are very relevant in the context of Myanmar. Many stakeholders confirmed that the Government is shifting from “top-down” to “bottom-up” approaches. The concrete changes in budget allocation and the extent to which decision-making power is actually delegated to the regional/local level is still unclear. But it seems highly probable that the regional Government will have a much stronger role to play in the future. The project makes highly relevant contributions to raise the capacities and the awareness of Government actors in order to better understand the needs of SME and to consider this in the policy and planning processes. The project is also in line with the relevant strategies of the BMZ for example the concept for private sector development.

The relevance of the TC measure is rated successful with 12 points.

Effectiveness (Will we achieve the project's objective?)

Objectives indicator	Target value according to the offer	Current status according to the project evaluation
<p>1. X% of surveyed managers or owners of SMEs see an improvement in the business and investment climate in two respects (examples of thematic areas: registration, licensing, access to assistance facilities).</p> <p>Baseline value: 69,2% according to DEVAL consider business climate positive; 85,1% consider regulations of the Government positive</p> <p>51 % according to DICA survey report difficulties receiving required licenses; 57 % report difficulties in obtaining information and advice.</p>	<p>(a) (DEVAL): 75% evaluate business climate positive- not applicable) (DICA): Only 40% report problems obtaining a license or accessing information/Advise.</p>	<p>The next DEVAL survey is only planned after 2017 The next DICA survey is only planned in September 2016. Due to the fact, that the necessary surveys are still being carried out, there was no comprehensive data for the evaluation of this criterion as part of the PEV. The indicator is beyond the module objective since it actually measures the results of improved capacities on the institutional level. Based on the changes in the institutions supported and the improved services, it is plausible for the PEV mission that there is a strong contribution to improving the business climate in the future. Processes in relevant institutions like DICA were improved which will reduce the necessary effort by the private sector to obtain relevant licenses or permits. Transparency was increased through mapping relevant processes.</p>
<p>2. 50% of the surveyed SME managers or owners see an improvement in the quality of training courses and advisory services by two public or private economic development agencies based on the categories a) alignment with demand and b) suitability for raising turnover; women's responses no worse than those of men.</p> <p>Baseline value: 0</p>	<p>Target value: 50% confirm an improvement in both categories</p>	<p>In total 19% of survey entrepreneurs confirm an improvement of demand orientation. 56% confirm suitability for raising turnover. Since the survey took place in early 2016 and considering the fact that substantial measure are still in the process of being implemented, it is plausible that the indicator will be fulfilled to a large degree. Based on the feedback from entrepreneurs interviewed during the mission, it was clear to the mission team that the training offers and the services provided helped to improve customer orientation and quality standards. The improved services helped to foster entrepreneurial thinking and business planning.</p>

<p>3. Regional government partners confirm that regional competitiveness has risen thanks to conflict-sensitive measures for increasing regional or sectoral competitiveness.</p> <p>Baseline: N.A.</p>	<p>Target value: Confirmation by 80 % of the surveyed stakeholders from the regional Government in Shan State</p>	<p>Necessary survey will only take place at the end of 2016. However, given the very positive feedback of interviewees during the PEV mission, it seems plausible that the indicator will be reached. Processes were introduced in the Shan State that will ensure a higher participation of the private sector in regional economic development promotion. Partners were very appreciate of the concrete impact in promoted sectors. Beneficiaries confirmed tangible improvements in terms of market access and income.</p>
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The evaluation team comes to the conclusion that objectives indicator 2 and 3 will probably be *fully* achieved and that objective indicator 1 will be partly reached by the end of the project/programme.

The project showed clear results in strengthening overall capacities of individual actors and institutions. This is for example very visible in DICA. The advice on matters of organisational development has changed organisational structures. Processes have been adapted and mechanisms introduced (complaint mechanisms as one example) that improve the organisational culture. The institutions supported are now in a much better position to adapt to new demands and to better consider a more constructive role in SME promotion. The project has also contributed to long- term strengthening of individual capacities through entrepreneurship training offers that have been established in various public and private organisations.

The effectiveness of the TC measure is rated successful with 12 points.

Overarching development results (impact) (Are we contributing to the achievement of overarching development results?)

In the view of the PEV mission, two criteria should be considered to discuss the impact of the project. First, the program ("Teil A") objectives provide a clear direction for the intended development impact. The program, of which PSD is one module, aims to strengthen individual, institutional, political pre-conditions as well as infrastructure for sustainable economic development. Secondly, it should be considered how the interventions of the project have actually contributed to improve opportunities for SME to generate employment and income opportunities, especially in poorer regions of the country. This is of course the overall development goal of the Government of Myanmar.

The political situation in Myanmar is rapidly changing and mandates of government institutions might soon be re-defined. It is therefore, regarding the second aspect mentioned above, not easy to determine where capacity development efforts at the institutional level have a clear link to private sector development and where this in turn can have a longer-term impact on the lives of people. The PEV-team recognized that visible progress has been achieved with regard to strengthening capacities of relevant political institutions. The work with selected government institutions and the investment in the capacity development efforts carries however a risk in light of the unpredictable relevance of these actors in the future.

The work in the selected value chains and with some of the associations, specifically the MFVP, had an immediate impact on the competitiveness of the MSME. Through the interventions of the project, productivity of small holder was increased. As confirmed in the interviews, through better commercialisation, the income of farmers was improved. In this intervention area the project therefore had a strong impact that that went beyond the module objective and the intervention area of the project.

Given the overall direction of the Government to decentralise economic planning and economic development, including SME promotion, the efforts of the project to strengthen the capacities of regional government actors seem to be well designed to contribute to development impact. Regional government in the future was expected to have a stronger influence on the framework conditions of MSME. It is therefore a pre-condition that Government actors understand the needs and the priorities of smallholder producers and MSME. The project made important contributions to that by raising the awareness of private sector needs and by facilitating public-private dialogue.

The impact of the TC measure is rated successful with 12 points.

Efficiency (Are the objectives being achieved cost-effectively?)

As already mentioned above, the PEV- team came to the conclusion that due to the opportunities for quick wins in the value chains (improving productivity through better basic agricultural practices; better market access through joint commercialisation; introduction of first processing stage with direct involvements/ownership of small holders), tangible

results for the target group were achieved with relatively little expenditure. Just looking at the efficiency in terms of direct effects on the target group, it seems that other areas of project expenditure have resulted in less direct results. This is especially true regarding the interventions with the public partners on the Yangon level (DSMED, DICA). It also applies to the support of UMFCCI. In general, the PEV team therefore came to the conclusion that the results of the project could have been maximised if more resources were spent on the regional level. However, considering the specific context of the just starting development cooperation with Myanmar at the time the project was initiated, there were objective reasons for that not being possible based on the explanations provided to the mission team (the need to establish relations with the political partner; limited opportunities to work with long-term international staff in the regions – see above). Due to the highly vulnerable and evolving political situation and based on government-to-government agreements, it is from the point of view of the PEV mission understandable, that the project needed to establish strong relationships with political partners in Yangon. The situation in Shan State (the region designated as the intervention area of the project) was not considered completely stable and relatively insecure. Due to the existing regulations for foreigners permitted as long-term staff in States and Regions other than Yangon and Mandalay, there was a clear rationale for keeping a higher number of staff in the Yangon. Looking back though and considering the results achieved, it seems that results could have been maximised with even greater investments at the regional level.

The project team included a relatively high number of international staff. This is from the viewpoint of the PEV mission only partly justified by the specific country situation (opening up after a long isolation; just resuming development cooperation and lack of qualified national staff).

The project used opportunities to cooperate with other donors well, which is for example demonstrated by the fact that it was possible to integrate a co-financing agreement from the EU. The cooperation with the ILO in designing and rolling out entrepreneurship trainings is another good example for this. Through this cooperation it was possible to not only adapt the trainings to the needs of the target group but also roll out the courses nation-wide. This is therefore a very positive example for leveraging the funds of the project together with another development partner. The project furthermore cooperated constructively but less intensive than with ILO with the other relevant development organisations. All of the interviewees during the PEV mission confirmed the positive contribution to coordination and information sharing.

The efficiency of the TC measure is rated rather successful with 10 points.

Sustainability (Are the positive results durable?)

Due to the broad spectrum of activities and the differing methodological approaches, the criteria of sustainability should be discussed specifically for the different components one by one. Regarding the sectoral promotion taking place in Shan State, it can be said that the project carefully chose value chains for intervention that showed commercial opportunities and a good production basis. Since value chains were selected with a good consideration of market opportunities, the chances for sustainability seem to be good. A precondition for that would be that a structure comes into place that continues to advise and support farmers long-term (either commercially- based, through the associations or through other ways to effectively establish groups of farmers).

The long- term perspective was also well considered when introducing the entrepreneurship trainings. Great care was taken to set up sustainable business models for training delivery and support business development providers in offering the trainings on a long- term commercially viable basis. However, it will still have to be proven if the content of the trainings meets the demands and needs of the MSME sector in Myanmar sufficiently. Only then can the training offers be sustained on a long term basis.

The project made great efforts to promote organisational development and institutional learning in the partner organisations. A good example is DICA. Here the project advised on specific processes to promote better allocation of responsibilities and transparency. This was well accepted by the organisations and integrated into standard procedures. The results of the advisory services provided by the project are for example a transparent mapping of all pro-cesses in the organisation.

It was the clear view of the PEV team that these results, based on a very close and trustful relationship with the partner organisations are durable and will have a long-term effect on a better performance of these organisations.

However, the political situation in Myanmar is rapidly changing, as might the mandates of the organisations the project worked with. There is therefore a considerable risk that the organisations that were the subject of the efforts for organisational development and internal learning might not be able to use this knowledge for the benefit of the target group of the project.

The project aimed to address that risk by diversifying the partner structure (for example not concentrating the support on one organisation but establishing advisory services in several relevant organisations, both public and private). This makes the “investments” of the project much less vulnerable to changes for example in the governance structure.

The sustainability of the TC measure is rated successful with 12 points.

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