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Independent Development Evaluation
African Development Bank

From experience to knowledge...
From knowledge to action...
From action to impact

Evaluation Department



Towards Private Sector-Led Growth: Lessons of Experience

Evaluation Synthesis Report

What did we evaluate?

This synthesis outlines the key findings of 33 evaluations of support for private sector development (PSD) undertaken by bilateral and multilateral institutions over the past five years. The purpose of the synthesis is to inform the strategic direction, design, and implementation of future PSD initiatives so as to leverage the sector's role in spurring economic growth and advancing development effectiveness in Africa. The synthesis specifically 1) gathers evaluative knowledge on the relevance, efficiency, effectiveness, sustainability, and management of private sector programs; and 2) teases out key lessons pertaining to what worked, what did not, and why.

What did we find?

Constraints to PSD

There was broad agreement on the main constraints to PSD: inadequate access to electricity, lack of access to finance, corruption, high tax rates, political instability, competition from the informal sector, and inadequate worker and management skills. The importance of these constraints varied by firm size, country context, and donor. Most donors used in-country consultations, and to a lesser extent formal diagnostic tools as the mechanisms for identifying PSD constraints.

Relevance

While donor strategies are broadly aligned with national PSD strategies, selectivity challenges and unclear underlying rationale

(theory of change) in addition to poor diagnostics and beneficiary selection weakened the relevance of PSD interventions.

Effectiveness

The effectiveness of PSD interventions varied depending on the nature of intervention (e.g. economy-wide, sector-specific or firm-specific) and the instruments (financial and non-financial) employed. The benefits of economy-wide policy reform measures, especially for enhancing the business environment and ensuring the availability of infrastructure, were however unquestioned.

Efficiency

Efficiency varied depending on intervening factors (e.g. in-country donor presence, institutional capacity, level of investment, and use of public sector institutions). Overall, in-country donor presence and PSD support via financial intermediaries resulted in better efficiency.

Sustainability

Sustainability was generally deemed weak, primarily because it was not systematically built into program design. Emphasis was placed more on financial rather than institutional sustainability.

Design and Delivery

Donor PSD program design was complex due to the choice of constraints to be



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addressed, the diversity of instruments and the multiplicity of implementing agencies, leading to implementation, coordination and sequencing challenges. Donors privilege “gap-filling” over additionality, catalytic impact, and minimizing distortions emanating from subsidies, but this is not a successful strategy. In the case of providing financing support through intermediaries, the choice of intermediaries – taking into account their capacity and development focus – was an important determinant of success.

Coordination

There was little evidence of donor coordination at country level beyond the exchange of information and utilization of standardized financial and private sector intercessors, and participating in global and regional multi-donor programs.

Monitoring & Evaluation

A number of weaknesses were flagged in the area of monitoring and evaluation: 1) a difficulty in assessing the impact of programs designed to influence and change private sector behaviors; 2) a focus on outputs rather than outcomes; 3) a lack of baseline data; and 4) challenges of donor attribution.

Gender Mainstreaming

Coverage of gender specific issues among the evaluations was surprisingly limited.

What do we take away?

1. A need to transcend “gap-filling” and move toward an integrated approach that privileges additionality and catalytic impact.
2. Invest in research to unpack and understand the poverty impact of the macro, sector, and firm level support contained in PSD programs.
3. Ensure proper capacity assessment of donors, intermediaries, and governments so they effectively deliver on expected outcomes in a sustainable manner.
4. Include capacity development components for intermediaries in all donor support packages so as to enhance institutional capacity, while creating an enabling environment for success.
5. Design, implement and invest in a rigorous and integrated monitoring and evaluation system that focuses on outcomes.

About IDEV

Independent Development Evaluation (IDEV) of the African Development Bank carries out independent evaluations of Bank operations, policies and strategies, working across projects, sectors, themes, regions, and countries. By conducting independent evaluations and proactively sharing best practice, IDEV ensures that the Bank and its stakeholders learn from past experience and plan and deliver development activities to the highest possible standards.

About NoradDev

The **Evaluation Department**, located in Norad, is mandated to initiate and carry out independent evaluations of any activity financed by the Norwegian aid budget. The Evaluation Department is governed under a separate mandate for evaluating the Norwegian Development Aid Administration and reports directly to the Secretaries General of the Norwegian Ministry of Foreign Affairs and the Ministry of Climate and Development.

About this Evaluation

This evaluation synthesis report is a joint work between the evaluation departments of the Norwegian Agency for Development Cooperation (Norad) and the African Development Bank (AfDB). It serves to mine and synthesize the evaluative evidence from 33 evaluations undertaken by multilateral and bilateral institutions on support to the private sector and/or various segments in the private sector. The evaluation synthesis aims to inform the strategic direction, design and implementation of future private sector development initiatives by drawing lessons on what works, what does not work, and why.

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