

## Type of Review: Project Completion Review

### Project Title: Enhancing Micro, Small and Medium Enterprise (MSME) Inclusive Growth (PROPEMCE)

Date started: 6 July 2009

Date review undertaken: February 2013

#### **Instructions to help complete this template:**

*Before commencing the review you should have to hand:*

- *the Business Case or earlier project documentation.*
- *the Logframe*
- *the detailed guidance (How to Note) - Reviewing and Scoring Projects,*
- *the most recent annual review and other related monitoring reports.*
- *key data from ARIES, including the risk rating*
- *the separate project scoring calculation sheet (pending access to ARIES)*

*Two scores are produced at project completion - one based on achievement of the outputs and one based on achievement of the outcome. You should assess and rate both the individual outputs and the overall outcome using the following rating scale and description:*

<b>Output Description</b>	<b>Scale</b>	<b>Outcome Description</b>
Outputs substantially exceeded expectation	A++	Outcome substantially exceeded expectation
Outputs moderately exceeded expectation	A+	Outcome moderately exceeded expectation
Outputs met expectation	A	Outcome met expectation
Outputs moderately did not meet expectation	B	Outcome moderately did not meet expectation
Outputs substantially did not meet expectation	C	Outcome substantially did not meet expectation

#### **Introduction and Context**

What support did the UK provide?

The UK has provided £3.4 million out of a total of £5.7 million in support of the PROPEMCE Project with the balance being provided by the Ministry of Foreign Affairs of Finland. The project was delivered through delegated management by Finland, as DFID no longer has an office in Nicaragua.

These resources were to be used to cover the technical and administrative costs of the PROPEMCE Project Implementation Team and to fund the key project deliverables of promoting micro, small and medium enterprise development; promoting greater inclusiveness in enterprise development, particularly for traditionally excluded groups such as women and indigenous populations; and the development and dissemination of good practices for inclusive development to the private and public sectors in Nicaragua.

## What were the expected results?

The programme goal was: Sustainable inclusive growth in the private sector in Nicaragua

The programme purpose was: Enhanced MSME growth and provision of opportunities for women and excluded populations

PROPEMCE aimed to produce four outputs:

- Improvement in the provision of business services in five value chains, facilitating greater inclusion of small enterprises in the various links of the chain.
- Improvement in the regulatory environment and governance of the selected value chains.
- Development of business case for increased participation of women and excluded populations through the development of medium and large enterprises in five value chains.
- Development, processing and dissemination of “good practice” models to facilitate inclusive growth and feed the policy and private sector support systems.

## What was the context in which UK support was provided?

PROPEMCE built on DFID’s experience since 2005 of establishing an innovative approach to micro, small and medium enterprise (MSME) development in Nicaragua. PROPEMCE was designed jointly by the Ministry of Foreign Affairs of Finland and DFID to promote inclusive private sector growth in alignment with the priorities of the Government of Nicaragua (GoN) as defined in the National Human Development Plan (NHDP) and existing Sector Wide Approaches known as PROMIPYME and PRORURAL.

Nicaragua’s private sector is characterised by informality. MSME, businesses with less than 150 employees, account for more than half of national employment. MSME productivity levels and contributions to gross output and value added are low compared to large businesses. Although MSME generate 40% of GNP and 35% of exports, their levels of competitiveness remain limited.

PEMCE (Promoting Equity Through Economic Growth), DFID’s first growth programme in Nicaragua, worked directly with MSME to identify the main bottlenecks to inclusive private sector development. The service constraints prioritised under PEMCE were: lack of access to credit, weak value chain coordination, poor infrastructure, insufficient public services and poor access to information. Discriminatory rules and regulations were also highlighted as a significant bottleneck. PROPEMCE was designed to continue work on these issues in selected value chains, aiming to bring about systemic change.

An initial study on the potential for poverty reduction through value chain development in Nicaragua, recommended work in the following sectors: fisheries, plantain, cacao, rural tourism and dairy. During the inception phase, PROPEMCE decided to work in the following value chains: wood-furniture; roots and tubers; dairy-cheese; vegetables and tourism.

Learning from PEMCE, PROPEMCE paid explicit attention to addressing issues of inclusion – seeking to identify what inclusion means for each value chain and to develop strategies that address institutional and structural constraints hindering growth, and worsening exclusion. Similarly addressing earlier weaknesses, PROPEMCE was structured to have a strong communication and knowledge component for learning on inclusive growth promotion - learning from others, developing its own learning, producing successful intervention models and integrating these into government and organisations that share the goal of poverty reduction through private sector development. Finally, PROPEMCE was underpinned by the Making Markets Work for the Poor (M4P) approach that aims to ensure that value chains can benefit poor people.

## Section A: Detailed Output Scoring

### Output 1: Improved service provision to MSMEs in five value chains

#### Output 1: Final score and performance description:

- It is impossible to make an objective and useful detailed output scoring in this case.

The reason why an objective, well grounded and useful output scoring cannot be made in the case of PROPEMCE is that the programme has no single agreed definition of expected outputs. The initial logical framework that formed part of the agreement signed by Finland and Nicaragua in July 2009 has been followed by a number of revisions in the first Global Operational Plan (GOP) (finalized in mid-2010), in the second GOP (finalized in April 2011) and in the subsequent Annual Operational Plans (AOP). A baseline for the programme was finally made in the beginning of 2012. The most recent Annual Review, made in June 2012, uses milestones that according to the reviewer were agreed following discussions with the PROPEMCE Technical Team in February-March 2012. Obviously, if one changes goals and indicators over time, in the same pace as actual execution proceeds, any attempt at scoring becomes meaningless.

On the other hand, it may be suggested that a programme which is to be implemented according to the M4P approach should rather not be subjected to this kind of quantitative scrutiny, since it is supposed to *facilitate* rather than *do*.

#### Final results:

Almost all of PROPEMCE's outputs were produced during the last year of programme implementation (2012) and especially during the second half of the year. Therefore, in order to preserve some continuity and credibility in this programme monitoring, this Completion Report comments on the latest Annual Review (June 2012) rather than inventing yet another set of new milestones.

The June 2012 Annual Review presents the following analysis:

The specific milestones and indicators for this output were:

1. percentage of MSMEs with improved quality, coverage and access to support mechanisms especially in relation to the needs of excluded populations.
2. number of new models or improvements for MSMEs developed by participating service providers in the programme
3. level of satisfaction reported by MSMEs in relation to access to new and improved services

**Table 1**

Indicator	Milestone	Performance
Percentage of MSMEs with improved quality, coverage and access to support mechanisms especially in relation to the needs of excluded populations	15%	25%
Number of new models or improvements for MSMEs developed by participating service providers in the programme	5	6
Level of satisfaction reported by MSMEs in relation to access to new and improved services	low	low

Indicator 1: Over the entire project duration, the programme has been able to provide training and equipment to a number of MSME, and this has helped to improve some of their conditions for production in larger quantity and with better quality. This is particularly true with regard to the roots and tubers and the cheese chains. However, no basis for the milestones given in Table 1 has been found. The first indicator does not clarify what the 15% milestone refers to, whether to the universe of Nicaraguan MSME or to those participating in PROPEMCE. It is even less clear how the figure of 15% has been determined and how the 25% performance has been measured. It should be noted that criteria such as “quality, coverage and access to support mechanisms” are quite difficult to quantify.

Indicator 2: The same doubts can be expressed here as those commented for Indicator 1.

Indicator 3: Most of the beneficiaries interviewed in February 2013 do express some degree of satisfaction with the services provided by PROPEMCE, but they also complain about the shortness of the training activities. It may now be fair to consider a performance rating at the “medium” level.

**The final evaluation of PROPEMCE (February – March 2013),** commissioned by the Ministry of Foreign Affairs of Finland produced the following count of beneficiaries of training and equipment at the “end-user” level, i.e. mostly in the primary links of the value chains:

Wood and furniture: 315 families (154 women and 161 men) from about 8 cooperatives; 60 MSME which participated in a regional trade fair in the North Atlantic Autonomous Region.

Roots and tubers: 950 families of small farmers and 30 technicians in this sector; MSME participation in activities carried out by the Association of Nicaraguan [Agricultural] Producers and Exporters (APEN) i.e. organization of a general export fair and two workshops to improve contacts within the value chain and one training process in Best Manufacturing Practices for 5 businesses (not concluded).

Cheese: 614 beneficiaries (390 men and 224 women) who received direct support from PROPEMCE as milk producers, micro enterprises in the cheese sector or as students; another 298 families indirectly benefitted as long as the COOPROLECHE cooperative manages to increase production and sales. In addition to this, the Nicaraguan Chamber of Commerce for the Dairy Sector (CANISLAC) carried out a national campaign in favour of milk consumption, with the participation of 6,620 school children.

Vegetables: 150 beneficiaries (24 men and 126 women).

Tourism: 1,465 direct beneficiaries, of which 1,115 participated in an environmental protection campaign. The other, more intensive interventions, provided support to 90 men, 210 women and 50 micro enterprises (undefined in terms of gender).

The above data give some idea about what PROPEMCE finally accomplished at the output level.

**Impact Weighting (%): 45 (in the latest Annual Review)**

**Revised since last Annual Review? No**

**Risk: Medium**

**Revised since last Annual Review? No**

Output 2: Improved regulatory environment for MSMEs in five value chains.

**Output 2: Final score and performance description:**

C (Outputs substantially did not meet expectation)

The June 2012 Annual Review assigned the following value here: A (Output met expectation). However, the expectation had been downgraded (in February-March 2012) to “0” and “low” for the two indicators established at the beginning of the year, so it was rather “easy” for the programme to score A. The Review pointed out that “this output is expected to be delivered at the end of the project” – this did not happen.

**Final results:**

The programme did not achieve anything as regards output 2. One reason for this may be the lack of interest on the part of the concerned Nicaraguan government authorities, who were in disagreement with the “independent” implementation model that had been given to PROPEMCE. One can hardly expect a receiving partner government to collaborate in reviewing their own legislation in the framework of an international cooperation project where it plays a minority role in decision-making.

**Impact Weighting (%):**

20

Revised since last Annual Review? No

Risk: High

Revised since last Annual Review? No

Output 3: Business case for increased participation by women and excluded groups made to medium and small enterprises in five value chains.

**Output 3: Final score and performance description:**

A+ (Output moderately exceeded expectation)

In this case, the rating given in this completion report is the same as the one given in the June 2012 Annual Review. Again, it is not clear on what grounds the 20% milestone was established in early 2012; however, on the basis of the count of male and female beneficiaries/participants referred to above it is now concluded that the Annual Review figure of 43% female participation reflects reality, as does the following statement made in the PROPEMCE Annual Report for 2012: “In the wood/furniture chain there is an average female participation of 20% as partners in the community enterprises, in the roots and tubers chain the women represent 25%, in the cheese chain there is a 20% female membership in the cooperatives, while in the vegetable and tourism chains women’s participation reaches 60% and 50% respectively”.

**Final results:**

PROPEMCE used a strategy that combined affirmative actions (preferential treatment) for a particular group (women) with a mainstreaming of this objective in all interventions, starting at the stage of selection of the interventions. In each of them, one of the criteria applied in the design was that a minimum percentage of women should be included. In the final evaluation report of March 2013, an average female participation rate of 47 % has been calculated; this is a very good figure compared to whatever expectations may have been held at different points in time.

No hard data have been registered by PROPEMCE about the degree of participation of indigenous populations, which is the main (or only) component of what has been called “excluded populations”. The interventions made in the wood-furniture chain are the only ones where there is an observable participation of indigenous peoples.

**Impact Weighting (%):** 20%

Revised since last Annual Review? No

Risk: Medium

Revised since last Annual Review? No

Output 4: Systematised and disseminated 'good practices' on facilitating inclusive growth that feeds into private sector policy and support systems.

**Output 4: Final score and performance description:**

- It is impossible to make an objective and useful detailed output scoring in this case.

**Final results:**

The PROPEMCE experiences were systematised by an external consultant team at the end of 2012 and a report was prepared accordingly.

Little dissemination has been made, mainly because there has been little to disseminate, considering the late start of all the interventions.

Output 4, as defined above (like in the June 2012 Annual Review), does not mention monitoring, evaluation and knowledge management, which were important parts of Component III, according to the 2011-2012 POG. It is important to point out that the PROPEMCE Management Team has created a very good monitoring system; the drawback is that it was done too late and contains information only for 2012.

**Impact Weighting (%): 15**

**Revised since last Annual Review? No**

**Risk: Low**

**Revised since last Annual Review? No**

## Section B: Results and Value for Money.

### 1. Achievement and Results

**1.1 Has the logframe been changed since the last review? Y/N**

No

**1.2 Final Output score and description:**

C (Outputs substantially did not meet expectation)

There is a wide consensus among stakeholders, including donor representatives, Nicaraguan authorities and even part of the final beneficiaries about the limited efficiency, effectiveness, impact and sustainability of this programme.

The initial cause for the poor performance and little success of PROPEMCE was the fact that it was approved by two parties (donors and recipient) who did not sufficiently agree on the central ideas of the programme. The donors wanted an "independent" programme with as little interference as possible by the Nicaraguan government and the programme design therefore incorporates a decision-making

structure with the Nicaraguan authorities in a state of minority which they could hardly give their full acceptance.

Secondly, there was a considerable difference between the Nicaraguan government strategy for poverty reduction and the strategy of PROPEMCE.

Just when the inception phase and the first POG was completed, one year after the project start, the Ministry of Foreign Affairs of Finland discovered that the procedures for acquisition of services and equipment, as formulated and implemented by the Programme Management Team, were not in accordance with Finnish law. It took more than one year to sort out this problem and during that time, programme execution was paralyzed.

In the end, PROPEMCE managed to execute just about half of its budget.

### **1.3 Direct feedback from beneficiaries**

The following appreciation included in the June 2012 Annual Review still stands and deserves to be quoted in full:

“There were universal expressions of appreciation for the interventions being delivered under the project and for the quality of technical support being provided by the PROPEMCE Team. Beneficiaries were clearly positive about the opportunities which had been provided for their participation in the design of interventions, management of funds and the scope and their direct involvement in the evaluation of the quality of work produced by Consultants and service providers engaged under the project.

However, in the circumstances of extreme need (the rural poor in Latin America’s poorest country) and actual ... service delivery, it was difficult to realize a full critical assessment of the project by beneficiaries. The main concerns expressed related to project delays and the related challenge of limited time-frame available for the delivery of project interventions which had the potential to compromise results if interventions had to be rushed. In addition, there were concerns about the time-intensive and detailed record-keeping required under the project. This was a particular issue for beneficiaries at the lower levels of the value chains who are by definition time-poor...”

The 2013 final evaluation team talked to a great number of beneficiaries and received the same kind of comments from them as those summarised in the above quote.

### **1.4 Overall Outcome score and description:**

Whereas it has been possible to provide some hard data on outputs it is not possible to provide any reliable data on outcome. There simply has not been time enough for the outputs to generate much of certain outcome.

### **1.5 Impact and Sustainability**

PROPEMCE as a whole is not likely to have any noticeable impact or sustainability. The M4P approach has not been internalised or appropriated in any Nicaraguan institution or entity of any kind.

Some of the specific interventions may turn out to have an impact and to be sustainable in future. The best perspectives in this regard are to be found in the cheese, roots and tubers and tourism chains. It is however too early to give some firm estimates about this. To mention just one example, some interventions in the roots and tubers value chain were finalised in late 2012 and the first harvests based on new techniques, improved seeds, etc., will be ready only in March-April 2013, i.e. after the termination of the programme. Many other interventions ended up in a similar state that is “inconclusive”.

## 2. Costs and timescale

### 2.1 Was the project completed within budget / expected costs: Y/N

Yes

The project was terminated within the budget; it achieved a budget execution of 50 %.

### 2.2 Key cost drivers

The main cost drivers have been the Programme Management Unit, i.e. administrative costs, fees and technical assistance.

### 2.3 Was the project completed within the expected timescale: Y/N

No

Due to the extraordinary delay in getting operational, the programme could not be completed in accordance with the initial POG or the revised POG.

## 3. Evidence and Evaluation

### 3.1 Assess any changes in evidence and what this meant for the project.

The one assumption made at the project design stage, which turned out (not surprisingly) to be rather “optimistic” was that an independent project management unit and programme governing bodies with Nicaraguan Government representatives in minority would be conducive to a successful execution. This was one of the reasons behind all the complications and delays. There was simply not sufficient agreement between the parties about programme strategy or even about some of its objectives.

### 3.2 Set out what plans are in place for an evaluation.

The project was subject to an external final evaluation in February-March 2013, implemented by a consultant team selected by the Ministry for Foreign Affairs of Finland. This consultant team has contributed to the present project completion report, according to its Terms of Reference.

## 4. Risk

### 4.1 Risk Rating (overall project risk): Low/Medium/High

Medium

Did the Risk Rating change over the life of the project? Y/N

No

### 4.2 Risk funds not used for purposes intended

No

### 4.3 Climate and Environment Impact

Most of the training events delivered by the programme have included environmental matters. The total impact of the programme is small and it is not likely to have any big effects with regards to climate and environment, neither negative nor positive. There is only a certain possibility that the expansion of roots

and tuber production may contribute to deforestation, as might unregulated activities in the wood and furniture chain do.

## 5. Value for Money

### 5.1 Performance on VfM measures

More than a year after start of the inception phase, it was discovered that the process for selection of specific interventions as well as the amounts of funds assigned to them did not comply with existing Finnish laws on public procurement and donations. This led to the many times commented delay in implementation of those interventions and a substantial under-execution of the programme budget. Extraordinary efforts were made to implement 'projects' in 2012, especially in the second semester. The pressure to spend as much as possible of the budget in the little time left would seem to have had some effect on the selection of investments in equipment and supplies in some of the interventions (for instance, provision of gasoline for one year to tourist boats in Rio San Juan). It has also been noted that many of the local consultants hired for training events were paid rather higher fees.

### 5.2 Commercial Improvement and Value for Money

As far as it can be seen at the time of preparing this completion report, the PROPEMCE programme has obtained little value for money. The M4P approach requires time in order to work, primarily, by means of "facilitation" and not through direct investments. The fact that the budget was executed only to a 50% level may be due not only to the delays in project execution but to over-budgeting.

### 5.3 Role of project partners

The Nicaraguan government/public institutions that were represented in the Management Committee and the Supervisory Board were in some disagreement with the Project Management Team most of the time.

There was not always full agreement on desirable implementation strategy between the Ministry of Foreign Affairs of Finland and the Finnish Embassy in Managua and apparently not always internally in each one of those two bodies. It is perfectly normal for this kind of situations to arise now and then in any setting; however, in the case of PROPEMCE it appears to have reached dimensions which caused additional complications for the programme implementation.

### 5.4 Did the project represent Value for Money : Y/N

No

## 6. Conditionality

### 6.1 Update on specific conditions

Not applicable

## 7. Conclusions

The external final evaluation mentioned in 3.2 came to the following conclusions which are recorded in the evaluation report:

- The programme design, in its technical and strategic aspects, reflects a mixture of a project for strengthening MSME and a project for poverty reduction, without sufficiently analyzing how the one thing can be combined with the other. Among other problems, those two types of intervention have, to an important extent, different categories of beneficiaries or target groups.
- The decision to use the M4P approach and the subsequent doctrinaire insistence on it, on the part of the donors did contribute to the delays and difficulties in programme implementation. The first Programme Coordinator and his team used an approach of “inclusive business” more than M4P, without – apparently – anybody noticing this until a year after the start. In the end, M4P was never applied more than partially.
- In the second half of 2012, the Project Management Team made a very good job in terms of executing the specific interventions that had been identified during 2011 and even before. However, due to the lack of time for implementation at this stage, the effects have been limited and incipient. Of the 53.5% that was spent of the total budget, less than half went to the interventions and more than half to the operation of the Management Team (salaries, technical assistance and general expenses). It is reasonable to say then, that PROPEMCE has been an expensive programme – it has had a high cost/effect rate.
- As an example of “delegated management (from one donor to another), PROPEMCE has not been very inspiring. One aspect of the matter is that the Finnish cooperation had very little or no experience at all in M4P and similar approaches.

## 8. Review Process

This project completion review was made in February-March 2013 by a team of external consultants selected by the Ministry of Foreign Affairs of Finland, as agreed with DFID. The work consisted of reviewing a great amount of documentation of all kinds, interviews with current and ex staff of PROPEMCE, Nicaraguan government authorities, representatives of the two donor entities, strategic partners and beneficiaries of the programme. A comprehensive programme of field visits was also implemented in all the geographical areas where the programme has worked.