



ILO EVALUATION

- Evaluation Title: **Business Opportunities and Support Services (BOSS)**
- ILO TC/SYMBOL: **TIM/10/02/IRL**
- Type of Evaluation : **Midterm Evaluation**
- Country(ies) : **Timor Leste**
- Date of the evaluation: **May – August 2013**
- Name of consultant(s): **Christian Schoen / Vino Mousaco**
- ILO Administrative Office: **ILO Country Office for Indonesia and Timor-Leste (Co-Jakarta)**
- ILO Technical Backstopping Office: **Job Creation&Enterprise Development Department (EMP/ENT)**
- Date Project ends: **December 2015**
- Donor: country and budget US\$ **Irish Aid (US\$ 7,920,395)**
- For Joint Evaluations: Lead Organization:
- Participating organizations:
- Evaluation Manager: **Ms.Eléonore D'Achon**
- Evaluation Budget: **US\$27,995**
- Key Words: **Private Sector Development, Value Chain Development, Business Development Services, Entrepreneurship**

This evaluation has been conducted according to ILO's evaluation policies and procedures. It has not been professionally edited, but has undergone quality control by the ILO Evaluation Unit.

Contents

| | |
|--|----|
| Executive Summary..... | 3 |
| Acronyms | 10 |
| 1. Background and Project Description | 12 |
| 1.1 Background | 12 |
| 1.2 Project description | 12 |
| 1.3 Concise overview of the general situation of markets in Timor Leste..... | 14 |
| 2. Purpose of Evaluation | 16 |
| 3. Evaluation methodology | 16 |
| 4. Project status and findings..... | 18 |
| 4.1 Validity of Project Design | 18 |
| 4.2 Project progress by outcome | 20 |
| 4.3 Project status and findings overall..... | 29 |
| 5. Conclusions and recommendations..... | 37 |
| 5.1 Conclusions | 37 |
| 5.2 Recommendations | 38 |
| 6. Lessons learnt and emerging good practices..... | 39 |
| Annex 1 – Terms of reference..... | 41 |
| Annex 2 – Evaluation matrix | 52 |
| Annex 3 – Evaluation workplan | 57 |
| Annex 4 – List of publications cited | 62 |
| Annex 5 – Templates for Lessons Learned..... | 63 |
| Annex 6 – The Framework of Systemic Competitiveness..... | 68 |
| Annex 7 – Current Organisational Chart of IADE | 71 |

Executive Summary

Background & Context

Summary of the project purpose, logic and structure

The Business Opportunities and Support Services (BOSS) is a 5-year Private Sector Development project that was initially funded by Irish Aid only and planned for 4 years. Since early June 2013, the New Zealand Aid Programme (NZAid) started to additionally support the project which helped to extend the project duration to 5 years (until December 2015), to deepen the work in the three value chains selected (cattle, horticulture, tourism) and to widen the portfolio of business services offered by the main counterpart IADE (Institute for Business Support).

The project aims to address the problem of an underdeveloped private sector in Timor-Leste in order to stimulate growth and fight poverty in the country. This is done by upgrading selected value chains and economic subsectors, improving their business and regulatory support structures and stimulating public-private dialogue and coordination.

The project's development objective is to *"Contributing to the generation of pro-poor economic development and quality employment for women and men by spurring growth of micro and small enterprises (MSEs). This will indirectly contribute to consolidating peace and preventing conflicts"*.

This is expected to be achieved through the following immediate objectives:

- Immediate Objective 1: Increased business opportunities for MSEs in target sectors and districts.
- Immediate Objective 2: Nation-wide access to enhanced and innovative market/need orientated business development services (BDS)
- Immediate Objective 3: Increased SEAPRI (State Secretary for Private Sector Support and Promotion) commitment and capacity to mainstream gender in all policies, programs and activities

Each immediate objective is implemented in the form of a separate Component. The project is acting as a facilitator and "catalyst for change" rather than an interventionist. Component 1 is based on the Making Markets Work for the Poor approach (M4P).

The Project Document was well-researched, took into account stakeholders' needs and priorities, and has a number of strengths, which are:

- BOSS tries to make markets work by developing supply side, demand side or both.
- Gender mainstreaming was embedded in the project design in the form of a separate component.
- In terms of inter-project coordination BOSS and the rural road infrastructure project ERA were jointly designed and complement each other mutually.
- The project allows for experimentation followed by implementation, e.g. moving from Local Economic Development to Value chain Development to flexibly respond to the difficulties of doing LED in a non-decentralised setting.
- Indicators in general are of good quality and gender sensitive, though not all indicators are fully SMART

The main issue of the project design is the absence of an explicit exit strategy of the BOSS Project. The fact that the project is tightly embedded in its counterpart IADE and thus will leave a high level of capacity within this organization will facilitate the exit of the project in 2015, but it does not replace an exit strategy jointly developed with and endorsed by the key stakeholders.

Present situation of project

This independent midterm evaluation found the project with still two and half years to go. Most planned activities have started and are well on track, some still had to be initiated. The latter are those activities which have been newly agreed upon after the involvement of a second donor (NZAid) since June 2013.

The project team is based in Dili in the premises of IADE and consists of a chief technical adviser, three international heads of Components, two additional international project advisors, one international volunteer (tourism expert), one national admin/finance assistant and three drivers.

Purpose, scope and clients of the evaluation

The objectives of the mid-term evaluation are to analyse progress made towards achieving established outcomes, to identify lessons learnt and to propose recommendations for improved delivery of quality outputs and achievement of outcomes. The evaluation provides an opportunity for reflection and self-learning regarding how the project could improve the effectiveness of its operations in the future.

Within this framework the midterm evaluation team, consisting of Christian Schoen and Vito Mousaco, two independent consultants, was asked a number of specific questions under the headings of relevance and strategic fit, validity of project design, project progress and effectiveness, efficiency of the resource use, effectiveness of management arrangements as well as impact orientation and sustainability. The evaluation took into account all interventions, the full geographical coverage (though not all project sites could be visited), and the entire first half of the project life (January 2011 to June 2013).

The principal clients for the evaluation are ILO project management, project stakeholders in Timor Leste, ILO Jakarta and Bangkok, ILO technical units (Job Creation & Enterprise Development Department), the ILO's technical cooperation and evaluation departments, and the project donors. The Evaluation Manager was Eléonore D'Achon in ILO HQ.

Methodology of evaluation

On the basis of the TOR, the evaluation team prepared an Evaluation Matrix indicating how it expected to obtain the required information and a standard list of questions for different groups of stakeholders. The team reviewed the reports and documents listed in the TOR, as well as further documents provided by the project. Interviews took place with the full range of stakeholders, at the national and district level in Timor Leste. This included target beneficiaries, which allowed gathering some anecdotal information on impact.

At the end of the assignment, key stakeholders were briefed on the main preliminary findings and their feedback obtained. Phone conversations after the field mission with the project backstopper in ILO HQ, one of the two donors and the CTA to clarify open questions completed the research.

The evaluation followed UN evaluation norms, standards and ethics.

Main Findings & Conclusions

Relevance

The field mission and the study research have shown that all three sectors selected for value chain development and sector support (cattle, horticulture, tourism) are considered to have high future economic potential.

In general, the BOSS Project addresses the needs of enterprises to develop by tackling most constraints for enterprise development in Timor Leste as reflected in the project design. More specifically, it tries to satisfy the needs for specific business services or economic needs of actors operating in value chains as identified through specific project studies.

By including a specific Component on gender mainstreaming and targeting specifically the different needs of female and male entrepreneurs through training and policy development, the project demonstrates its relevance for inclusive private sector development. In particular, promoting female entrepreneurship and increasing women's income utilizes a critical potential for private sector development, since women make up 49% of Timor Leste's population and are a valuable resource for sustainable economic growth.

One of the sectors indirectly supported by Component 2 (business services) is the construction sector. In order to create a fair playground for participation in public contracts for infrastructure development, a proper tender system needs to be in place and potential contractors need to be able to use it. Hence, the bids preparation and business training for contractors and the tender information system are highly relevant, as they introduce competition and quality assurance in the market for infrastructure construction services.

It can also be confirmed that the first project counterpart, the previous Ministry of Economy and Development (MED), had been actively involved in the initial design of the project and IADE and SEAPRI later in the project's redesign after the restructuring of the Government in 2012.

Members of the Steering Committee are the State Secretary of SEAPRI (chair) and the chief of cabinet in SEAPRI, representatives of the two donors, IADE (Executive Director and National Director) as well as the ILO Head of Mission. The Steering Committee is meeting twice per year to review the most recent Project Progress Report and to decide on the plan of action for the next six months. Hence, the Steering Committee plays a key role in monitoring and implementing BOSS activities and has taken respective ownership.

Coordination with various other ILO projects and other development initiatives takes place regularly. For instance, a close cooperation with the ILO-ERA project ensures that roads are built where there is a socio-economic need as indicated by the BOSS Project.

The BOSS Project has been designed in a way that it meets key requirements of the national Strategic Development Plan (SDP) 2011-2030, particularly the target "*the private sector will be the primary source of growth in incomes and employment in rural areas of Timor-Leste*" by "*encouraging the growth of MSE*" and through "*diversification into new economic activities*". It is also in line with the UNDAF 2009 – 2014.

Effectiveness

The project receives strong political support from SEAPRI (and previously from the Ministry of Economy and Development). The main counterpart IADE has been considerably re-structured, capacitated and its scope of services extended which is a precondition for the achievement of the immediate objective 2. The effectiveness of the counterpart and thus of Component 2, is increased by the fact that IADE has been accredited and selected training concepts (e.g. IYB, contractors training) and trainers certified. The sectoral adjustment of business training concepts, such as SIYB for agribusiness and solar energy and in the future most probably for tourism, will allow to more effectively targeting selected sectors. BOSS even successfully lobbied for integrating *Know About Your Business* (KAB) in curricula in secondary schools and thus helps enhancing entrepreneurial attitude early in life.

In the absence of national staff, the project depends on technical and administrative support provided by IADE in order to operate effectively. In terms of mutual support, the IADE M&E system builds on the BOSS M&E indicators demonstrating an effective use of available data tracking and aggregation.

In the light of the concept of Systemic Competitiveness, the project addresses problems of entrepreneurship and business development on all systemic levels:

- On the micro level by working indirectly with entrepreneurs in value chains and sub-sectors;

- On the meso level by cooperating and capacitating IADE and other meso institutions;
- On the macro level by lobbying for an adjustment of legislation;
- And on the meta level by changing values and mind sets.

The project effectiveness has been increased through cooperation with other ILO projects, such as ERA and TESP, other development projects and organizations, such as UNDP, USAID-DAC, Mercy Corps, UNCDF and Timorese organizations, such as the local Chamber of Commerce and Industry (CCI-TL) as relevant employer organization.

With respect to gender mainstreaming, the participation of women in IADE trainings often reached 50% or more. Particularly in contractor trainings it was often higher, but in trainings given to actors in the cattle sector understandably much lower. Gender and decent work questions were integrated in the value chain and gender studies.

The project performance is in all areas according to the performance plan and in some areas even beyond the plan. The budget delivery rate having reached about 50% in March 2013 is in line with the planned course of the project.

The minutes of meetings and the participants' lists of previous Steering Committee meetings indicate a high effectiveness of these meetings with high level attendance. The Secretary of State and the Executive Director of IADE seem to take key roles. Private sector involvement in steering the BOSS Project however is lacking and needs some attention.

In terms of tripartism, at this point the BOSS project tightly works with government (SEAPRI, IADE), intensively exchanges with the most relevant employer organization (CCI-TL), but does not maintain relationships with worker organizations. However, the relevance of labor organizations for the BOSS project might change with the future project support to developing the tourism sector.

The BOSS project management seems to be highly effective in standard reporting and in monitoring performance. The biannual Project Progress Reports are comprehensive, informative and follow the ILO reporting standard meticulously. The effectiveness of technical backstopping support, however, could possibly be improved, in both directions. Occasional requests by the international experts of the BOSS projects are not always answered in a satisfying and timely manner. However, the international expert team of BOSS is receiving advanced training opportunities frequently. On the other hand, the ILO headquarters expects from PSD projects to be "engines of innovation" that document and share innovative activities on a regular basis beyond the standard progress reports.

Efficiency

Discussions with the three Component coordinators and the chief advisor indicate that each Component is receiving the respective resources that enable an efficient implementation in line with immediate objectives and the general facilitation role of the project.

The project has adapted and reactivated tools, approaches, institutions that had been introduced earlier which is an indication of efficiency. The project, for instance, restructured and revitalized IADE as a business service provider. It facilitated the rehabilitation of the abattoir and the adjacent cattle market close to Dili. It reactivated the concept of, upgraded, redesigned and made affordable (through sponsoring by Timor Telekom) the SMS-based Tender Information System (TIS), which was developed by a previous development project. It also utilized and updated substantially the enterprise database.

Particularly, the TIS is a very efficient instrument for disseminating information to a large number of entrepreneurs at the same time. Similarly, the *Super Trainer* campaign for educating entrepreneurs shows a high level of efficiency through its wide outreach to entrepreneurs and – at the same time – increase of visibility of IADE.

The project's M&E system standardized the data collection with the help of special forms for different types of data to be collected by the CDEs at district level. The data entry, storage and

reporting procedures and system is based on a modular data base and is highly professional. This Management Information System (MIS) informs not only the M&E requirements of the project itself, but also of the counterpart IADE.

The numbers on enterprises served through different business services and jobs created in the selected value chains as reported in June 2013 by the MIS indicate a considerable and efficient achievement, at least in the Timor Leste context.

The project partners and service providers, such as IADE, the university UNTL in the cattle value chain and the intermediary providing technical assistance in the vegetable value chain seem to increasingly provide good quality services. The immediate objective indicator for Component 1 *“Increasing public and private investment in the target sectors”* shows that up to now the BOSS project managed in the cattle sector to trigger investments of 270,000 USD and in the horticulture sector 192,000 USD. In both cases the target numbers of June 2013 are overachieved, which can be interpreted as efficient investment leveraging by the project.

The agreed solution of IADE and the project that recruitment, contracting and temporary employment of new IADE officers done by BOSS and then taking over by IADE seems to be the only feasible solution to ensure recruiting staff with suitable skills and experiences.

IADE has started to partially charge for some of its services, such as contractor training, trade fair participation or value chain research. However, in the future more services need to be sold to customers in order to cover costs and become independent from subsidization.

Impact

The envisaged impact of the BOSS Project needs to be seen against the background of the hugely non-conductive business environment in Timor Leste. The end targets of economic indicators referring to sales turn over, public and private investments, jobs created or business start-ups are under typical development conditions not very impressive measured against the project budget. At the end of 2012 the project was on track in terms of meeting most indicator milestones as planned at this point of project implementation. For instance, the monitoring shows that the BOSS project has created 280 jobs across the cattle and horticulture sectors in Dili and the districts. The planned number of full time equivalent jobs at this point was 255.

The impact of sectoral support activities is expected to be measured proficiently during the second half of the project life through the introduction of the DCED M&E standard in Component 1 and recruiting a responsible international staff for the remaining project life. Anecdotal evidence from discussions with vegetable farmers is indicating already now a significant income increase from 50 USD per year to 100 USD per week. This is due to specialization in production, transport and market access and innovation in production process and products.

There is a strong congruence between the project immediate objectives and the ILO strategies described in the Decent Work Country Program (DWCP 2008-2013). The DCWP country outcome aims at *“more and better services to improve micro and small enterprises in rural areas”*. As performance indicator it is defined that *“ILO’s enterprise development tools introduced into the portfolio of business development services providers”* and the target of achievements by 2013 is *“BDS providers provide quality market-driven services in all 13 districts”*.

First and foremost, the environmental impact of the project is based on a do-no-harm approach for most interventions areas. For the second half of 2013, rapid environmental impact assessments are planned for the four tourism interventions that are planned to be supported by the project.

Sustainability

A strong indication and mechanism for future sustainability of the project achievements is that BOSS is integrated in IADE, that the project works through IADE and that both have joint work plans. This

ensures a consistent and permanent capacity building within IADE and will strongly facilitate IADE to continue high quality work after the project had phased out.

The work in both value chains initially started in the target districts of the project. After have gained experience the key value chain players now start to upscale their activities, such as contract farming or sourcing cattle for slaughtering in the Tibar abattoir, to other districts.

The sustainability is endangered and questioned by the dependence on one single individual bridging the rural locations to the markets in Dili. However, the dependency in the beef cattle value chain should be seen in the light of a longer time-span. Currently the cattle sector is still at the beginning and many future interventions as part of VCD will have an impact on crowding in, such as the legislation regulating slaughtering. There are similar expectations for crowding in in the horticulture sector. In fact, first incidences of crowding in can be observed in the horticulture value chain (farmers, investors) and the cattle value chain (cattle farmers from other districts) already.

IADE Dili, but also heads of some CDEs are becoming aware about the need to generate revenue through market transactions. Accordingly, there are considerations to design additional market- and demand-oriented training programs to be better able charging for services.

In parallel, SEAPRI intends to increase IADE funding annually from 2014 onwards so that by 2016 after the end of the project a considerable part of the BOSS Project funding could be substituted by government funds.

Nevertheless, a Project Exit Strategy has not been elaborated, communicated and agreed upon by the project and the counterparts. The evaluators learned in various discussions that key players at national and district level have a different understanding about how to ensure a smooth exit and how to sustain outcome and impact of the project.

Recommendations & Lessons Learned

Main recommendations and follow-up

- Based on the findings of this midterm evaluation the evaluators give the following recommendations to the project for the remaining two and a half years of project duration:
1. Develop an explicit Exit Strategy in the form of a written document that identifies the major risks to sustaining the project outcome and impact and sequences the measures to be taken until the end of 2015. The process of defining the strategy should ideally be participatory.
 2. Implement the Business Innovation Facility (BIF) in the form of a dynamic innovation system consisting of different players (business training and counseling, technology support, financial support). IADE can be in charge of the business side and play the role of a facilitator within the system. Capacitate IADE/CDEs in concepts of innovation.
 3. Further encourage crowding in at all levels of the selected value chains (production, trading and technical assistance, distribution) to reduce the dependency on a few key players. The degree of crowding-in should reflect the market demand, as a too high supply will not be sustainable.
 4. Improve the Knowledge Management of the project in the ILO context by documenting and codifying important instrument developments by the project
 - o preparing a Manual on Value Chain Development in the context of Timor Leste (in a setting with essential constraints for business development)
 - o preparing a Manual on Business Match Making in the context of Timor Leste (in a setting with essential constraints for business development)
 5. Introduce a fee-based delivery system for selected services to gradually make the enterprise community getting used to paying for business services and - at the same time - keep the quality of business services on a high level. To select a specific fee-based system variety that

suits the current context in Timor Leste, different options are to be analyzed and their feasibility assessed.

6. Develop marketing strategies at national level and for each CDE to give orientation to the effort of selling IADE service to the clients. Capacitate IADE and CDEs to better promote and market their services to (potential) clients to generate future income.
7. Increase and level the quality of CDEs
 - by introduce a regular and structured exchange of experience;
 - by introducing a CDE award system based on performance.

Important lessons learned

A few lessons learnt could be extracted from the findings:

1. Tight embeddedness of BOSS in IADE to highly capacitate the counterpart and increase sustainability and national project ownership.
2. Flexibility in project design and freedom of experimentation to come up with a tailor made approach for the specific setting and context.

Both lessons learned are described in detail in this report and in the form of the ILO standard template in its Annex.

Acronyms

| | |
|-----------|---|
| AAP | Annual Action Plan (of SEAPRI) |
| BDC (CDE) | Business Development Centre (Centro de Desenvolvimento Empresarial) |
| BDS | Business Development Services |
| BIF | Business Innovation Facility |
| BOSS | Business Opportunities and Support Services |
| CCI-TL | Chamber of commerce and industry of Timor Leste |
| CGE | Cabinet for Gender Equality |
| CTA | Chief Technical Adviser |
| DA | District Administration |
| DAC | Desenvolve Agricultura Comunitária (a USAID project) |
| DAI | Development Alternatives International |
| DCED | Donor Committee for Enterprise Development |
| DWCP | Decent Work Country Programme |
| ERA | Enhancing Rural Access [Programme] |
| ET | Evaluation Team |
| E4A | Energy for All |
| GEMS | Gender mainstreaming strategies |
| IADE | Institute for Business Support |
| ILO | International Labour Organization |
| IYB | Improve Your Business |
| LED | Local Economic Development |
| MAF | Ministry of Agriculture and Fishery |
| MSE | Micro and Small Enterprises |
| MSME | Micro, Small and Medium Enterprises |
| M&E | Monitoring and Evaluation |
| NDRED | National Directorate of Rural Economic Development |
| OECD | Organisation for Economic Cooperation and Development |
| PGA | Participatory Gender Audit |
| PPD | Public Private Dialogue |
| PSD | Private Sector Development |
| R4D | Roads for Development (project) |
| RBE | Results-based Evaluation |
| ROAP | Regional Office for Asia and the Pacific |
| SEDL | Secretary of State for Local Development |
| SEFOPE | Secretariat of State of Professional Training and Employment |
| SDP | Strategic Development Plan |
| SEAPRI | State Secretary for Private Sector Support and Promotion |
| SEPI | Secretary of State for the Promotion of Equality |
| SIYB | Start and Improve Your Business |
| SME | Small and Medium Enterprises |
| SMART | Specific, Measurable, Attainable, Relevant, Timely |
| SYB | Start Your Business |
| TCPR | Technical Cooperation Progress Report |
| TESP | Training and Employment Support Programme |
| TIFOBE | Timor-Leste International Food and Beverage Trade Fair |
| TIS | Tender Information System |
| ToR | Terms of Reference |
| ToT | Training of Trainers |
| TESP | Training and Employment Support (Programme) |

| | |
|-------|--|
| UN | United Nations |
| UNCDF | United Nations Capital Development Fund |
| UNDAF | UN Development Action Framework |
| UNTL | National University of Timor-Lorosa'e |
| USAID | United States Agency for International Development |
| VCD | Value Chain Development |

1. Background and Project Description

1.1 Background

Timor Leste has a lower-middle-income economy. About 37.4% of the country's population lives below the international poverty line (\$1.25 at 2005 purchasing-power parity) and about half or 50% of the population is illiterate, particularly women in rural areas¹. Although the country declared its independence in 2002, it continues to suffer the aftereffects of a decades-long struggle for independence against Indonesian occupation, which severely damaged the country's infrastructure and killed at least a hundred thousand people. Although Timor Leste again endured heavy violence in the mid-2000s, it is expected to have the sixth largest percentage growth in GDP in the world for 2013².

Timor Leste has a market economy that used to depend upon exports of a few commodities such as coffee, marble, oil and sandalwood. Timor Leste's economy grew by about 10% in 2011 and at a similar rate in 2012³. At present, Timor Leste generates revenue from offshore oil and gas reserves, but little of it has gone to develop villages, which still predominantly rely on subsistence farming. Nearly half of the population of 1,066,582 inhabitants (2010) lives in extreme poverty. Widespread corruption, unchecked by a weak judicial system, is a considerable drag on the economy. The country suffered from a brain drain during the Indonesian occupation and the repeated outbreaks of violence. Families who could afford left the county to Australia and other Western countries, established businesses there and send their children to schools and universities. Since then, only a few overseas Timorese returned to help rebuilding their country of origin, founding enterprises and creating jobs. This contributed to a lack of entrepreneurship and low level of private sector development.

1.2 Project description

The Business Opportunities and Support Services (BOSS) is a 5-year Private Sector Development project that was initially funded by Irish Aid only and planned for 4 years. From early July 2013, New Zealand Aid Programme (NZ Aid) will start additionally supporting the project which will help to extend the project duration to 5 years (until December 2015), deepen the work in the three value chains selected (cattle, horticulture, tourism) and expand the portfolio of business services offered by the main counterpart IADE (Institute for Business Support).

The project aims to address the problem of an underdeveloped private sector in Timor-Leste in order to stimulate growth and fight poverty in the country. This is done by upgrading selected value chains and economic subsectors, improving their business and regulatory support structures and stimulating public-private dialogue and coordination, taking into account the gender aspects of private sector development.

The problem analysis in the project document states that since the country's independence "*the nascent Timorese private sector has so far been unable to spur sufficient economic development for the rapidly increased population*". An inefficient public sector, an economy dominated by public spending that is mostly financed through the oil and gas revenues, a lack of

¹ Illiteracy is higher amongst women, with 44.5% being illiterate, compared to 36.0% of men in Timor-Leste (National Directorate of Statistic, 2011)

²<http://www.washingtonpost.com/blogs/worldviews/wp/2013/01/06/now-portugals-colonies-are-performing-much-better-than-portugal/>

³<http://www.adb.org/news/timor-leste/timor-lestes-economy-remains-strong-prospects-private-sector-development-strengthen>

entrepreneurs and - at the same time - an unstable civil society, contributed to high unemployment and poverty rates.

In this context, the project's **development objective** is to:

“Contributing to the generation of pro-poor economic development and quality employment for women and men by spurring growth of micro and small enterprises (MSEs). This will indirectly contribute to consolidating peace and preventing conflicts”

This is expected to be achieved through the following **immediate objectives**:

- *Immediate Objective 1*: Increased business opportunities for MSEs in target sectors and districts
- *Immediate Objective 2*: Nation-wide access to enhanced and innovative market/need orientated business development services (BDS)
- *Immediate Objective 3*: Increased SEAPRI⁴ commitment and capacity to mainstream gender in all policies, programs and activities

In its Strategic Development Plan (SDP 2011-2030) the Government of Timor Leste has formulated that *“the private sector will be the primary source of growth in incomes and employment in rural areas of Timor-Leste”* and in order to achieve this that *“fragile institutions of the state will have to be strengthened so that the government can provide key services and act as a strong partner to the private sector”*. For these reasons the BOSS Project decided to address the key obstacles to private sector development (see also next chapter on market constraints in Timor Leste) and to embed its implementation and facilitation structures into its main counterpart IADE.

The **direct beneficiaries** of the BOSS Project are organizations in the support structure of MSEs and the value chains they are part of. This is, first and foremost, the public agency IADE and its regional Business Development Centres⁵. BOSS is literally embedded in IADE and works through IADE for most of its activities. Other direct beneficiaries are, to a lesser extent, private sector service and training providers, the Chamber of Commerce and Industry of Timor-Leste (CCI-TL), district, sub-district and suco authorities and other organizations, such as business associations, workers' organizations, NGOs, women's organizations, financial institutions etc. who take part in public private dialogue initiated by the project.

Ultimate beneficiaries of the project are MSEs and their employees, more precisely women and men who own, manage or intend to start MSEs or who work in MSEs under paid or unpaid conditions.

In 2011 the BOSS Project started with a different **counterpart structure**. Initially, the Ministry of Economy and Development (MED) acted as the main counterpart of the project. Each Component cooperated closely with one specific institution under MED: Component 1 (business opportunities in districts and sectors) cooperated with the National Directorate of Rural Economic Development (NDRED), Component 2 (BDS) with IADE and Component 3 with the Cabinet for Gender Equality (CGE).

However, in July 2012 Timor-Leste elected a new government which brought about significant institutional changes for the BOSS Project. MED was dissolved and IADE transferred to the new Secretary of State for the Support and Promotion of the Private Sector (SEAPRI). NDRED and the CGE were dissolved with MED, which meant that Objective 1 and Objective 3 needed new counterparts.

⁴ SEAPRI = State Secretary for Private Sector Support and Promotion

⁵Currently 11 Regional Business Development Centres (CDEs) are operating in the 13 districts of the country, of which 2 have just recently been set up. The remaining 2 CDEs will be established in 2014.

Both Components 1 and 3 were moved from NDRED and CGE to IADE, which has triggered a number of smaller changes to the work on Local Economic Development (LED), Value Chain Development (VCD) and Gender Mainstreaming and the consequent revision of outputs and indicators.

After restructuring, the project design was successfully adapted to the new Government structure. As a consequence, the BOSS Project has the one key institution IADE it is embedded in and works through it. Also, the capacity building output is now solely focusing on IADE and its ability to develop territories, value chains and business services and deliver these services. The BOSS Project effectively does not employ any national staff (except one administrator and three drivers), since IADE staff is assuming these positions and tasks.

Since all three project components are integrated into one partner institution, they are even more closely intertwined with each other than before. The upgrading of territories, value chains and sectors in Component 1 requires business services for enterprises operating in these locations and sectors, which are then provided with the support of Component 2. The development of new business services requires pilot sectors or territories for testing and refining. Here Component 1 comes into play. Component 3 is in charge of mainstreaming gender issues throughout IADE and SEAPRI, but also throughout the two other Components of the BOSS Project.

1.3 Concise overview of the general situation of markets in Timor Leste⁶

Enterprises in Timor Leste face at least three key problems for market and business development. The generally **weak managerial and entrepreneurial skills** and knowledge hampers growth-oriented enterprises and creates additional barriers to the **limited access to finance**, which is the second major constraint for economic growth. Currently, Commercial Banks in Timor Leste are reluctant to lend money to the private sector due to the lack of laws to protect their investments and negative past experiences with low loan repayment rates. The third problem is the **lack of market access** and its closely associated constraints of access to technology and product quality as well as the ineffective use of local resources, which together provide substantial bottlenecks to MSE development.

For Timorese entrepreneurs, market liberalization has meant that local products have to compete with imported goods that often offer a better value for money. Markets for Timorese MSEs are limited and difficult to reach. In addition, linkages between rural producers and urban centres and/or larger markets appear to be extremely weak. Business-to-business linkages are fragile overall, which is reflected in the very limited use of subcontracting and in the virtual absence of manufacturing clusters. Strictly related to the dire struggle for marketing products and services is the issue of the **ineffective utilization of locally available resources**. The key cause of this problem lies in the **absence of reliable information**, which typically is the most valuable input for any economic activity. The poor knowledge of the local socio-economic context is compounded by the absence of any institutional mechanism able to process the data and act as a catalytic hub for information sharing, allowing local interest groups and business actors to share experiences, discuss local development priorities, identify bottlenecks that impact on the districts and formulate local economic development strategies and action plans.

Although access to markets and services is challenging for both women and men in Timor Leste, female and male entrepreneurs often do not have equal access to market opportunities. Indeed, **women's access to markets is limited** by several factors which influence their capacity to grow their businesses. Primarily, women have less time than men to promote their businesses since they have a double burden of carrying economic activities and 'invisible', unpaid work related to their family responsibilities. A study conducted in 2012 by the National University of Timor-Lorosa'e (UNTL)

⁶This concise sub-chapter on market conditions and business constraints in East Timor was included in the evaluation report to respond to a specific request by the main donor of the BOSS Project, Irish Aid.

shows that male entrepreneurs spend most of their time (85%) in running their production activities, operating six days per week, while women are able to dedicate an average 66% of their time to their businesses⁷. This is an indication that women spend a significant amount of time on domestic work and other housework duties. Due to household obligations, one-third of female businesses operate only for three days a week as compared with the six days of men⁸. This leads to women's seclusion from the public arena, which combined in many cases with lack of mobility limits even more their access to markets in various ways. For instance, women usually have less information about prices, rules and rights to basic services⁹.

Incentives and cash injections by the government did not stimulate economic activity as expected. Entrepreneurs that benefited from these incentives lack financial and investments knowledge to stimulate economic growth and the gap between the rich and the poor is widening, World Bank (2008) report "Poverty in Young Nation" estimated that **half of East Timorese population lives below the poverty line**. With current minimum wage in the vicinity of \$115 USD per month, one can conclude that poverty remains high in Timor Leste.

The **decentralization process**, that the Timor-Leste Government is legally committed to, advocates for local stakeholders in general and the private sector in particular, responding proactively to the need for poverty reduction and employment creation. Even if the process is still at an early stage, government authorities at all levels will need to be aware of the important role of small businesses for economic growth and poverty reduction and provide them with information on national government initiatives as well as on business legislation and procedures. Local administrations, however, do not have at their disposal the expertise in MSE and private sector development that would enable them to design and implement more comprehensive measures to effectively improve the enabling environment.

Underlying weak knowledge and poor market access has been significantly entrenched by **poor physical infrastructure**. The poor quality of infrastructure creates unnecessary costs and drives prices up in a USD economy that is hardly competitive anyway. On-going and planned Government investments in infrastructure rehabilitation represent a valuable opportunity for the private sector, in the short and medium terms, provided that MSEs and small-scale contractors are enabled to effectively participate in local and national tenders. In line with the Timor Leste SDP 2011-2030, some roads construction is underway and plans to upgrade other pieces of infrastructure under review, including seaports and airports. Strong demand for construction materials and other goods has pushed Dili Port beyond the limits of its capabilities. Incoming vessels have to wait more than one week on average before being able to call the port, which drives up the prices of imported goods in the country. With very limited expansion possibilities of the existing port, a new port will be built in Tibar 10km west of Dili. Construction is expected to commence in 2015.

The government of Timor-Leste will build and operate a world class logistic **Suai Marine Supply Base** to support all offshore oil and gas activities in Timor Leste Exclusive Area and Joint Petroleum Development Area. In a landmark agreement the local community released 1,113 hectares of land for the development. The Suai Supply Base and Industrial Park will be built on this site beginning with the first of three phases of construction. Over the first phase, a time frame of some 18-24 months, construction will be centered on preparing a support base for the oil and gas industry. Further phases will see the expansion of the port facilities. The supply base will provide a springboard for the growth of general industry around the Suai area and through supply chain development, mainly of food and beverage products, from other parts of the country.

⁷ *Value added, home-based industries, marketing and income generation by women in rural areas in Timor-Leste*, National University of Timor-Lorosa'e (UNTL) and UNDP, July 2012, p. 12

⁸ Ibid.

⁹ *Private Sector Development and Gender*, Gender and Development Briefing notes, The World Bank, January 2007. www.worldbank.org/gender

2. Purpose of Evaluation

The independent mid-term evaluation of the Business Opportunities and Support Services (BOSS) is undertaken in accordance with the ILO policy guidelines for results-based evaluation, which provides for systematic evaluation of projects in order to improve quality, accountability, transparency of the ILO's work, strengthen the decision making process and support to constituents in forwarding decent work and social justice. An independent project evaluation is a mandatory exercise for all ILO projects with budget of more than USD 1 million. The independent evaluations are managed by ILO officials who have no prior involvement in the projects and conducted by external independent consultants. Key stakeholders, ILO constituents, partners and the donor(s) will however be consulted throughout the evaluation process.

The objective of the mid-term evaluation is to analyse progress made towards achieving established outcomes, to identify lessons learnt and to propose recommendations for improved delivery of quality outputs and achievement of outcomes. The evaluation provides an opportunity for reflection and self-learning regarding how the project could improve the effectiveness of its operations in the future.

3. Evaluation methodology

The conceptual framework used for undertaking the evaluation is consistent with results-based evaluation (RBE) and addresses the following criteria proposed by the OECD: relevance, efficiency, effectiveness, sustainability and impact.

The main sources for answering the evaluation questions are the tripartite constituents, particularly the Government of Timor Leste and employer organisations, other project partners and stakeholders. For each of the above-listed evaluation criteria, the evaluation manager had included between two and seven specific evaluation questions in the Terms of Reference (ToR / see Annex 1) which have been adopted by the evaluators.

On the basis of this list of questions in the TOR the evaluators designed an Evaluation Matrix indicating how to expect obtaining the required information (Annex 2). The Evaluation Matrix (or Data Collection Work Sheet) describes the way the chosen data collection methods, data sources, sampling and selected indicators support the evaluation questions. Based on this matrix, before each interview or meeting a customized list of questions had been prepared for the respective individual or group of stakeholders to be met. In addition to consultations and interviews, the evaluators also reviewed reports and documents provided by the project during and after the field mission (23 May to 4 June). The evaluation draws on both subjective sources (interviews, consultations, stakeholder workshops) as well as objective sources (country development plans, other donor reports, M&E reports, statistics etc.).

In Timor Leste, the evaluators interviewed and had discussions with a range of stakeholders at the national, district and village level. This included the project team, the counterpart IADE, various relevant Government agencies, the chamber of commerce and industry (CCI-TL) as employer organisation, other ILO projects and other donor programmes, the donors of the BOSS Project, different entrepreneurs as partners in developing the selected value chains, selected service providers of the project and target beneficiaries. From the latter it was expected to also receive some anecdotal information on impact. Whenever important project team members were not present during the field mission due to maternity leave or holidays, the evaluators tried to connect to them via Skype during or after the field mission. Annex 3 contains the detailed work plan of the field mission with activities, locations and persons in charge.

The BOSS project Components 2 (business services) and 3 (gender mainstreaming) operate in all 13 districts of the country (see map below), while Component 1 (LED/VCD) is mainly focusing on three

districts: Ainaro in the center, Bobonaro in the West and Lautem in the East. In Ainaro district, the project is involved in supporting and upgrading horticulture farmer groups as part of the horticulture value chain development. In Bobonaro and Lautem districts, the focus lies on cattle farming as part of the cattle value chain development.

The choice of site visits within Timor Leste was coordinated between the evaluators and the BOSS Project team. The most important selection criteria were *distance (in km and hours)* and *relevance of location for VCD and business support services*. For this reason, visits to the abattoir in Tibar (Dili district), the butcher shop at the outskirts of Dili and the feedlot in Loes (Liquica district) have been organised as well as a two-day field visit to Maubisse in the project pilot district Ainaro which is the centre of horticulture in the country. Site visits to the other selected districts of Component 1, Lautem and Bobonaro, did not take place due to the distance in hours (5 to 9 hours one way) and due to the fact that the only relevant value chain actors that can only be met there are cattle farmers. Information about cattle farmers, however, could also be obtained from cattle collectors in Dili, who connect the rural districts to urban Dili.



Figure 1: Map of East Timor

At the end of the field work the BOSS Project had organised a stakeholder workshop (3 June 2013) to brief the key stakeholders on the main preliminary findings and to obtain their feedback. After the field mission, the evaluators drafted this evaluation report until the middle of August 2013 and – after having received feedback from the ILO – will finalize the report until the end of August.

The figure below presents a timeline in the form of a work process flow chart which indicates the phases of the evaluation, the relevant dates and key deliverables.

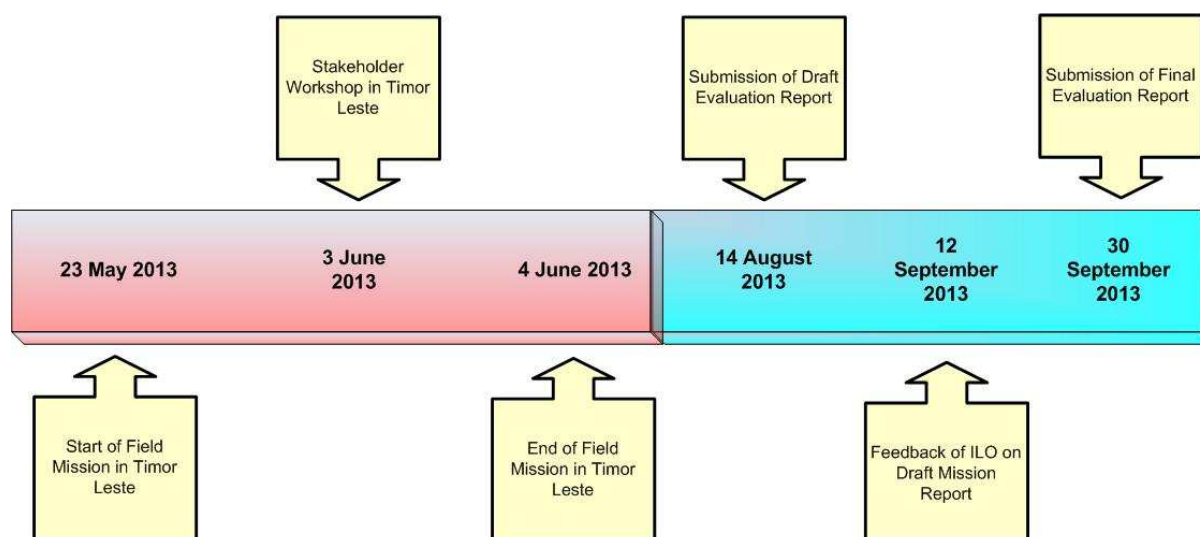


Figure 2: Process flow of Mid-term Evaluation of BOSS Project

4. Project status and findings

4.1 Validity of Project Design

In this sub-chapter we briefly assess the project design, which was described in sub-chapter 1.2 above and try to answer the evaluation questions related to the validity of the project design (see Evaluation Matrix in Annex 2). The key question is certainly whether the project design is appropriate for achieving the planned results. We will also take into account the project's M&E framework and the performance plan of the project.

The BOSS Project follows the line of thinking of the government of Timor Leste that poverty reduction can be achieved through stimulating entrepreneurial activities in MSE, thus creating employment and generating income for both women and men. To achieve this, the variety of constraints for enterprise development needs to be addressed, including its gender aspects. As described above, these constraints are manifold in Timor Leste, comprising lack of entrepreneurial spirit, business skills and access to markets and technology, but also lack of access to finance and very poor infrastructure. The BOSS Project is tackling most of these issues affecting existing and aspiring entrepreneurs directly through its three Components or indirectly – in terms of road infrastructure development - through its sister program ERA (Enhancing Rural Access). The only stakeholder need not addressed by the ILO is access to finance, although there are efforts to cooperate with existing financial institutions. Accordingly, the project is directly addressing crucial needs of existing or aspiring enterprises and the institutions (potentially) supporting them.

Initially, the BOSS Project and the ERA project were designed together and meant to be one project with different elements implemented by the ILO. However, as the donors of both elements have different Organisational and delivery structures (Irish Aid vs. European Union), it was decided to separate road development into a different project. But still, both projects work closely together and complement each other mutually. Inter-project coordination is particularly relevant when it comes to creating market access for local communities in terms of both economic access and physical road access.

The BOSS Project is trying to make product and service markets work in, around and beyond the value chains it is targeting by developing the supply side (e.g. input supply in the cattle value chains in the form of animal medication or young cattle etc.), the demand side (e.g. in the horticulture

value chain in terms of stimulating demand for organic vegetables) or both (e.g. providing business services like business skills training, business match making or business information). Being aware of the fact that in a donor project with limited time frame only a few value chains and sectors can be selected for support (in this case cattle, horticulture and tourism), the BOSS Project is developing the capacity within the business support structure, particularly its partner organization IADE, to replicate sector analyses, value chain development and design and delivery of business services in a gender sensitive way to widen the potential scale of impact and increase sustainability in future. In order to run through the process of value chain/sector development combined with BDS design and capacity building of delivering these services in a high quality way, the project time frame of initially 4 years would have been suitable. The extension by another year after the involvement of NZAid is an additional strength of the project.

Another strength of the project is gender mainstreaming being embedded in the project design in the form of a separate component. This is the result of an amendment of the logframe in the early phase of project implementation. Before, gender mainstreaming was a cross-cutting aspiration and the project only consisted of two components. This does not mean that promoting gender equality is only the responsibility of Component 3, but human and financial resources have been specifically allocated to facilitate and oversee the process of gender mainstreaming in all BOSS supported activities and interventions and in the selected counterparts. Hence, ILO's gender mainstreamed strategy is adequately taking into account in the project design.

The indicators of the BOSS Project are in general of good quality and gender sensitive. This is particularly true for the indicators of Component 1 which adopted the M&E standard of the Donor Committee for Enterprise Development (DCED) and thus put huge efforts and consultancy input in designing results chains, business models and indicators for the intervention areas in each value chain targeted. In Component 2, not all indicators are fully SMART¹⁰ (e.g. increase of enterprise turnover in the 2nd Immediate Objective indicator) for the very reason that business services are delivered to various economic sub-sectors with the consequence that the scope of turnover increase is difficult to anticipate.

Finally, to some extent the project allows for experimentation and only then implementation follows. At this point in time, this is a rather rare strength of a development project. Here, the basic assumption is that if we facilitate market systems to change from within, rather than through a number of direct and distorting interventions, we can achieve better and more sustainable results. The precondition for this is that we recognize and accept local conditions and gain and use local knowledge as much as possible to make informed choices in line with the context. The main concepts relevant here are: 'focus on root causes, not symptoms', 'focus on resilience and adaptability of the system', 'invest more in field-based, pre-design phases', and 'test and promote co-evolutionary experimentation' (see OSORIO-CORTES, L. E. et al, 2011). A key example for experimentation and adjustment of project design in the BOSS Project is the shift moving from an LED to a VCD approach in Component 1 after it was recognized that the slow progress of the decentralization process in Timor Leste does not allow for doing LED in a proper and efficient way. The flexible response of the project to the difficulties of doing LED in a non-decentralized setting was the adoption of the value chain approach.

The main issue of the project design is the absence of an explicit exit strategy of the BOSS Project. The fact that the project is tightly embedded in its counterpart IADE and thus will leave a high level of capacity within this organization will facilitate the exit of the project in 2015, but it does not replace an exit strategy. A proper exit strategy needs to be elaborated in a participatory way,

¹⁰The SMART concept requires that good quality indicators need to be specific, measurable, attainable, relevant and time-bound.

involving all actors inside And outside the project that are responsible for putting in place measures to ensure that the progress made in this project is not lost upon exit. Design and implementation of the exit strategy should start in the middle of the project life latest. The recommendations below will again address this issue.

4.2 Project progress by outcome

The project's performance plan and 4th technical progress reports (dated end of 2012) indicate that the achievements of the logframe targets for most (outcome and output) indicators are in line with time of project implementation¹¹. The project delivery rate as of 31 March 2013 amounts for 52.1% also indicating an appropriate project spending pattern.

In the following, the evaluators will briefly describe the project's main achievements and give an overall assessment per Outcome/Component.

Outcome 1 can be summarized as ***"Increased business opportunities for MSEs in target sectors and districts"*** and is based on the Making Markets Work for the Poor approach (M4P)¹², i.e. strengthening market systems so that they function more effectively and beneficially for poor women and men, contributing to create sustainable employment opportunities and increase household income.

The strategy for this objective rests on the following approaches:

- Analysis of market systems/value chains to identify underlying causes of market shortcomings and address the causes of market underperformance through interventions that are able to change the systems in a systemic and sustainable way.
- Acting as a "catalyst for change" rather than an interventionist to encourage more players to take part in the market systems/value chains through crowding-in effects, and lead to local ownership and more systemic and long-lasting change and impact. The most obvious example for this strategy is the project's efforts to upgrade the capacity of IADE to being better able serve enterprise, instead of directly interacting with MSEs and farmers.
- The facilitation role also includes all attempts of bringing public, private and civil organizations, enterprises as well as individual existing and aspiring entrepreneurs (women and men) together, supporting them entering into dialogue, coordinating, sharing and jointly working together.

Main achievements:

- Component 1 of the BOSS Project started with a territorial Local Economic Development (LED) focus in three districts of the country (Ainaro, Bobonaro, Lautem), but soon moved to a sectoral Value Chain Development (VCD) focus. During the early LED phase the project produced District Economic Briefs in three languages for each target district and set up District Economic Forums to provide a platform for dialogue between public, private and non-governmental actors in order to steer LED activities in a participatory way. The reason for shifting the approach of identifying and exploiting economic opportunities from a territorial to a sectoral view was the very slowly advanced decentralization process in the country.
- Also after adopting the VCD approach, the project seemed to have tried to involve the District Economic Forums. Initially, the forums were involved in selecting the value

¹¹The progress of indicator achievement will be re-evaluated in the Final Evaluation Report when the draft TCPR covering the first semester of 2013 will be available.

¹²See for instance <http://www.m4phub.org/>

chains that were to be analyzed and then promoted with the intention to connect the rural districts to more urban markets and especially to customers in the capital Dili. The value chain selection process resulted in cattle as first-ranked sector in Lautem and Bobonaro districts and horticulture as most prioritized sector in Ainaro district. In all three districts, tourism ranked second.

- Consequently, the project started in cooperation with NRED, IADE, other key institutions and sub-contracted consultants to conduct participatory value chain analyses of the two value chains cattle and horticulture by using the ILO approach *Value Chain Development for Decent Work*. Based on the VCD results, action plans were designed on how to upgrade these two value chains in different intervention areas that were calling for particular attention. The design of proposals was based on the facilitative M4P approach, i.e. the project will not directly support value chain activities, but capacitate its counterparts to do so. In the cattle value chain, the intervention design focuses on the areas *increase productivity, improve meat processing, facilitate access to finance and promote entrepreneurship and strengthen business management skills*. In the horticulture value chain, the priority areas for action are the *increase of productivity, improvement of access to input supply, markets, and finance*. For each intervention area in each value chain, the project developed result chains according to the DCED Standard with the help of an international consultant in order to support planning and monitoring in the process of striving towards an internationally standardized set of impact indicators impact indicators.
- Until the middle of 2013 at the time of this mid-term evaluation, considerable progress has been made in implementing activities of most intervention areas outlined in the action plan of the cattle value chain development. In order to *increase productivity and promote entrepreneurship* in cattle farming, the technical and business skills of Village Livestock Workers (VLW) have been improved through training activities conducted by UNTL, Agriculture Faculty in the areas of animal health and nutrition and by IADE in terms of Start Your Business (SYB). VLW are typically the only access to animal treatment and vaccination for farmers. The VLW were then again in charge of training farmers in their geographical area of responsibility. For all these training activities appropriate training material (including innovative mini flip charts) had been prepared by the service providers UNTL and IADE. In order to *improve meat processing* the project initiated a Public-private partnership between the Ministry of Agriculture and Fishery (MAF) and a private investor to restore and operate an abattoir in Tibar close to Dili that is a relic from Indonesian times. The private investor later opened a butcher shop in Dili as a proper facility to sell the meat from the abattoir to final customers and started operating a feedlot for fattening bulls before being slaughtered. Capacity building for the slaughterers and butchers has been carried out by an international meat processing consultant from Australia and a national veterinarian, both contracted by the project. In addition, the project has started drafting a new law on slaughtering, processing and retailing of meat in cooperation with MAF and national/international consultants with the intention to upgrade value-chain specific practices country-wide. By June 2013 the draft legislation is ready, pending approval by the Government. If this law is launched, slaughtering will be forbidden on open markets and abattoirs need to be rehabilitated or newly constructed at the district levels as well.
- In the horticulture value chain development activities are progressed as well in all intervention areas. Here the main cooperation partner within the value chain is Josephina Farm, a small local company focusing on contract farming of organic vegetables. Josephina Farm started cooperation with a farmer group in Maubisse in

Ainaro district. In order to improve productivity women and men farmers are trained by Josephina Farm in planting, harvesting and post-harvest techniques, also with regard to innovative techniques (e.g. tunnels and green houses for production in rainy season) and new products such as strawberries or broccoli. The material for green houses and tunnels was ordered abroad and financed by the project. Josephina Farm is then in charge of buying the products and selling them on district markets or markets in the capital Dili. As a consequence, the farmers can focus on what they are good at, namely producing vegetables, and do not need to bother about the sales side of their business. In order to upgrade the business and entrepreneurial skills of farmers a newly designed business skills training was delivered to the farmers through the local CDE of IADE. In the first half of 2012, Josephina Farm started working with 45 farmers (16 women or 35%) in Maubisse to produce organic vegetables. This number extended through crowding-in effects to 50 farmers until end of 2012 and 79 additional farmers (32 women or 40%) in 2013.¹³ Josephina Farm was additionally supported by the project through business match-making events organized by IADE, production of marketing material and TV commercials and an assessment of its business operation through an international expert.

- In order to illustrate the situation at the beginning of the project in both value chains and demonstrate the initial half year of project work, the project subcontracted a local filmmaker to produce a baseline movie.
- In the first half year of 2013 the project started working on the third priority sector in all three target districts, which is tourism. A tourism sector analysis had been prepared by an international tourism volunteer from New Zealand, supported by the BOSS project and in cooperation with IADE. The results of the tourism study had then been validated and an action plan drafted in cooperation with the Ministry of Tourism. The action plan states that recommended actions would lead, directly or indirectly, to significantly improved visitor arrival numbers and / or visitor satisfaction levels in the districts of Bobonaro, Ainaro and Lautem. The plan focuses on the addressing the major shortcomings the tourism sector in Timor Leste is currently suffering from at the national level as well as the district level, such as private sector organization, marketing, infrastructure, quality of accommodation, safety, accessibility, basic facilities, variety and quality of attractions and many more. For the implementation close cooperation and contribution by a variety of public actors (various Ministries) and private tourism operators and investors is needed. The project will focus its support on four main interventions: (1) developing a strategic plan or a marketing strategy with the Ministry of Tourism, (2) establishing one tourism association (instead of currently two), (3) setting up a Tourism Information Centre and (4) development of district level support for tourism operators, specifically initiating public-private partnerships for managing Pousadas (district guest houses). Environmental impact assessments for each of these four interventions are planned.

Overall Assessment

The overall assessment of the project's work in Component 1 is quite positive. It particularly needs to be emphasized that the project assumed the facilitation role very consistently by avoiding direct intervention and managed to identify local key actors who could take over important functions in the cattle and horticulture value chains. Also, particularly in the vegetable sector the early indication of impact on the farmers' income is very impressive.

¹³ This does not include Josephina Farm's involvement with farmers in Baucau and an investor in Liquica, both districts not being BOSS target districts. The crowding-in effect in Liquica involves 50 farmers.

Vegetable farmers supported by Josephina Farm could increase their income from vegetable farming from 50 USD per year to 100 USD per week during the dry season.

The shifting from a territorial to a sectoral approach in Component 1 was an appropriate decision that demonstrates the responsiveness and flexibility of the project. It is correct that LED needs certain delivery structures and preconditions, such as decision making power at the local level and a certain degree of financial autonomy, in order to function properly. If this is not given, LED cannot work. This does not mean that LED had been abolished in the BOSS Project. LED and VCD go hand in hand and need to be carried out simultaneously. LED activities in a given value chain need to be informed by requirements of downstream activities. Local producers need to connect to national (and maybe later global) buyers. The value chain initiatives will be seriously hampered if the local environment is not of the enabling variety and here LED comes into play. Public-Private Dialogue (PPD) still plays an essential role in the project, but not primarily in the form of DEF meetings. A fading interest of DEF members, a lack of budget availability and a lack of planning responsibility could be observed.

But still, the District Economic Forums (DEF) need to continue playing a role in the target districts of the project. However, at this point the role of DEFs seems to be somehow vague after shifting the focus to VCD. One result of the stakeholder workshop at the end of the evaluation mission was the suggestion to keep the DEF members informed on the progress of BOSS VCD activities and explain as to why the DEF are not continued in the formal structure initially set up. This would contribute to the BOSS Project maintaining its credibility at the district level.

The evaluators were surprised about the simplicity of the value chain maps the project colleagues and its fellow analysts from IADE and other institutions were working with when analyzing the cattle and horticulture value chains. As the value chain map is the key instrument of any value chain research, it should properly reflect the reality within the chains, including various relevant data overlays and the support structures. Most of this information is missing however in the chain maps, though the information is presented in the value chain studies to large extent. But it is not properly visualized.

Currently, in each of the two value chains supported by the project (horticulture and cattle) there is one key player each managing large parts of the chain, particularly by connecting the rural production sites to the urban markets and consumers and by offering a variety of embedded services. This dependency on individuals, of course, bears considerable risks for both chains, as the exit of any of these players would most probably lead to a collapse of the respective chain. Here a solution would be careful attempts to stimulate crowding-in in order to bring in other intermediaries and investors who could perform similar tasks in the same or parallel value chains. First incidences of crowding in can be observed in both chains.

In both value chains, one initial area of intervention was *access to finance*. However, not much happened so far in terms of establishing contacts between value chain actors and external finance institutions. One reason was that finance is now provided as embedded service within the value chains, mainly in horticulture and to some extent in cattle. Here the intermediaries are offering upfront finance in terms of contract farming (Josephina Farm) or purchase of cattle before selling it on markets in Dili. However, it remains unclear how the demand for finance of VLW and local slaughterhouses in the cattle chain will be satisfied. The respective business model in the finance intervention area of the cattle value chain identifies finance requirements for a variety of actors, not only cattle farmers.

As tourism development in Timor Leste is starting almost from zero and as, at this point in time, the sector is facing nearly all possible constraints, the remaining project time is too short to

tackle too many of the sector issues. The project support should address mainly basic problems which after having been solved would enable local actors to address further and more specific problems. To improve the governance structures within the tourism business community (founding one united business association) and to give vision and orientation to the country's tourism development (tourism strategy) are certainly important early steps in the upgrading efforts of the tourism sector in the country.

Outcome 2 can be paraphrased as ***“Nation-wide access to enhanced and innovative market/need orientated business development services”***.

The strategy for this outcome rests on:

- Upgrading the capacity of the business support structures to provide MSEs with needs- and market-oriented business development services of high quality
- The main recipient of the support is IADE and its local structures (CDEs) by learning how to design BDS for specific customers and specific sectors with different needs and purchasing power. In terms of sectors a close cooperation with the value chains and sectors supported under Component 1 exists plus the construction sector for which a variety of BDS are to be designed.
- Turning the product orientation of BDS providers like IADE into market orientation.
- Nationwide orientation, not only focusing on a few districts or sectors.

Main achievements

- In October 2011, the project conducted a BDS Needs Assessment for MSME in cooperation with CCI-TL and micro-finance institutions in order to tailor the future services of IADE and design them in a needs- and market-oriented way. One of the main results was that IADE was hardly visible, its service portfolio widely unknown and not demanded by a majority of the 846 surveyed MSMEs. The results of the BDS Needs Assessment were properly disaggregated by sex. The needs for business training confirm the relevance of IYB and its 6 training modules offered by IADE. The BDS assessment also revealed a considerable demand for counselling, trade fair organisation, business match making and provision of business information.
- A BDS Management Information System (MIS) has been set up by IADE with the technical and IT support of the project that captures data on IADE clients and entrepreneurs and is structured into different relevant modules. The number of modules has been extended on demand of IADE. The MIS constitutes an important element in the M&E system of the project.
- Through project support the main counterpart IADE has been accredited as national training provider by the National Labour Force Development Institute (INDMO), in general and more specifically as institution to deliver the National Certificate Training Course in Managing Small Construction Bids and Contracts. In addition, a considerable number of IADE trainers have been certified to deliver INDMO certified training courses.
- The same institution INDMO also provided certification of the National Certificate in Managing Small Construction Bids and Contracts and national certification at Level 1 of ILO's Improve Your Business (IYB) training course. At the end of 2012, 1,196 enterprises have received training in IYB through IADE.
- Other course material has been adapted and piloted by IADE in the value chains supported by Component 1 (cattle and horticulture value chains), such as ILO's Start Your Business (SYB) for the agriculture sector.
- The number of contractors who received training on Managing Small Construction Bids and Contracts was steadily growing and reached 79 at the end 2012. This course

includes three different competencies, which are (1) prepare and submit a bid for a tender, (2) plan and manage small business finance and (3) manage small business operations.

- IADE has started to offer other services newly or in a more professional way than prior to the project support. This includes business counselling (partly with value chain actors of Component 1), business matchmaking, including the development of a business matchmaking toolbox (in cooperation with the horticulture and cattle value chain interventions of Component 1) and an SMS-based Tender Information System (TIS) in relation to the support of the construction sector. Besides, an IADE website offering a range of relevant information to businesses was designed and went online with project support.
- Another new service is the organisation of international trade fairs, of which two took place until the middle of 2013. The Timor-Leste International Food and Beverage (TIFOBE) Trade Fair in October 2013 was the first business-to-business fair in Timor Leste organized to promote business opportunities in the food and beverage sector. The second trade fair in early July 2013 was a side event of the 9th Annual Meeting of Entrepreneurs from China and Portuguese Speaking Countries (*IX Encontro de Empresarios China e Pais de Lingua Portuguesa*), which took place for the first time in Timor-Leste and was linking domestic with international enterprises. Different local enterprises benefitted from this event by signing memorandums of intent with Chinese investors or importers.
- The Super Trainer Campaign has been initiated and supported by the project *“in order to promote entrepreneurial spirit as well as position IADE as a reliable provider of business development services”* and is targeting existing and aspiring entrepreneurs. The Super Trainer promotion material, 6 episodes of short TV spots, radio spots and comics, apparently contributes more to the visibility of IADE than any other marketing activity. The Super Trainer campaign seems to have high level of outreach and effectiveness, as demonstrated by the Super Trainer Assessment conducted at the middle of 2013 with 1,000 respondents in 3 districts. The results show that 45% of respondents know the Super Trainer, of which almost all like him for teaching entrepreneurs to be more professional and for promoting entrepreneurship. 94% confirm that the entrepreneurial situations shown in the 6 episodes reflect reality in East Timor, 54% admitted that they learned on how to manage a business better and 70% of entrepreneurs having been exposed to the Super Trainer material said that they have changed their behavior. Allegedly, the Super Trainer, being in reality an IADE employee, became Timor-Leste’s first TV star.
- In terms of becoming more market-oriented, IADE has started to more professionally market its services, initially for the contractors’ training to potential customers. Consequently, the number of contractors trained as direct customers or indirectly through contracts with other donor programs working on infrastructure projects, such as Roads for Development (R4D) or SEPFPOPE, has increased.
- IADE negotiated and entered into cooperation with the Secretary of State for Local Development (SEDL) that overlooks rural/local infrastructure projects up to 500.000 USD, which so far had been given to contractors on a simple selection process, but will be tendered as of 2014. In practice it means that CDEs work closer with the District Administrations (DAs) that issue tenders. Tenders go through the TIS, and the DAs are to promote IADE’s contractor training by encouraging contractors to attend it when bidding for these tenders. This year as a first „round“, announcements for public works contracts from four DAs have been published through the TIS.
- In general, the number of client organisations contracting IADE and its CDEs to deliver BDS to entrepreneurs and the number of entrepreneurs trained or having received other business services from IADE/CDEs is growing steadily.

- The Tracer Study, prepared in the first half of 2013, seeks to evaluate the impact to date of the IYB training for MSME and the National Certificate in Managing Small Construction Bids and Contracts for contractors. The study's objective was to assess the level of new knowledge gained and its usage plus the economic effects of both trainings in terms of turnover and employment in participating enterprises. The study's results show that a majority of the IYB's entrepreneurs and contractors are convinced that the received training had positively impacted their individual skills and improved their business practice. The study showed improvements in business operations and turnover, particularly from IYB entrepreneurs. In general, the quality of training seemed to be well received, training content was confirmed being relevant, the quality of trainers was reported as very good with some room for improvement in materials. Particularly, IYB trainees call for a more intensive follow-up support to be provided by IADE. As until the completion of the study, no official government tender has been launched, an additional contractor's survey is planned for later in the year.
- In the second and third quarter of 2013, IADE has conducted a business plan competition to identifying innovative products or service ideas. This can be considered a first activity under the future Business Innovation Facility (BIF). The BIF – to be funded solely by NZAid - will aim at promoting market-oriented innovation in Timor Leste.

Overall Assessment

Also Component/Outcome 2 of the BOSS Project needs to receive a very positive assessment. The project has managed to restructure the organization, widen and deepen the business service portfolio and capacitate the IADE staff in way that the institution transformed from a somewhat irrelevant and hardly known public agency to a professional and high quality BDS provider in the country.

Part of this success can be explained by the eagerness and willingness of IADE staff to learn and to take responsibility when receiving new tasks, positions and responsibilities. Another reason is that IADE managed to recruit relatively capable staff when extending the number of officers for filling the new positions in the center in Dili or the CDEs in the districts. Following the usual recruitment guidelines though is difficult, as the Civil Service Commission runs the recruitment process with little attention to qualifications. In the case of IADE, however, the BOSS Project is temporarily employing new staff, which after some months is absorbed by IADE with the approval of the Commission. In this case, qualification and experience matter.

The fact that the project is tightly interlinked with IADE and embedded in its structures has huge advantages in terms of capacity building and project delivery performance, but it also has the disadvantage of creating dependencies, technically and financially. Hence, a future exit strategy needs to tackle the problem of how to gradually substitute the financial injections of the project into IADE and its service delivery by other sources of funding. Besides, most of the technical skills can be transferred to IADE in order to enable the institution to continue providing services to its clients after the project has phased out, but not all. For instance, extending the MIS by new modules requires skills that are not available in IADE (and apparently in the whole country) or designing modifications of SYB or IYB for specific sub-sectors might also over-challenge the IADE staff.

One obvious source of additional future funds for IADE is government budget. Another source is income generation through service delivery. For this, IADE needs to learn how to better market its services and – at the same time - the willingness to pay for (good quality) business services on the customer side needs to further increase. Currently, IADE is successfully charging fees only for some of its services, such as the contractor training or the participation in trade fairs.

The 11 CDEs at district level which are currently in operation show a very different level of development and performance with the consequence that enterprises in different parts of the country are receiving a different service quality and portfolio. This certainly has to do with the individual quality of CDE staff, but also with a lack of efforts to better level the performance among the CDEs. There are different measures conceivable that could be taken for this purpose, of which some are discussed under recommendations below.

In order to capacitate an institution with national and regional structures to extend its depth and breadth of services to enterprises in a setting showing all possible key constraints on business development requires innovative approaches, experimentation on what works and what does not work and very profound documentation of tools and instruments. If this learning and these instruments are then properly captured through sound knowledge management, more donors and development organizations in Timor Leste and countries with a similar setting could benefit from it. This includes the ILO global organization as well. One example is business matchmaking in a poor entrepreneurial setting which has been developed and refined as an instrument by the project. The evaluators question whether knowledge management in the project is done in such a profound way as described above.

Outcome 3 can be paraphrased as **“Increased SEAPRI commitment and capacity to mainstream gender in all policies, programs and activities”**. This third project component was added to the project structure on request by IrishAid.

The strategy for this objective rests on:

- The promotion of gender equality, equity and women empowerment is necessary prerequisites for establishing inclusive growth and sustainable development in Timor-Leste.
- Although both women and men in Timor Leste face great challenges to find decent employment and sustainable income generation opportunities, the project recognizes that women encounter specific barriers which hamper their economic and social empowerment. Discrimination, household responsibilities and cultural norms restrict women’s decision making power, access to and control over resources, and their ability to conduct and grow their businesses. Therefore, in order to increase economic opportunities of women and recognize their key contribution to development, a gender sensitive approach has been mainstreamed through the project in all policies and programmes of SEAPRI, IADE and in the BOSS Project itself.

Main achievements

- With the support of the project, a Cabinet for Gender Equality (CGE) was established in May 2011, initially within the structures of the MED, the first counterpart of the project. Beyond initial expectations, the MED and the Parliament approved the budget proposal for 2012 presented in June 2011 by the CGE and allocated 131,000 USD for CGE’s activities, including training and support to women groups in rural areas. The establishment of the CGE, the recruitment of the staff and the related trainings conducted to capacitate them on gender mainstreaming have been presented by the donor, Irish Aid, as successful good practices and included as „Case Story“ in the Irish Aid 2011 Annual Report.
- Later in 2012 after the restructuring of the government of Timor Leste the Gender Cabinet has been integrated into the structures of SEAPRI The CGE Director is now heading the new IADE Department of Planning, Monitoring and Evaluation, which plays a key role in the mainstreaming of gender equality concerns in all IADE’s activities (see the current structure of IADE in Annex 7). In May 2011, with technical assistance of the project, a Rapid Gender Assessment of MED in terms of leadership, staff, capacity, expertise and activities was conducted and shared with the Secretary of State for the Promotion of Equality (SEPI) and the UN Women. The assessment identified an absolute lack of gender awareness and

knowledge among MED and IADE staff, especially at managements level, lack of gender disaggregated data in planning and monitoring reports, absence of gender targets in the MED Annual Action plans, lack of gender training and structural discrimination, with deep gender gaps in staff balance, showing horizontal and vertical segregation (very few women in management positions). The gender assessment provided recommendations to better mainstream gender in MED. It was the first assessment of its kind to be conducted in a government institution in Timor Leste, and it has been used by SEPI as a reference document to conduct similar assessment in key ministries.

- IADE Directors, trainers, chiefs of department and district coordinators received training on key gender concepts and strategies. Gender-sensitive indicators were developed and included in the institution's action plans in cooperation with the IADE management, and gender mainstreaming responsibility was integrated into the ToR of all IADE directorates. A new organic law for IADE was finalized in 2012 with gender tasks and responsibilities included in the TOR of each Directorate. Gender concerns and gender targets have been included in SEAPRI Annual Action Plan (AAP) for 2013. The AAP specifies the number of SEAPRI male/female staff who will benefit from training activities, providing therefore both women and men equal opportunities for learning and career advancement. SEAPRI also prioritized gender balance among staff by setting gender quota for the recruitment of new officials. Planned activities and interventions also include sex-disaggregated indicators in terms of beneficiaries.
- The project facilitated the development of a National Strategy and Action Plan for Gender and Private Sector' to be adopted by SEAPRI, prospectively in November 2013. With technical assistance of the project, a final draft of the Strategy and Action Plan has been developed and approved. The action plan intends to tackle the main constraints identified by Timorese women and men entrepreneurs: (1) improved institutional framework and business enabling environment; (2) increased access to credit and financial services; (3) increased access to Business Development Services and information; (4) enhanced market access; (5) increased access to formal networks for women entrepreneurs.
- In the cattle, horticulture and tourism value chain research and development activities of Component 1, IADE colleagues and the ILO gender expert on the project team ensured that gender equality is appropriately considered from the initial to the final phases. A session on Gender sensitive VC analysis was included in the VC training, the gender expert contributed to the design of the questionnaires and was part of the field research team, the final VC reports prepared for the cattle, horticulture and tourism sectors include a gender analysis and related recommendations. Gender equality inputs were eventually provided for the design of action plans and interventions.
- Gender concerns are mainstreamed in all the activities of previous Components 1 and 2, from design of interventions to implementation and monitoring of them. On average, more than 30% of IADE beneficiaries are women: 56% of IADE business training and 30% of contractor training are women, 41% of the participants of business matchmaking events and 41.7% of the exhibitor at the trade fair organized by IADE were women managed companies/institutions/organizations. Furthermore, the first survey on female farmers satisfaction in horticulture conducted in July 2012 showed 100% satisfaction with project's activities.

Overall assessment

Turning a key cross-cutting issue into a separate component supported by a permanent international expert already emphasizes the importance the project places on Gender Equality. The interviews with IADE staff have revealed high gender awareness across the organization. IADE demonstrated a commitment and capacity to mainstream gender concerns in its policies and programs, and at the

same time its staff showed an increased knowledge and technical expertise on gender, especially in the analysis of data and planning of activities.

Gender concerns are successfully mainstreamed in all BOSS supported activities. Interventions under the value chain component for the horticulture, cattle and tourism sector included the participation of the Gender officer from its earlier stages to the final elaboration of the action plan. As per Component 2, gender inputs were provided in all activities, from the initial assessment on MSME's, to the design, implementation and evaluation of the Super Trainer's Campaign, from the design of TIFOBÉ to the Salt Industry Research and the Business Plan Competition.

Enhanced commitment to gender equity goals at policy level was also confirmed by IADE through the inclusion of gender targets and the attention to specific gender needs in three major documents. The newly approved organic law includes gender tasks and responsibilities in the TOR of each directorate. The IADE AAP has been closely reviewed with a gender lens and the IADE Strategic Development Plan has been developed in close cooperation with the BOSS Gender Officer who contributed to the formulation of its goals, objectives and activities and ensured that gender concerns and specific gender indicators are included and mainstreamed throughout the whole document.

In conclusion, positive results have been achieved in terms of gender mainstreaming compared with the findings of the MED/IADE Gender Assessment conducted in the initial phase of the project. Thanks to the project support, first the managements of MED, and currently of SEAPRI have increased their commitment to gender equality goals, as demonstrated by the creation of the Gender Equality Cabinet and the future adoption of a National Strategy and Action Plan for Gender and Private Sector. SEAPRI and IADE Annual action plans now include gender targets and indicators and all information and data in IADE database are sex-disaggregated. IADE staff has increased gender awareness and capacity to mainstream gender concerns into its work, especially in terms of training and value chain activities. Finally, in terms of staff balance, more women have been promoted to management positions (e.g. Chief of Departments in IADE and Directors in SEAPRI) and recruited for technical posts.

4.3 Project status and findings overall

To discuss the project status the findings are structured along the **five evaluation criteria** of the OECD that need to be considered for this evaluation: relevance, efficiency, effectiveness, sustainability and impact. As the evaluation matrix uses a similar structure the attempt is made here to answer the evaluation questions as detailed as possible for each criterion. There might be some redundancies compared to achievements and assessments presented above under the outcome-based evaluation in chapter 4.2, but then these observations are considered important enough to be presented here again. The evaluation questions pertaining to the validity of project design had been discussed in chapter 4.1 above.

Relevance

Relevance is the extent to which the objectives of the BOSS Project are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.

As mentioned above, developing the two value chains cattle and horticulture plus the tourism sector are exemplary exercises on the one hand. On the other hand, the selected sectors need to have high relevance for the districts and the country and ideally being inclusive by benefiting both women and men in order to show the necessary impacts. A thorough and

In keeping with the objectives of the project as well as the VCD philosophy, the selection of the cattle sector in Bobonaro and Lautem districts can be justified on the basis of the below:

- Involvement of rural / poor households is considerably high in the sector
- It is a common small scale livelihood option in the districts
- Presence of a clear value chain
- Input resources, particularly grass lands are adequately available within the selected districts
- There are opportunities for both export and expanding local market
- There is ample scope for improvements

Source: BOSS, 2011

participatory selection was thus necessary which involved the DEF at district level. The box on the right hand side presents the selection criteria used for selecting the cattle value chain in two districts. In terms of relevance, the field mission and the study research has shown that all three sectors selected for value chain development and sector support are considered to have high future economic potential.

In general, the BOSS Project addresses the needs of female and male entrepreneurs by tackling most constraints for enterprise development in Timor Leste as reflected in the project design. More specifically, it tries to satisfy the needs identified through specific studies prepared by the project in terms of needs for specific business services or economic needs of actors operating in value chains.

By including a specific component on gender mainstreaming and targeting specifically the different needs of female and male entrepreneurs through training and policy development, the project demonstrates its relevance for inclusive private sector development. In particular, promoting female entrepreneurship in the economy and increasing women's income utilizes a critical potential for private sector development, since women make up 49% of Timor Leste's population and are a valuable resource for sustainable economic growth.

One of the sectors indirectly supported by Component 2 (business services) is the construction sector. In order to create a fair playground for participation in public contracts for infrastructure development, a proper tender system needs to be in place and potential contractors need to be able to use it. Hence, the tendering and business training for contractors and the tender information system (TIS) offered by the project through IADE are highly relevant, as they introduce competition and quality assurance in the market for infrastructure construction services.

It can also be confirmed that the previous Ministry of Economy and Development (MED) had been actively involved in the initial design of the project and IADE and SEAPRI later in the project's redesign after the restructuring of the Government in 2012. Particularly, the State Secretary and the IADE director seem to feel a sense of ownership in the BOSS Project and share its development vision.

The Steering Committee is chaired by the State Secretary for the Promotion and Support of the Private Sector and further consists of representatives of the two donors IrishAid and NZAid, SEAPRI (chief of cabinet), IADE (Executive Director and National Director) as well as the ILO (Head of Mission). Apparently, the key counterparts IADE and SEAPRI are sitting on the Steering Committee and decide on the project's direction. The Steering Committee is meeting twice per year to review the most recent Project Progress Report and thus the activities and achievements of the previous six months and deciding on the plan of action for the next six months. Hence, the Steering Committee plays a key role in monitoring and implementing BOSS activities. This is, for instance, expressed in the minutes of meeting of the Steering Committee on 28 March 2013 that documents a detailed discussion of the activities/achievements of the second half of 2012 and emphasizes what needs to happen next. During this meeting, the representative of IrishAid expresses his satisfaction with the observation of *"such an excellent ownership of the project by IADE and SEAPRI"*, the two main counterparts of the BOSS project.

Initially, at the time of LED focus District Economic Forums (DEF) were established and consulted on the choice of sectors, value chain action plans etc. Then, local stakeholders had some influence and ownership in project implementation and operation. But even now after the move to VCD, actors at the district level should remain important to BOSS and should be provided with more information. Only then the project will be considered relevant also at the district level.

Coordination with various other ILO projects and other development initiatives takes place regularly. As mentioned earlier, a close cooperation with the ILO-ERA project ensures that roads are built where there is a socio-economic need as indicated by the BOSS Project. Another example is the

Desenvolve Agricultura Comunitária (DAC) project of USAID with which the BOSS Project has shared an international consultant and which demands business matchmaking services from IADE.

The BOSS Project has been designed in a way that it meets key requirements of the SDP 2011-2030, particularly the target *“the private sector will be the primary source of growth in incomes and employment in rural areas of Timor-Leste”* by *“encouraging the growth of MSE”* and through *“diversification into new economic activities”*. It is also in line with the UNDAF 2009 – 2014 that stipulates in Outcome 2 that *“by 2014, vulnerable groups experience a significant improvement in sustainable livelihoods, poverty reduction”*.

Effectiveness

The effectiveness is the extent to which the BOSS Project's objectives are achieved already, or are expected to be achieved, taking into account their relative importance.

In order to be effective in achieving the desired objectives a development initiative needs strong political backing. Without doubt, the project receives strong political support from SEAPRI (and previously from the Ministry of Economy and Development).

The main counterpart IADE has been considerably re-structured, capacitated and its scope of services extended which is a precondition for a proper performance of Component 2, meaning that the immediate objective 2 and its expected outputs will be achieved. The effectiveness of the counterpart and thus of Component 2, is even increased by the fact that IADE has been accredited and selected training concepts (e.g. IYB, contractors training) and trainers certified.

The sectoral adjustment of business training concepts, such as SIYB for agribusiness and solar energy and in the future most probably for tourism will tailor a standard ILO training instrument to the specific requirements of selected sectors in the country, thus allow to more effectively targeting them. BOSS even successfully lobbied for integrating *Know About Your Business* (KAB) in curricula in secondary schools and thus helps enhancing entrepreneurial attitude early in life.

On the other hand, in the absence of national staff the project depends on technical and administrative support provided by IADE in order to operate effectively. Both, the IADE director as well as the project colleagues confirm that this support is given. In terms of mutual support, the IADE M&E system builds on the BOSS M&E indicators demonstrating an effective use of available data tracking and aggregation.

In the light of the concept of Systemic Competitiveness (see Annex 6 for a brief presentation of the concept), the project addresses problems to entrepreneurship and business development on all systemic levels:

- On the micro level by working indirectly with entrepreneurs in value chains and sub-sectors;
- On the meso level by cooperating and capacitating IADE and other meso institutions;
- On the macro level by lobbying for an adjustment of legislation);
- And on the meta level by changing values and mind sets.

Figure 3 below allocates some of the key activities and achievements to the four levels of Systemic Competitiveness. The graphic confirms that the BOSS Project is active on all levels and discussions with the project colleagues also revealed that there is strong awareness of the systemic inter-relationships between the levels. Activities conducted at one level have impact on outcomes at another level and require additional activities there to strive for competitiveness in a systemic and sustainable way. For instance, in order to enhance competitiveness in the cattle value chains it is necessary take measures on all 4 levels: for instance increase of productivity at the micro level, business matchmaking facilitated by the meso-level, creating conducive legislation on slaughtering and meat processing at the macro level and changing cattle farming culture at the meta level.

BOSS in the light of Systemic Competitiveness

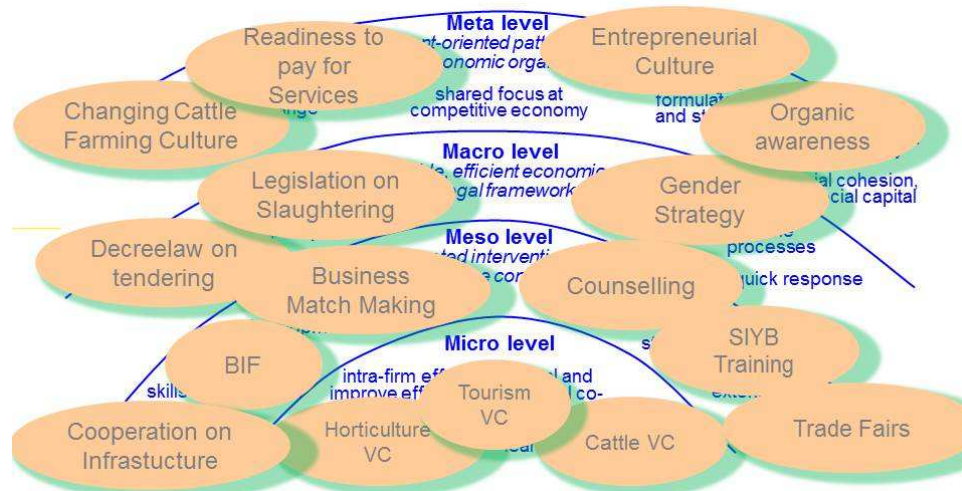


Figure 3: BOSS in the light of Systemic Competitiveness

The project effectiveness has been increased through – partly – intensive cooperation with other ILO projects, such as ERA and TESP, other development projects and organizations, such as UNDP, USAID-DAC, Mercy Corps, UNCDF and Timorese organizations, such as the local Chamber of Commerce and Industry (CCI-TL) as relevant employer organization. As mentioned under “Relevance” above, a close cooperation with the ILO-ERA project ensures that roads are built where the BOSS Project has indicated a socio-economic need for physical access. Both ILO projects also cooperate on training civil works contractors in business management through IADE. Moreover, the BOSS Project works with the ILO Training and Employment Support (TESP) Programme funded by AusAID. While TESP is providing technical skills on construction works, IADE is providing training in the management of small construction bids and contracts. In addition, the counterpart of TESP, the SEFOPE self-employment department, plays a crucial role in promoting and supporting interventions addressing identified bottlenecks in the value chains selected by BOSS.

Input supply constraints in the horticulture value chain are being addressed through a market based solution in partnership with Mercy Corps and its Loja Agrikultura project, which will also support beef cattle input constraints, particularly around access to animal medicine. Another example of cooperation with Mercy Corps is the interaction with the “Energy for All (E4A)” Project through a range of IADE’s business development services including training, counseling, business information and participation in trade fairs. Yet another example is the DAC project of Development Alternatives International (DAI) with funding from USAID in terms of sharing an international consultant, exchanging experience, and coordinating product varieties and quantities grown to avoid oversupplying the local market.

BOSS has a regular exchange with the chamber CCI-TL as the leading employer organization in the country. In addition, the project is supporting CCI-TL in different ways. For instance, initiating and designing the contractor training is a joint effort of the project and the chamber. Furthermore, in October 2011 the project conducted a BDS Needs Assessment for MSME in cooperation with the chamber. In the second half of 2013, it will support the chamber (and the Ministry of Tourism) in organizing the first general assembly of the new tourism association in Timor Leste.

With respect to gender mainstreaming, the participation of women in IADE trainings often reached 50% or more. Particularly in contractor trainings it was often higher, but in trainings given to actors

in the cattle sector understandably much lower. Gender and decent work questions were integrated in both value chain studies (based on the “Strongest Link” ILO manual) and in preparation of the tourism sector study IADE staff trained in gender sensitive tourism aspects. When necessary, Component 3 of the project has adopted and simplified gender mainstreaming approaches of the ILO to be better applicable in the context of Timor Leste, such as Gender Mainstreaming Strategies (GEMS), which was the basis for designing gender sensitivity trainings, or Participatory Gender Audit (PGA) as one tool to assess gender awareness in MED in 2011.

As highlighted in the section on the project progress by outcome above, the project performance is in all areas according to the performance plan and in some areas even beyond the plan. The budget delivery rate having reached about 50% in March 2013 is in line with the planned course of the project.

The minutes of meetings and the participants’ lists of previous Steering Committee meetings indicate a high effectiveness of these meetings with high level attendance. The Secretary of State seems to take a key role and project results are not presented by the Chief Technical Advisor of the project, but by the Executive Director of IADE. The involvement of the private sector and of worker representative organizations in steering the BOSS Project however is lacking and needs some attention. The main reason for the absence of the private sector in the project steering structure is that CCI-TL is not recognized as a proper representation of the private sector in Timor Leste by the State Secretary. Worker’s organizations are not on the Steering Committee because with respect to the selected value chains they are not really relevant for the BOSS project so far and also not very advanced in organizational terms in Timor Leste. The relevance of labor organizations for the BOSS project might change with the future project support to developing the tourism sector. In terms of tripartism, at this point the BOSS project tightly works with Government, intensively exchanges with the most relevant employer organization (CCI-TL), but does not maintain relationships with worker organizations for above mentioned reasons.

The BOSS project management seems to be highly effective in standard reporting and in monitoring performance. The Technical Cooperation Progress Reports (TCPR) are comprehensive, informative and follow the ILO reporting standard meticulously. TCPRs are presented and discussed in the bi-annual Steering Committee meetings and approved there before sending it to the ILO country office and the ILO headquarters. For Component 1, the monitoring efforts of the BOSS project are newly supported by the DCED standard in order to increase the effectiveness of impact monitoring. The DCED standard (including design of results chains and business models in the cattle and horticulture value chains) was initially introduced through short-term expert involvement and is now permanently supported by a newly recruited international staff member specialized in Monitoring and Communication. This new BOSS expert will also closely work with the newly established IADE Department of Planning, Monitoring and Evaluation (see IADE organizational chart in Annex 7) by particularly supporting improvement of data quality, data analysis and use of data to support planning, reporting and management. The necessary database for this tasks is provided by the Business Development Services Management Information System (MIS) which proved to be effective and which will provide a firm foundation for this department as well as for BOSS activities related to business services supported by Component 2 (and to some extent also by the other two components). A new MIS module for business matchmaking is currently in the stage of piloting. In addition, the BOSS project is undertaking irregular monitoring studies, such as the Super Trainer assessment or the Tracer Study to monitor ongoing efforts to verify the project’s performance in the field of specific initiatives.

The support from the ILO Office management in Timor Leste seems satisfactory and effective. The effectiveness of technical backstopping support, however, could possibly be improved, in both directions. Technical backstopping is mainly provided by the Job Creation & Enterprise Development Department in Geneva and – to a smaller extent – by the regional office in Bangkok. Occasional requests by the international experts of the BOSS projects are not always answered in a satisfying

and timely manner. This, for instance, was the case with recent research on business innovation facilities. However, the international expert team of BOSS is receiving is invited to and participates in frequent advanced training activities in ILO training centers. On the other hand, the ILO headquarters expects from private sector development projects like BOSS to be “engines of innovation” and, accordingly, document and share innovative activities (in the ILO context) and achievements on a regular basis. This documentation would be an activity beyond the standard half-year progress report.

Efficiency

The efficiency is a measure of how economically resources and inputs (funds, expertise, time, etc.) are converted to results.

The BOSS project accounting system documents resource inputs in certain budget lines that do not strictly correspond with Immediate Objectives or Components. Hence, the evaluation question, whether resources have been allocated strategically to each component, cannot be answered clearly. However, discussions with the three component coordinators and the chief advisor indicate that each component is receiving the respective resources that enable an efficient implementation in line with immediate objectives and the general facilitation role of the project. Also, there has been no indication during the field mission of the mid-term evaluation that funds and activities have not been delivered in timely manner.

In all components, the BOSS project offers various examples that are demonstrations of how to convert inputs to considerable scope of results. The project is innovative, but not all facilities and instruments are completely new in the Timor Leste context. The project has adapted and reactivated tools, approaches, institutions that had been introduced earlier which is an indication of efficiency. Setting up new structures and building new facilities is often cumbersome, time consuming and resource intensive and thus inefficient. The project however restructured and revitalized IADE as a business service provider. It facilitated the rehabilitation of the abattoir and the adjacent cattle market close to Dili. It reactivated, upgraded and made affordable (through cooperation with Timor Telekom) the SMS-based Tender Information System (TIS), which was developed by a previous development project. It also utilized and updated substantially the enterprise database.

Particularly, the TIS needs to be pointed out as very efficient instrument for disseminating information to a large number of entrepreneurs at the same time. Similarly, the *Super Trainer* campaign for educating entrepreneurs shows a high level of efficiency through its wide outreach to entrepreneurs and – at the same time – increase of visibility of IADE. This is proved by the recent Super Trainer Assessment.

The project’s M&E system standardized the data collection with the help of special forms for different types of data to be collected by the CDEs at district level. The data entry, storage and reporting procedures and system is based on a modular data base and is highly professional organized as a BDS Management Information System (MIS). The MIS not only informs the M&E requirements of the project itself, but also of the counterpart IADE. In June 2013, the MIS reports that - with project Component 2 support - 2,527 entrepreneurs (cumulatively since January 2011, 55% female) were trained by the IADE/CDEs, 148 entrepreneurs (21% women) received IADE’s counseling services, 234 civil works contractors (31% females) were trained and certified and 3,581 entrepreneurs received business information from IADE. At the same time, with support of project Component 1, about 280 jobs created were created in the cattle and horticulture value chain. The project delivery rate at this time was slightly above 50% (of the IrishAid budget contribution). As the NZAid representative correctly mentioned during the respective interview in May 2013, these numbers (and the final end of project targets) are not impressive in the typical setting of a PSD project; however, in the Timor Leste context they indicate a considerable achievement. Hence, also the Project’s efficiency to achieve these numbers (and partly overachieve intermediate targets) need to be interpreted in this way.

The project partners and service providers, such as IADE in Component 2, UNTL in the cattle value chain and the intermediaries providing technical assistance in the cattle and horticulture value chains in Component 1 (to name only a few) seem to increasingly provide good quality services. The intermediaries are not only actively providing technical assistance upstream the value chain to farmers, but are doing this as value chain operators. Hence, they have invested into their operation in the value chain. As the project has limited resources for concrete interventions, it is even more important to leverage funds and investments of counterparts and other local actors. The immediate objective indicator for Component 1 *“Increasing public and private investment in the target sectors”* shows that up to now the BOSS project managed in the cattle sector to trigger public investments of 200,000 USD and private investment of 70,000 USD and in the horticulture sector 180,000 USD (public) and 12,000 USD (private). In both cases the target numbers of June 2013 are overachieved, partly significantly, which can be interpreted as efficient investment leveraging by the project.

Efficiency in development initiatives also crucially depends on the quality of the staff of the project and its counterparts. The agreed solution of IADE and the project that recruitment, contracting and temporary employment of new IADE officers is done by BOSS and then taking over by IADE seems to be the only feasible solution to ensure recruiting staff with suitable skills and experiences.

The ultimate proof of cost efficiency and good quality services is the assessment of the market through the purchase of IADE services at affordable and cost covering prices. IADE has started to partially charge for some of its services, such as contractor training or trade fair participation. However, in the future more services need to be sold to the customer in order to put pressure on IADE to always deliver high quality services and - at the same time – cover its costs and become independent from uncertain subsidization.

Impact

The impacts summarize the positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.

The envisaged impact of the BOSS Project needs to be seen against the background of the hugely non-conducive business environment in Timor Leste. The end targets of economic indicators referring to sales turn over, public and private investments, jobs created or business start-ups are under typical development conditions not very exciting measured against the project budget. In the middle of 2013 the project was on track in terms of meeting most indicator milestones as planned at this point of project implementation. For instance, the monitoring shows that the BOSS project has created 280 jobs across the cattle and horticulture sectors in Dili and the districts, which includes farmers selling cattle to abattoir or horticulture products to Josephina Farm. The planned number of full time equivalent jobs at this point was 255 according to the indicator milestones.

The impact of sectoral support activities is expected to be measured proficiently during the second half of the project life through the introduction of the DCED M&E standard in Component 1 and recruiting a responsible international staff for the remaining project life. Anecdotal evidence from discussions with vegetable farmers is already now indicating a significant income increase from 50 USD per year to 100 USD per week (during the 5-6 dry season months). This due to specialization in production, transport and market access and innovation in production process (e.g. using compost fertilizer) as well as in new products, such as strawberries or broccoli. First impact of the cattle VCD at the farmer level will take longer to show given that one cow only has one calf per year. However, the improvements in the slaughtering and butchering processes are significant and visible already.

There is a strong congruence between the project immediate objectives and the ILO strategies described in the Decent Work Country Program (DWCP2008-2013). The DCWP country outcome aims at *“more and better services to improve micro and small enterprises in rural areas”*. As performance indicator it is defined that *“ILO’s enterprise development tools introduced into the*

portfolio of business development services providers” and the target of achievements by 2013 is “BDS providers provide quality market-driven services in all 13 districts”.

First and foremost, the environmental impact of project is based on do-no-harm approach for most interventions areas. Environmental impact assessments are not in place with the exception of the tourism sector. For the second half of 2013, rapid environmental impact assessments are planned for the four tourism interventions that are planned to be supported by the project. For the PPP for Pousada renovation and operation first a generic environmental impact assessment is planned (average impact on the environment) followed later by more specific environmental impact assessments of individual Pousadas as soon as they are selected.

Sustainability

The sustainability indicates the likely continuation of the benefits from the BOSS Project after the development assistance has been completed. It estimates the probability of continued long-term benefits from the project and the resilience to risk of the net benefit flows over time.

A strong indication and mechanism for future sustainability of the project achievements is that BOSS is integrated in IADE, that the project works through IADE and that both have joint work plans. This ensures a consistent and permanent capacity building within IADE and will strongly facilitate IADE to continue ‘business as usual’ after the project phased out. The project does not employ national technical staff, but works with IADE in all technical terms. However, as mentioned previously, the project is temporarily contracting new IADE officers for about 6 months and is capacitating them before they are absorbed by IADE. This ensures that IADE in the end will receive staff with the necessary qualifications.

The work in both value chains initially started in the target districts of the project. After have gained experience there, key value chain players, supported and capacitated by the project, now start to upscale their activities, such as contract farming or sourcing cattle for slaughtering in the Tibar abattoir, to other districts. These upscaling efforts often take place without project support, but can be considered entrepreneurial activities by the value chain actors. Upscaling also requires additional investments, such as in transport vehicles or additional butcher shops, which these players are now considering.

As mentioned earlier in both value chains the sustainability is endangered and questioned by the dependence on one single individual bridging the rural locations to the markets in Dili. At the stakeholder workshop though, it was pointed out that this dependency in the beef cattle value chain should be seen in the light of a longer time-span: Currently the cattle sector is still at the beginning and many future interventions as part of VCD will have an impact on crowding in. For example the legislation regulating slaughtering has not been approved and enforced yet, which over time is likely to lead to further investments in slaughterhouses or butcher shops. Similarly the TV commercial to be screened soon could act as a trigger for crowding in at the retail level (butcher shops). There are similar expectations for crowding in in the horticulture sector.

In fact, first incidences of “crowding in” can already be observed in the horticulture value chain, where neighboring farmer groups in Maubisse contacted Josephina Farm to also receive technical support and sales services. Besides an investor in Liquica district had requested Josephina Farm for technical assistance to farmers, temporary transport services and market access to Dili when starting conventional (non-organic) vegetable farming. In the cattle value chain farmers from Cova Lima district in the Southwest of the country are selling their bulls for slaughtering to the abattoir in Dili.

IADE Dili, but also heads of some CDEs are becoming aware about the need to generate revenue through market transactions. Accordingly, there are considerations to design additional market- and demand-oriented training programs to be better able charging for services. Particularly, the CDEs need attention in order to ensure sustainability. In the past some CDEs did not work well and did not

deliver. Further improvements at the CDE level will be needed to ensure market success and relevance of IADE.

In parallel, SEAPRI intends to increase IADE funding annually from 2014 onwards so that by 2016 after the end of the project a considerable part of the BOSS Project funding could be substituted by government funds. However, the willingness of SEAPRI supporting an increased government budget for IADE cannot guarantee that IADE will receive sufficient funding from the state budget as this needs approval from others such as the Ministry of Finance or the National Parliament. But certainly, SEAPRI's willingness is the first necessary step for a budget increase of IADE.

In terms of gender mainstreaming, IADE staff, in particular its management, has increased gender awareness and knowledge through training and on the job activities. The fact that the previous Director of the Gender Cabinet is currently heading the planning, monitoring and evaluation unit is crucial to ensure that attention is given to gender issues in IADE's policies, planning and interventions. However, considering that starting from 2014 and for the remaining duration of the project there will not be an international gender expert responsible for the third component of the project, it may be useful to seek short-term gender expertise to continue supporting IADE and SEAPRI in their gender mainstreaming efforts. This may be particularly relevant for the 2014-2017 implementation of the National Strategy and Action Plan for Gender and Private Sector, for sectoral gender analysis and to conduct further training activities on gender mainstreaming.

Nevertheless, a project Exit Strategy has not been elaborated, communicated and agreed upon by the project and the counterparts. The evaluators learned in various discussions that key players at national and district level have a different understanding about how to ensure a smooth exit and how to sustain outcome and impact of the project. Admittedly, the BOSS Project had supported the development of IADE's 5-year strategy, which might contribute to the project's sustainability. But still, the IADE strategy cannot be considered the project's Exit Strategy, as the IADE strategy and a BOSS Exit Strategy serve different purposes. Ideally, IADE's strategy would be informed by the BOSS Exit Strategy.

5. Conclusions and recommendations

5.1 Conclusions

The project has effectively been operational for two and a half years. It has had to deal with a number of constraints, such as the restructuring of the Government in Timor Leste after the elections in 2012 and the shift from LED to VCD in Component 1 due to a decentralization process which advances slower than expected. Nonetheless, it has made satisfactory progress under each of its three immediate objectives/components. Most outputs are well advanced, and the majority of the targets for the logframe indicators are on track. The involvement of a second donor, NZAid since June 2013, gives the project additional valuable time to expand its sectoral activities by adding another sector (tourism) and the scope of business services supported (e.g. by developing the Business Innovation Facility).

Looking at the five evaluation criteria it can be summarized:

- The BOSS Project is highly relevant, addressing root causes of sluggish enterprise development in the right sectors
- The project strategy, cooperation agreements and project measures taken are highly effective
- The project is very efficient comparing input and results
- Mainly through the project's embeddedness in IADE structures and the strong political support that IADE receives the chances for the project's outcomes to be sustainable are

medium, but not high. Additional measures seem necessary to increase sustainability which could be identified through the preparation of an exit strategy in a participatory way.

- The project's impact targets are reasonable in the Timorese context and will most probably be overachieved. The M&E systems in place to measure indicator achievement are resource intensive, but highly professional.

The evaluation study identifies additional project risks which have not been described in the last version of the project Document from March 2013.

- The dependence of the two value chains cattle and horticulture on individual players is endangering the viability and sustainability of each chain. This risk is classified as high and calls for mitigation measures.
- After the last election in 2012 the Government was restructured with consequences for IADE. A new restructuring and redesigning of IADE after the next national elections in 2017 is possible and could influence IADE's capacity to continue serving the enterprise sector as it has done until then. On the other hand, IADE is an autonomous institution and the 2012 change in government only effected IADE's tutelage, but not its role. This is confirmed by the government's Strategic Development Plan 2011 – 2030, in which IADE has a clear role and annual targets to achieve. Therefore, the risk for IADE's role to change with the next government in 2017 is to be seen as low. The down-grade of this risk from medium to low is a result of the stakeholder workshop at the end of the evaluation mission.
- The quality of IADE's performance depends on the capacity of its staff which continuously capacitated under the BOSS Project. This implies the risk that IADE staff is retrenched by other organizations or projects. In general, this risk is considered low, but it can also be further reduced. IADE's experience confirms that staff leave as a result of poor (or lack of) leadership. Poor leadership impairs the effectiveness of capacitated staff and may trigger them to leave IADE. Leadership skills could be strengthened through additional training. However, the regulations and the Civil Service Commission allow transfer of staff to other ministries also against the will of the respective civil servant, which even aggravates the risk that they will be transferred to another ministry. For example, IADE only has one person who can maintain the database. If he leaves, the sustainability of the database is at risk.
- Another rather low risk is that temporary IADE staff, initially contracted and trained by the project and then transferred to IADE, cannot be absorbed by IADE due to an objection by the Civil Service Commission. This mechanism is well in place and has worked properly in the past.
- A high risk on the other hand, is that after the project had ended the data base cannot be extended by additional modules through IADE IT staff due to lack of programming skills. IADE's database is the backbone of its M&E system. Being not able to capture additional client data or results data in the future also limits the possibilities to extend the portfolio of services.

5.2 Recommendations

Based on the findings of this midterm evaluation the evaluators give the following recommendations to the project for the remaining two and a half years of project duration:

1. Develop an explicit **Exit Strategy** in the form of a written document that identifies the major risks to sustaining the project outcome and impact and sequences the measures to be taken until the end of 2015. The process of defining the strategy should ideally be participatory. And this process is as important as the final output, the exit strategy paper, as it creates ownership of the strategy and prepares the IADE and BOSS staff to act according to the strategy once in place. An project exit strategy could have the following structure:
 - Strategic Priorities
 - Institutional capacity development

- Human resource development
 - Monitoring & Evaluation
 - Knowledge management
 - System of cooperation between IADE and other players
 - Funding support and revenue generation
 - Management of implementation
2. Implement the **Business Innovation Facility (BIF)** in the form of a **dynamic innovation system** consisting of different players (business training and counseling, technology support, financial support). IADE can be in charge of the business side and play the role of a facilitator within the system. Capacitate IADE/CDEs in concepts of innovation. The BIF is an important new element in the latest version of project Document and one of the future achievements to be supported by NZAid.
 3. Further encourage **crowding in at all levels** of the selected value chains (production, trading and technical assistance, distribution) to reduce the dependency on a few key players. The degree of crowding-in should reflect the market demand, as a too high supply will not be sustainable. For example, in the tourism sector it can typically be observed that unfair competition resulted from lack of protection. However, too much crowding-in is unlikely to happen in the context of limited entrepreneurship as in Timor-Leste. But still, the tourism sector needs to be treated more carefully when it comes to crowding-in.
 4. Improve the **Knowledge Management** of the project in the ILO context by documenting and codifying important instrument developments by the project
 - preparing a Manual on Value Chain Development in the context of Timor Leste (in a setting with essential constraints for business development)
 - preparing a Manual on Business Match Making in the context of Timor Leste (in a setting with essential constraints for business development)

A good documentation would be important and in line with the expectations of the ILO headquarters for PSD projects to be 'engines of innovation'. The new internal ILO project "Market Development for Decent Work" (starting operation in November 2013) could be helpful in this regard by offering support to selected projects for preparing documentation of models and tools developed in their sphere of action.

5. Introduce a **fee-based delivery system for selected IADE services** to gradually make the enterprise community getting used to paying for business services and - at the same time - keep the quality of business services on a high level. To select a specific fee-based system variety that suits the current context in Timor Leste, different options are to be analyzed and their feasibility assessed.
6. Develop **marketing strategies** at national level and for each CDE to give orientation to the effort of selling IADE service to the clients. Capacitate IADE and CDEs to better promote and market their services to (potential) clients to generate future income.
7. Increase and level the **quality of CDEs**
 - by introduce a regular and structured exchange of experience as a new element in the regular CDE meetings organized by IADE, as additional meeting or in a very different form that needs to be explored.
 - by introducing a CDE award system based on performance to create incentives and address the competitive spirit of CDE staff.

6. Lessons learnt and emerging good practices

A few lessons learnt could be extracted from the findings described above, of which two are mentioned below and described in detail in the ILO Lessons Learnt template in Annex 5.

1. Tight embeddedness of BOSS in IADE to highly capacitate the counterpart and increase sustainability

A specific feature of the BOSS project is its tight embeddedness in the structures of its main counterpart, the Institute for Business Support (IADE). Since July 2012, the BOSS project is embedded in one key institution (IADE) and works through it. The capacity building output is focusing on IADE and its ability to develop territories, value chains and business services and deliver these services. The project integration into the IADE structures facilitates the project's efforts to restructure and revitalize the institution as a business service provider. The ILO had a first-mover advantage of development organizations working in Timor Leste on enterprises and business development and could thus freely select the most obvious and suitable counterpart and cooperation partner for this domain, which is IADE.

The positive causal factors of this specific project feature are:

- Increasing sustainability and facilitating exit at the end of the project life through high level of capacity developed with the counterpart due to joint day-to-day implementation of activities;
- Better project delivery performance on the side of BOSS and activity delivery performance on the side of IADE;
- One M&E system serves both the project and IADE and increases resource efficiency
- Increase of national project ownership.

On the other hand, challenges that need to be overcome are:

- The situation could create technical and financial dependencies on the side of IADE.
- It could generate the assumption that a BOSS exit strategy is unnecessary since high capacity with the counterpart will be left behind in any case.

2. Flexibility in project design and freedom of experimentation to come up with a tailor made approach for the specific setting and conditions

Flexibility in project design and freedom of experimentation to come up with a tailor made approach for the specific setting and conditions. To some extent, the BOSS project showed that it allows for experimentation and exploration, followed only then by implementation. At this point in time, this is a rather rare strength of a development project. Here, the basic assumption is that if market systems are facilitated to change from within, rather than through a number of direct and distorting interventions, better and more sustainable results can be achieved. A key example here is the shift from LED to VCD in Component 1 as a response to a decentralization process which advances slower than expected.

The positive causal factors of this observation are:

- Identification of what can possibly work and what cannot and selecting the tested, most feasible solution for implementation;
- Better understanding of the system the project intends to change and being able to design systemic, sustainable interventions;
- Flexibility in project design and implementation;
- Avoiding the typical 'one-size-fits-all' mistake.

On the other hand, a set of key skills of the project staff as well as donor acceptance and provision of funds and time on the side of the donors and the ILO headquarters is necessary to apply and support this approach.

Annex 1 – Terms of reference

Terms of Reference

Independent Mid-Term Evaluation

Business Opportunities and Support Services (BOSS) project

May 2013

| | |
|-----------------------------|--|
| TC Symbol | TIM/10/02/IRL |
| Project Title | Business Opportunities and Support Services (BOSS) |
| Country | Timor-Leste |
| Technical Field | EMP/Enterprise |
| Technical Backstopping Unit | Job Creation &Enterprise Development Department (EMP/ENT) |
| Administrative Unit | ILO Country Office for Indonesia and Timor-Leste (Co-Jakarta) |
| Type of Evaluation | Independent Evaluation |
| Timing of Evaluation | Mid-Term |
| Project budget | EURO 5,575,000 equal to USD 7,920,396 |
| Project duration | September 2010 – September 2014 |

INTRODUCTION AND RATIONALFOR EVALUATION

The independent mid-term evaluation of the Business Opportunities and Support Services (BOSS) is undertaken in accordance with the ILO policy guidelines for results-based evaluation, which provides for systematic evaluation of projects in order to improve quality, accountability, transparency of the ILO's work, strengthen the decision making process and support to constituents in forwarding decent work and social justice. An independent project evaluation is a mandatory exercise for all ILO projects with budget of more than USD 1 million. The independent evaluations are managed by an ILO official who have no prior involvement in the projects and conducted by external independent consultant(s). Key stakeholders, ILO constituents, partners and the donor will however be consulted throughout the evaluation process.

The objective of the mid-term evaluation is to analyses progress made towards achieving established outcomes, to identify lessons learnt and to propose recommendations for improved delivery of quality outputs and achievement of outcomes. The evaluation provides an opportunity for reflection and self-learning regarding how the project could improve the effectiveness of its operations in the future.

The evaluation will be managed by Ms. Eléonore D'Achon at EMP/CEPOL in ILO HQ. Ms. Pamornrat Pringsulaka, the Regional Evaluation Officer based at the ILO Regional Office for Asia and the Pacific (ROAP) will ensure quality standard of the process and of the evaluation report. The project will bear the cost of the evaluation, including the cost of the consultant(s). The evaluation report will be in English. The

evaluation will comply with evaluation procedures and standards and follow ethical safeguards, all as specified in ILO's evaluation procedures.

1. BACKGROUND INFORMATION OF BOSS PROJECT

The Timorese Government attaches great importance to developing a vibrant private sector. In particular, the Secretary of State for the Support and Promotion of the Private Sector (SEAPRI) acknowledges that Micro and Small Enterprises (MSEs) are the engine for sustainable development and employment creation, and is committed to tackle the constraints and the challenges hampering their consolidation and growth. While the Government of Timor-Leste is committed to a market-led economy with the private sector as the primary engine of growth, the nascent Timorese private sector has so far been unable to spur sufficient economic development for the rapidly increased population. Despite Government efforts driven by the petroleum revenue (representing more than 95% of the total State income) and the recent considerable injection of resources into the real economy, in practice, ill-equipped Timorese MSEs continue to face a number of constraints that limit the sector's overall growth. This is particularly evident in rural areas where poverty incidence is high and rural-to-urban migration poses a major challenge and poorer people remain excluded from the mainstream economy. An estimated one third of the population remains outside of the cash economy (formal and informal) and market access remains very limited in most rural areas of the country.

Timorese MSEs generally operate at a low or even very low level of profitability and that few of them grow and expand their operations, creating sustainable employment and wealth. As far as the focal problem is concerned, two major groups or clusters of causes can be identified. One relates to the generalized weak managerial and entrepreneurial skills and knowledge which hampers enterprises and creates an additional barrier to the already daunting access to finance. The other is correlated to the (lack of) market access and its closely associated constraints of access to technology and product quality as well as the ineffective use of local resources and opportunities, which together provide substantial bottlenecks to MSE development. In addition to these problems there have been other constraints i.e. lack of access to credit, transport, and land faced by MSEs and private sector development in TL.

Project Strategies

The project strategy is based on a systemic approach to enterprise development that addresses a range of needs and challenges of Timorese MSEs. In particular, the project intends to tackle some of the main problems and constraints identified by the Timorese entrepreneurs: lack of dialogue and coordination between the public and the private sectors; lack of market access for products and services, ineffective utilization of local resources / opportunities, limited involvement of private sector in Government service delivery and weak managerial and entrepreneurial knowledge. Moreover, the project will ensure that the needs of women entrepreneurs are better catered for and ensure a gender sensitive approach in private sector development.

The project is supporting the Institute for Business Support (IADE) of the Secretary of State for the Support and Promotion of the Private Sector and other relevant stakeholders, to deliver need/market-oriented services to MSEs and contractors, develop value chains in the selected sectors, promote a better coordination and alignment of private sector initiatives and contribute to a "private-sector-sound" development.

The BOSS Project is a private sector development project incorporating institutional strengthening of its partners. It acts as a facilitator, focusing on technical assistance, coordination, networking, and information. During the four years of implementation, the BOSS Project supports IADE in boosting local economic development, enhancing Government service delivery and creating quality employment in rural areas by expanding market access for MSEs, strengthening local contractors and improving the provision of business development services.

The BOSS Project supports the Government of Timor-Leste in achieving key targets set as part of its Strategic Development Plan, which aims at establishing the private sector as the primary source of growth in income and employment in rural areas. The project is well coordinated with all other private sector development initiatives in Timor-Leste and cooperates with a range of partners and development organizations to foster synergies. The BOSS Projects integrates gender equality at all levels. Due to its embedded implementation methodology the project enjoys a high degree of local ownership.

The project focuses on sustainability and scale, which means striving for both systemic change and developing a clear vision of the future beyond the project lifespan. Change is facilitated with an emphasis on long term sustainability and large scale, which can be driven by market system stakeholders. The BOSS Project has a facilitative rather than an interventionist role. Acting as a “catalyst for change” encourages more players to take part in the market systems (i.e. crowding in), and lead to greater local ownership and more relevant and sustainable change and impact. Interventions facilitated by the project aim to address the prior identified underlying causes of market underperformance.

Development Objective:

The project will contribute to the generation of pro-poor economic development and quality employment for women and men by spurring growth of micro and small enterprises. The reduction in poverty and unemployment will indirectly contribute to consolidating peace and preventing conflicts.

Immediate objectives & Output:

Immediate Objective 1: Increased business opportunities for MSEs in target sectors and districts

Indicators:

1. Increasing sales in the target sectors and districts per year and cumulatively
2. Net additional jobs created in target enterprises as a result of the programme, per year and cumulatively (men and women)
3. Increasing number of business start-ups in the target sectors and districts per year and cumulatively (male and female headed MSEs)
4. Increasing public and private investment in the target sectors and districts per year and cumulatively

Outputs:

Output 1.1: Increased IADE capacity to develop value chains

Output 1.2: Value chain specific Public Private Dialogue (PPD) organized at national and district levels

Output 1.3: Value chain research in target sectors and districts indicates sectors' constraints and opportunities

Output 1.4: Selected value chains upgraded

Immediate Objective 2: Nation-wide access to enhanced and innovative market / need orientated business development services

Indicators:

1. An increase of at least 50% in the number of enterprises that access innovative market/need oriented business development services offered by IADE/CDEs, 30% of which are women-managed enterprises, by the end of the project
2. 50% of surveyed clients of IADE/CDE Business Development Services report increased business turnover as a result of their interaction with the service by the end of the project

Outputs:

Output 2.1: IADE and 9 CDEs strengthened as the primary business development service provider in TL

Output 2.2: Improved business management training and counselling provided by IADE/CDEs

Output 2.3: Certified training for civil works contractors provided by IADE improving contractors' business management skills

Output 2.4: Functioning Business information and promotion system set up within IADE/CDEs.

Immediate Objective 3: Increased SEAPRI commitment and capacity to mainstream gender in all policies, programs and activities

Indicators:

1. Organic Law of IADE integrates gender mainstreaming responsibilities in each directorate
2. SEAPRI Gender Equality Strategy and Action Plan developed and implemented
3. IADE Annual Action Plan and budget respond to gender sensitive criteria

Outputs:

Output 3.1: Gender mainstreaming is institutionalized within SEAPRI

Output 3.2: IADE staff gender equality technical expertise developed.

Output 3.3: Gender is effectively mainstreamed in all BOSS supported policies, programs and activities

Linkages with other development frameworks: Strategic Development Plan, UNDAF and DWCP:

In April 2010, the Government of Timor-Leste announced its 20-year Strategic Development Plan (SDP 2011-2030). The two first principles of the 'SDP Framework for action to 2020' are: (i) A mixed economy based on complementary actions by the public and private sectors, determined by comparative advantage; (ii) A strong public investment programme that is complementary to the promotion of private investment.

The BOSS Project supports the Government of Timor-Leste in achieving the Strategic Development Plan (SDP 2011-2030) target “The private sector will be the primary source of growth in incomes and employment in rural areas of Timor-Leste”.

The SDP suggests that this target will be achieved by encouraging the growth of micro and small businesses, diversification into new economic activities, as well as improving the efficiency of current activities and scaling up neglected activities – interventions that are at the core of the BOSS Project.

In the same line, the Government incorporated private sector growth as part of its National Priorities over the past years. Starting in 2013, the Government will have a specific SDP Working Group on Economic Growth with sub sector groups on private sector investment, tourism and agriculture, underlining the key position of private sector development in achieving the SDP targets.

The project directly contributes to the ILO’s Country Programme Outcome TLS 177: More and better business development services in rural areas. The ILO, as part of the Timor-Leste United Nations Country Team, seeks to support Timor-Leste in realizing its national development goals, specifically with regards to transforming the current subsistent agriculture-based rural economy into a vibrant job-rich economy. Guiding ILO’s contribution until 2013 is the Timor-Leste Decent Work Country Programme (DWCP), which is aligned with the Timor-Leste United Nations Development Assistance Framework (2009-2013), recently extended until the end of 2014. Both UNDAF and DWCP support Timor-Leste’s efforts to achieve the Millennium Development Goals: specifically MDG 1: Eradicate extreme poverty and hunger; MDG 3: Promote gender equality and empower women; and MDG 7: Ensure environmental sustainability. The relevant key results areas in relation to this project are shown in the box below:

UNDAF (2009-2014)

Results areas UNDAF Outcome 2: By 2014, vulnerable groups experience a significant improvement in sustainable livelihoods, poverty reduction and disaster risk management within an overarching crisis prevention and recovery context.

CP Outcome 2.1: Vulnerable groups, particularly IDPs, disaster-prone communities, women and youth, benefit from opportunities for sustainable livelihoods

CP Outcome 2.2: Local communities and national and district authorities practice more effective environmental, natural resource and disaster risk management

CP Outcome 2.3: Youth have better employability and access to sustainable gainful employment

DWCP (2008-2013)

Country Outcome:

More and better services to improve micro and small enterprises in rural areas.

Performance indicator:

ILO’s enterprise development tools introduced into the portfolio of business development services providers

Targets of achievements by 2013:

This project represents ILO's contribution to assist the Government of Timor-Leste in operationalizing its plan to stimulate micro and small enterprises in rural areas. Synergies will be maximised with other ILO technical cooperation projects being implemented during the same timeframe: the ERA (Enhancing Rural Access) project, which shares the same institutional counterpart (IADE) and has natural synergies with the BOSS Project; the TESP (Training and Employment Support project), funded by AusAID and the R4D (Roads for Development) project, funded by AusAID.

It is also envisaged that the achievements and experiences of the project will further inform ILO's programmes and projects in other countries that commonly contribute to the ILO's Strategic Programme Framework (2010-2015) concerning Sustainable Enterprises.¹⁴

The project is staffed with an international Chief Technical Adviser (CTA) who is in charge of daily implementation. International experts in Enterprise Development, Business Development Services, Local Economic Development / Value Chain Development (LED/VCD), Gender Mainstreaming, and MIS / data base will provide technical inputs for the strategic components of the project, continuous capacity building to relevant SEAPRI staff, while ensuring quality implementation of the project activities. The project staff is fully integrated within the institutional counterpart and work "directly" with SEAPRI officials, constituting an enlarged strong "one-team" and representing a continual institution strengthening resource. This approach facilitates capacity building through the daily sharing of offices and objectives, and through the mutual and continued exposure that encourages permanent sharing of knowledge and experiences.

2. PURPOSE AND OBJECTIVES OF THE EVALUATION

The mid-term evaluation should provide the evaluation clients with an independent assessment of project progress to date, constraints and opportunities and, where needed, recommendations to revise objectives, targets, strategies, institutional arrangements, work plans, partnership arrangements and resources.

The evaluation will assess progress and overall achievements of the project as a whole as well as for the individual components and their linked activities. The evaluation will review inputs by all ILO and non ILO stakeholders involved in the project, either from within or outside the ILO BOSS team, as well as the processes through which these inputs were provided, and decisions made.

3. EVALUATION SCOPE

The mid-term evaluation covers all immediate objectives of the BOSS project. The evaluation includes all outputs that have been achieved since the start of the project (Sep 2010- present).

The evaluation will make recommendations on:

- The soundness of the project's design

¹⁴ Full information about the ILO's Strategic Programme Framework (2010-2015) can be found at: <https://www.ilo.org/intranet/english/bureau/program/download/pdf/spf1015.pdf>

- Progress made towards achieving the project outcomes and the delivery of quality outputs.
- The likelihood of achieving project outcomes and sustained impact and proposes recommendations to the project team to ensure achievement of results and improved delivery of quality outputs.
- Internal and external factors that have contributed to the pace of project implementation. Identify lessons learnt on substantive and project management issues.
- The extent of government support and participation in the project. Review progress achieved in promoting local ownership of the project and in promoting long-term sustainability of activities initiated under the project.
- The implementation arrangements put in place by the project to ensure appropriate capacity building of its institutional counterparts.
- The relevance and strategic fit of the immediate objectives within the broader context of Timor-Leste's DWCP.

The primary clients of the evaluation are BOSS Project management, Government (the Secretariat of State for Support and Promotion of the Private Sector), project partners (IADE), ILO staff involved in the project (ILO Timor-Leste, Jakarta, ROAP, field technical specialists and ILO technical units at HQ) and the Embassy of Ireland in Singapore, who all share responsibility for deciding on the follow-up to the findings and recommendations of the evaluation.

The evaluation process will be participatory. The Office, the tripartite constituents and other parties involved in the execution of the project would use, as appropriate, the evaluation findings and lessons learnt.

4. EVALUATION CRITERIA AND QUESTIONS

The evaluation should address the overall ILO evaluation concerns such as relevance, effectiveness, efficiency and sustainability as defined in the ILO Policy Guidelines for results-based evaluation, 2012 (http://www.ilo.org/eval/Evaluationguidance/WCMS_176814/lang--en/index.htm). The evaluation will be conducted following UN evaluation standards and norms.

In line with the results-based approach applied by the ILO, the evaluation will focus on identifying and analysing results through addressing key questions related to the evaluation concerns and the achievement of the immediate objectives of the project using data from the logical framework indicators.

In general, it is of key importance that the mid-term evaluation opens the doors and causes discussion on the engagement of partners, communities, and governmental organizations.

The specific issues and aspects to be addressed in the mid-term evaluation were guided by the preliminary consultations with stakeholders. The suggested evaluation criteria and questions are included in Annex 1. Other aspects can be added as identified by the evaluation team in accordance with the given purpose and in consultation with the evaluation manager.

The evaluation instrument prepared by the evaluation team leader will indicate, upon completion of the desk review, the selected specific aspects to be addressed in this evaluation.

5. METHODOLOGY

The evaluation will be carried out by using a desk review, field visits to project sites and Dili office for consultations with ILO staff, project partners, implementing partners, beneficiaries and other key

stakeholders, and phone interviews with ILO staff outside Timor-Leste. The preliminary findings of the evaluation will be presented during a stakeholder meeting. The evaluation will be based on analysis of empirical evidence to establish findings and conclusions in response to specific questions.

The evaluation team will seek to apply a variety of simple evaluation techniques – desk review, meetings with stakeholders, focus group discussions, field visits, informed judgement and possible scoring, ranking or rating techniques.

Desk review

A desk review will analyze project and other documentations and provided by the project team. The desk review will suggest a number of initial findings that in turn may point to additional or fine-tuned evaluation questions. This will guide the final evaluation instrument which should be finalized in consultation with the evaluation manager. The evaluation team will review the documents before conducting any interview.

Interviews with ILO project staff

The evaluation team will undertake individual discussions with BOSS Project staff in Timor-Leste. The evaluation team will also interview key staff of other ILO projects, and ILO staff responsible for financial, administrative and technical backstopping of the project in ROAP and at ILO HQ. An indicative list of persons to interview will be prepared by the project and finalized by the Evaluation Team Leader.

Interviews with key stakeholders in Dili

Meetings prior to the start of the field trips with members of the project Steering Committee will be organized in Dili. Bilateral follow-up meetings will be organized as appropriate.

Field trips

Travel to selected districts will support more in depth reviews at outcome level of the respective project components. The criteria for selecting the districts will be specified by the evaluation team in the inception report.

While the evaluation team can propose changes in the methodology, any such changes should be discussed with and approved by the evaluation manager provided that the research and analysis suggests changes and provided that the indicated range of questions is addressed, the purpose maintained and the expected outputs produced at the required quality.

6. MAIN DELIVERABLE

The expected outcome of this evaluation is a concise document detailing:

- An analysis of the relevance of the BOSS Project document, and of the strategies applied so far to implement the project;
- The overall and specific outcomes and progress towards impact of the project in terms of (a) sustained improvements in the MSE market system, and (b) contribution to the DWCP and broader national processes; (c) relevance, effectiveness, efficiency and sustainability as defined in the ILO Guidelines for the Preparation of Independent Evaluations of ILO Programmes and projects;
- The effectiveness of the project ‘embedded’ implementation strategy.

- An evaluation of the programming and administrative processes applied within BOSS in terms of their conductivity to the timely delivery of the project outcomes;
- Whether gender is properly mainstreamed in the project cycle, from planning to implementation, to monitoring and evaluation;
- Specific recommendations to the BOSS team and ILO Timor-Leste to improve project implementation, including timely delivery of project activities.
- Specific recommendations for putting in place measures to ensure that the progress made in this project is not lost

The main deliverables of this evaluation are 1) an inception report ¹⁵2) stakeholders workshop; 3) draft evaluation report 4) a final evaluation report¹⁶ with executive summary (in standard ILO format). The contents of the report include:

- Title page (standard ILO template)
- Table of contents
- Executive summary
- Acronyms
- Background and project description
- Purpose of evaluation
- Evaluation methodology and evaluation questions
- project status and findings by outcome and overall
- Conclusions and recommendations
- Lessons learnt and potential good practices (please provide also template annex as per ILO guidelines on Evaluation lessons learnt and good practices) and models of intervention
- Annexes (list of interviews, overview of meetings, proceedings stakeholder meetings, other relevant information)

The main evaluation report should be concise and not exceed 30 pages excluding annexes (supporting data and details can be included in annexes).

All draft and final outputs, including supporting documents, analytical reports and raw data should be provided in electronic version compatible with WORD for Windows. Ownership of the data from the evaluation rests jointly with the ILO and the ILO consultants. The copyright of the evaluation report will rest exclusively with the ILO. Use of the data for publication and other presentation can only be made with the agreement of ILO Indonesia & Timor-Leste. Key stakeholders can make appropriate use of the evaluation report in line with the original purpose and with appropriate acknowledgement.

7. MANAGEMENT ARRANGEMENTS AND WORK PLAN

Evaluation team: The evaluation team comprising of an international evaluation consultant and national consultant who have experience in evaluating development projects/programmes will undertake the evaluation and be responsible for the task and outputs set out in this TOR. The international consultant is a team leader who is responsible to lead the evaluation and for drafting and finalising all the required outputs. The national consultant is a team member who provides inputs and support to the team leader. The national consultant reports to the team leader.

¹⁵ A concise overview of the TL market should be included in the inception and final evaluation report

¹⁶ditto

Management arrangements: The Evaluation Manager is responsible for the overall coordination and management of this evaluation. The manager of this evaluation is Ms.EléonoreD'Achon of EMP/CEPOL at ILO Geneva whom the evaluator reports to. Ms.PamornratPringsulaka Regional Monitoring and Evaluation Officer at ILO Regional Office for Asia and the Pacific (ROAP) Bangkok will provide support and oversee the evaluation process and quality control of the Report.

Evaluator's tasks:The evaluation will be conducted by an external international consultant and an external national consultant responsible for conducting a participatory and inclusive evaluation process.International consultant will be the team leader and have final responsibility for the evaluation report. He/she will be a highly qualified senior evaluation specialist with extensive experience from evaluations.

Stakeholders' role: All stakeholders in Timor-Leste particularly the project teams in Dili, CO-Jakarta, ILO ROAP and ILO HQ, and Donor will be consulted and will have opportunities to provide inputs to the TOR.

The Tasks of the projects: The project managements provide logistic and administrative support to the evaluation throughout the process: Ensuring project documentations are up to date and easily accessible; provide support to the evaluator during the evaluation mission.

A Work plan and Timeframe:

| Task | Responsible Person | Time Frame |
|--|------------------------------------|----------------------|
| PreparationToR | project Manager/Evaluation Manager | April 2013 |
| Sharing the TOR with all concerned for comments/inputs | Evaluation Manager | April 2013 |
| Finalizationofthe TOR | Evaluation Manager | April 2013 |
| Approvalofthe TOR | EVAL | April 2013 |
| Selection of consultant and finalisation | Evaluation Manager/ROAP and EVAL | April 2013 |
| Draft mission itinerary for the evaluator and the list of key stakeholders to be interviewed | project Manager | May 2013 |
| Ex-col contract based on the TOR prepared/signed | project Team | 22 May 2013 |
| Brief evaluators on ILO evaluation policy | Evaluation Manager | 21 May 2013 |
| Inceptionreportssubmission | Evaluation team | 27 May 2013 |
| Evaluation Mission | Evaluator | 23 May – 4 June 2013 |
| Stakeholderconsultationworkshop | Evaluator/project Manager | 31 May |
| Drafting of evaluation report and submitting to the Evaluation Manager | Evaluator | 12 August 2013 |

| | | |
|--|---|-------------------|
| Sharing the draft report to all concerned for comments | Evaluation Manager | 13-23 August 2013 |
| Consolidated comments on the draft report, send to the evaluator | Evaluation Manager | 26 August 2013 |
| Finalisation of the report | Evaluator | 30 Aug 2013 |
| Review of the final report | Evaluation manager/ROAP Monitoring and Evaluation Officer | 6 September 2013 |
| Submission of the final evaluation report | Evaluation Manager | 9 September 2013 |
| Approval of the final evaluation report | EVAL | 16 September 2013 |
| Follow up on recommendations | Management of project and ILO Jakarta | October 2013 |

Annex 2 – Evaluation matrix

| Evaluation Questions | Indicators (Selection) | Sources of data | Method |
|--|---|--|-------------------------------|
| 1. Relevance and strategic fit | | | |
| 1.1 Does the counterpart have a shared vision and understanding of the project, the expected achievements and the accompanying strategies? Has the counterpart taken ownership of the project concept and approach since the design phase? | Statements of the counterpart on vision and ownership. Contributions of counterpart to design and implementation | IADE (Counterpart) project team project document SC Meeting Minutes SDP 2013 Implementation Plan | Document review Interviews |
| 1.2 To what extent has the project made strategic use of coordination and collaboration with other ILO projects (e.g. ERA, R4D, TESP projects), other development agencies and on-going initiatives of the government of Timor-Leste to increase its effectiveness and impact? What are areas for improvement for cooperation? To what extent are the BOSS Project perceived as an effort by the ILO to support Timor-Leste in increasing business opportunities for MSEs? | Coordinated/joint activities with other ILO projects/other donor projects/ government projects Activities in same sectors/areas of work contributing to shared objectives (concertation) Effects of such coordination and concertation in terms of the project's and other projects' objectives | project team IADE Other ILO project (ERA) AUSAID USAID UNCDF Secretary of State CCI TESP (INDMO) | Interviews |
| 2. Validity of project design | | | |
| 2.1 Are the planned project design (outcomes, outputs, activities) relevant and realistic to the situation on the ground? Do they need to be adapted? Do they address the stakeholders' needs that were identified? | Plausibility of results chains linking project design elements Fit with institutional and economic situation Fit with stakeholders' needs | project Document Baseline Report BDS Assessment Value Chain Analysis Reports NZAID | Document review Interviews |
| 2.2 Does the intervention strategy address the root causes of the identified problem? Are the timeframe for programme implementation and sequencing of project activities logical and realistic? If not, what changes are needed to improve them? | Congruence between project strategy and root causes Time availability for experimentation and implementation | project Document Baseline Report BDS Assessment Value Chain Analysis Reports project team | Document review Interviews |
| 2.3 Is the intervention logic coherent and | Plausibility of intervention logic | project Document | Document review |

| | | | |
|---|--|--|--|
| realistic? What needs to be adjusted? | | project Team | Interviews Self-Assessment |
| 2.4 How relevant and useful are the indicators and means of verification described in the project document for assessing the project's progress, results and impact? Are the targeted indicators' values realistic and can be tracked? If necessary, how should they be modified to be more useful? Are indicators gender-sensitive? Are the means of verification appropriate? | SMART quality of indicators Gender-sensitivity of indicators | project Document project progress reports M&E Plan Performance Plan | Document review |
| 2.5 To what extent was the ILO's gender mainstreamed strategy adequately and appropriately included in the project framework? | Embeddedness of gender mainstreaming in project framework | project document project progress reports project Team (Gender Expert) | Document review Interviews |
| 2.6 Is the implementation strategy used by the project effective to enhance the capacity of the counterparts? What if any alternative strategy would have been more effective in achieving the objectives? | Statements by the counterpart Number and type of training and re-training conducted with counterpart Advancement of services offered and demanded by the counterpart | IADE | Interviews |
| 2.7 Is the strategy for sustainability of impact defined clearly at the design stage of the programme? | Availability of exit strategy in project document | project document | Document review |
| 3. project progress and effectiveness | | | |
| 3.1 What progress has been made to date towards achieving the planned immediate objectives as per the relevant indicators? Is the project likely to achieve the planned immediate objectives? | Progress towards indicator targets for immediate objectives | Progress reports M&E system project team IADE | Document review Review M&E database Interviews |
| 3.2 Have the quantity and quality of the outputs produced so far been satisfactory? Do the benefits accrue equally to men and women? Are the counterparts and partners satisfied with the quality of tools, technical advice, training and other activities delivered by the project? | Progress towards indicator targets for outputs How quality compares to international standards How counterpart and partners assess quality Extent to which outputs are benefiting men | Progress reports project team IADE | Document review Interviews |

| | | | |
|---|--|---|---|
| | and women | | |
| 3.3 Determine the major difficulties and constraints, both internal and external, that affected the results, analyses how these interact with enabling factors, note negative constraints that need to be removed. | Statements of project staff, counterparts and partners on difficulties and constraints Negative effects of internal and external factors on activities and progress | Progress reports project team IADE | Document review Interviews |
| 3.4 Assess how gender considerations have been mainstreamed throughout the project cycle (design, planning, implementation, M&E). Has the project, where appropriate, adopted approaches and mechanisms to ensure its relevance to women as well as men. Have project staff and implementing partners the capacity to mainstream gender in the project? What is the impact of gender mainstreaming? Is it on track? | Extent to which improving gender equality is explicitly addressed in project studies/assessments/strategies/activities Statements of project staff, counterparts and partners on gender mainstreaming | Progress reports project Team (Gender Expert) IADE | Document review Interviews |
| 3.5 What are the financial results of the project? | Financial input and output indicators | Progress reports project Team ToT project delivery rate | Document review Review of budget Interviews |
| 4. Efficiency of resource use | | | |
| 4.1 Have resources (funds, human resources, time, expertise etc.) been allocated strategically to each component? | Financial input and output indicators | Progress reports project Team (CTA) | Document review Review of budget Interviews |
| 4.2 Have resources been used efficiently and cost-effective for each component? In general, do the results achieved justify the cost incurred? Could the same results be attained with fewer resources? Do the selected implementing partners provide good value for money in delivering services? | Cost of interventions compared to (potential) impact Procedures in place to be cost-effective (i.e. bidding, cost-sharing, charging for market services etc.) Financial contributions of counterpart | Progress reports project Team (CTA) | Document review Review of budget Interviews |
| 4.3 Have project funds and activities been delivered in a timely manner? If not, what were bottlenecks encountered? | Comparison of time of fund delivery and time of expenditure for counterpart/partner | Progress reports project Team (CTA) | Document review Review of budget Interviews |
| 5. Effectiveness of management arrangements | | | |
| 5.1 Does project management facilitate good | Role descriptions by project team, | IADE | Interviews |

| | | | |
|---|---|---|------------------------------------|
| results and efficient delivery? Is there a clear understanding of roles and responsibilities by all parties involved? | counterpart, partners Progress achieved towards outputs and objectives | Secretary of State Entrepreneurs (Partners) CCI Target Beneficiaries Other Stakeholders | Stakeholder Workshop |
| 5.2 Does the project receive adequate political, technical and administrative support by its national partners? | Extent to which national partners have provided political, technical and administrative support | Secretary of State Other Stakeholders CCI | Interviews Stakeholder Workshop |
| 5.3 How effectively does the project management monitor project performance and results? | Usage of M&E system by counterpart Quality and completeness of progress reports | Supertrainer Assessment Tracer Study project Team (incl. Data Base Expert) IADE Directors | Document review Interviews |
| 5.4 How effective is the project Steering Committee in supporting the project team to deliver this project? How effective is communication between the project team, the ILO and the implementing partners? | Attendance of Steering Committee meetings Quality of decisions made at Steering Committee Responsiveness of project team, the ILO and the implementing partners to each other's requests. | IADE (Executive Director, 3 Directors) Secretary of State NZAID project Team (CTA) SC minutes of meeting | Interviews Stakeholder Workshop |
| 5.5 Has there been any inter-agencies cooperation with the agencies operate in the same geographical areas to increase project effectiveness? | Coordinated/joint activities with other agencies Activities in same sectors/areas of work contributing to shared objectives (concertation) Effects of such coordination and concertation in terms of the project's and other agencies' objectives | Progress Report USAID UNCDF Mercy Corps (entrepreneur interviewed) project Team | Document review Interviews |
| 6. Impact orientation and sustainability of the project | | | |
| 6.1 What has the project done to evaluate and assess the impact of its approach and specific interventions? | Availability and quality of M&E system | Progress reports BDS Assessment Tracer Study Supertrainer Assessment M&E Plan Results Chains IADE (Mastertrainer) | Document review Interviews |

| | | | |
|---|---|--|-------------------------------|
| 6.2 Has the project developed a feasible strategy for sustainability of those interventions that held potential to become sustainable? To what extent has this been implemented? And to what extent has it succeeded? | Presence and plausibility of sustainability strategy Extent to which the strategy has been started to be implemented Extent to which changes aim to be systemic | project document project team (CTA) IADE (Executive Director, 2 Directors) | Document review Interviews |
| 6.3 To what extent has the project contributed to achieving relevant outcomes in Timor-Leste DWCP? Or how likely is it that it will make significant contributions? | Congruence between project immediate objectives and ILO strategies and those in DWCP | Progress reports (4 th) DWCP Country Plan project team | Document review Interviews |
| 6.4 How effectively has the project leveraged additional domestic and donor resources, partners and initiatives to be part of the BOSS Project to ensure continued efforts after completion of the project? | Comparison of the project's investments and related investments of partners and other initiatives | ERA (ILO) USAID-DAC UNDP Entrepreneurs (Partners) NZAid IADE Budget | Document review Interviews |
| 6.5 How effective and realistic is the exit strategy of the project? Is the project gradually being handed over to national partners? Is the project's knowledge and experience effectively transferred to national partners? How could this be improved? | Availability and quality of exit strategy Availability and quality of knowledge management | project Document IADE project team (CTA) Secretary of State | Document review Interviews |

Annex 3 - Evaluation workplan

| Time | Activity | Location | Person in charge / (involved) |
|--------------------------|---|--------------|--------------------------------|
| Thursday 23rd May | | | |
| 12:40 | Arrival in Dili | Airport | Vitorino/Leo |
| 13:30 | Check-in at Katuas Hotel | Katuas Hotel | Vitorino/Leo |
| 14:00 | Lunch | Katuas Hotel | Roberto Pes |
| 15:00 - 18:30 | Briefing with Roberto Pes and Vino Mousaco | Katuas Hotel | Roberto Pes and Vino Mousaco |
| Friday 24th May | | | |
| 09:00 - 12:00 | Project staff meeting | IADE | Project team |
| 12:00 - 14:30 | Lunch with Robyn Jebson (Tourism Volunteer) | Wasabi | |
| 14:30 - 17:30 | Value chain and LED briefing | IADE | Jenny Ikelberg/Annabella Skof |
| Saturday 25th May | | | |
| 10:00 - 12:00 | Visit to the abattoir in Tibar | Tibar | Jenny Ikelberg/Carlos Sequeira |
| 12:00 - 13:00 | Lunch in Tibar | Tibar | Jenny Ikelberg/Carlos Sequeira |
| 14:30 - 15:30 | Visit to the butcher shop | Comoro | |
| Sunday 26th May | | | |
| 09:00 - 17:00 | Visit to the feedlot in Loes | Loes | |

| Monday 27th May | | | |
|---------------------------|--|----------|---|
| 08:00 - 10:00 | Dili – Maubisse | | Vitorino/Annabella Skof |
| 10:00 - 12:30 | Visit to Maubisse CDE | Maubisse | Vitorino/Annabella Skof |
| 12:30 - 13:30 | Lunch at Pousada | Maubisse | Leo/Annabella Skof |
| 14:00 - 17:00 | Visit to Brigada farmers with Josephina Farm | Maubisse | Annabella Skof |
| Tuesday 28th May | | | |
| 09:00 - 10:00 | Visit to Parsic | Maubisse | Vitorino/Annabella Skof |
| 10:00 - 11:00 | Visit to other farmers of Josephina Farm | Maubisse | |
| 11:00 - 13:30 | Maubisse – Dili | | Vitorino/Annabella Skof |
| 15:00 - 17:00 | Skype with Rolly Damayanti | IADE | Rolly Damayanti |
| 17:00 – 18:00 | Skype with Pamornrat Pringsulaka | IADE | Pamornrat Pringsulaka |
| Wednesday 29th May | | | |
| 9:00 - 10:00 | Meeting with Hernani Soares (IADE Director) | IADE | Roberto Pes |
| 10:00 - 12:00 | Meeting with the Directorate of Business Information, Market Research and Business Support | IADE | Annabella Skof and Jenny Ikelberg/director and heads of departments |
| 14:30 - 16:30 | Meeting with the Directorate of | IADE | Roberto Pes/director and heads of |

| | | | |
|--------------------------|--|--------------|-----------------------------|
| | Business Training and Counselling | | departments |
| 16:30 – 17:30 | Visit to a SIYB trainee | Taibesse | |
| Thursday 30th May | | | |
| 08:30 – 10:30 | Value chain monitoring plan | Katuas Hotel | Jenny Ikelberg, Roberto Pes |
| 10:30 – 12:30 | BOSS Project - component 3 | Katuas Hotel | Roberto Pes |
| 12:30 - 14:00 | Lunch with UNCDF | One More Bar | |
| 15:00 - 15:30 | Meeting with the State Secretary for Private Sector Support and Promotion | SEAPRI | Roberto Pes |
| 16:30 - 17:00 | Meeting at CCI-TL | CCI-TL | Roberto Pes |
| Friday 31th May | | | |
| 09:00 - 10:00 | Meeting with NZAid | NZ Embassy | Roberto Pes |
| 10:30 - 11:30 | Meeting with Tomas Stenstrom (ERA project) | IADE | |
| 11:30 - 12:30 | Meeting with IADE M&E department and value chain monitoring plan | IADE | Carlos/Tomas/Jenny Ikelberg |
| 12:30 - 14:00 | Lunch with USAID/DAC | Hotel Timor | |
| 14:30 – 15:30 | Meeting with Acacio (Timor-Leste National University) - trainer of village livestock workers | UNTL | Jenny Ikelberg |
| 16:00 - 16:30 | Meeting with Minister of Economy and | Café Brasil | |

| | | | |
|--|---|---------------------------------|---|
| | Development | | |
| Saturday 1st June | | | |
| 09:00 – 18:00 | Preparation for stakeholder workshop | Katuas Hotel | Evaluators |
| Sunday 2nd June | | | |
| 09:00 – 18:00 | Preparation for stakeholder workshop | Katuas Hotel | Evaluators |
| Monday 3rd June | | | |
| 08:30 - 12:30 | Debriefing with project team | IADE | |
| 14:30 - 17:00 | Stakeholder workshop | IADE | Steering Committee, IADE and all other stakeholders met |
| 19:00 – 21:00 | Meeting with RIWANI GLOBE | Katuas Hotel | Ibu Rini Wahyu |
| Tuesday 4th June | | | |
| 08:30 - 11:00 | Debriefing with Roberto Pes and Hernani | IADE | Roberto Pes |
| 11:00 | Departure | | |
| Skype Interviews After the Field Mission: | | | |
| Monday, 12th August | | | |
| 5 – 9 August | Skype with Roberto Pes | CTA, BOSS Project | Clarifying open questions |
| Tuesday, 13th August | | | |
| 14:15 | Skype with Cormac Hynes | Deputy Head of Mission, Embassy | Pamornrat Pringsulaka |

| | | | |
|---|---------------------------|---|--|
| | | of Ireland, Singapore | |
| 15:00 | Skype with Merten Sievers | ILO Geneva - Value Chain Development and Business Services Coordinator - EMP/SEED | |
| <i>Thursday, 26th September</i> | | | |
| 14:00 | Skype with Silvia Cormaci | Gender Expert and Coordinator of BOSS Component 3 | |

Annex 4 – List of publications cited

- BOSS PROJECT, 2013, The Super Trainer Campaign, Evaluation Report, August 2013
- BOSS PROJECT, 2013, Improve Your Business and National Certificate in Managing Small Bids and Contracts, Tracer Study, July 2013
- BOSS PROJECT, 2013, Research and Development. Tourism Sector Timor -Leste, Focus – Lautem, Bobonaro and Ainaro Districts, June 2013
- BOSS PROJECT, 2013. MINUTES OF MEETING OF BOSS STEERING COMMITTEE MEETING, 28/03/2013
- BOSS PROJECT, 2011, Report on Value Chain Analysis of the cattle sector in Bobonaro and Lautem districts, Timor-Leste
- BOSS PROJECT, 2011, Report on Value Chain Analysis of the horticulture sector in Ainaro district, Timor-Leste
- ESSER, K., HILLEBRAND, W., MESSNER, D. & MEYER-STAMER, J. 1995. Systemic competitiveness. New patterns for industrial development. London: Frank Cas.
- ILO 2008, Timor-Leste, Decent Work Country Programme 2008 – 2013
- OSORIO-CORTES, L. E., JENAL, M. 2011 TheMaFI-festo: Boosting development effectiveness through facilitation of inclusive markets and private sector engagement.
<http://www.slideshare.net/marketfacil/the-mafifesto-11178475>.
- MAYOUX, L., MACKIE, G. 2007, Making the Strongest Link, A practical guide to mainstreaming gender analysis in value chain development, International Labour Organisation Sub Regional Office Addis Ababa
- MEYER-STAMER, J. 2007. Systemic competitiveness and Local Economic Development. Magazine Article. Duisburg: Mesopartner.
- RDTL, 2011, STRATEGIC DEVELOPMENT PLAN (SDP) 2011 – 2030
- UN 2009, United Nations Development Assistance Framework, UNDAF 2009-2013 Democratic Republic of Timor-Leste
- UNTL 2012. Value added, home-based industries, marketing and income generation by women in rural areas in Timor-Leste, National University of Timor-Lorosa'e (UNTL) and UNDP, July 2012, p. 12.
- WORLD BANK, DIRECTORATE OF NATIONAL STATISTICS, DILI, 2008, Timor-Leste: Poverty in a Young Nation, November 2008
- WORLD BANK, GENDER AND DEVELOPMENT GROUP, 2007. Private Sector Development and Gender, Gender and Development Briefing notes, The World Bank, January 2007.
www.worldbank.org/gender

Annex 5 – Templates for Lessons Learned

ILO Lesson Learned Template

Evaluation Title: Business Opportunities and Support Services (BOSS) Date: 30.09.2013

Project TC/SYMBOL: TIM/10/02/IRL - Name of Evaluator: C. Schoen

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

| LL Element | Text |
|--|---|
| Brief description of lesson learned (link to specific action or task) | A specific feature of the BOSS project is its tight embeddedness in the structures of its main counterpart, the Institute for Business Support (IADE). Since July 2012 (after restructuring of the government of Timor Leste following the last elections), the BOSS project works through one key institution (IADE). The capacity building output is focusing on IADE and its ability to develop territories, value chains and business services and deliver these services. The project integration into its structures facilitates the project's efforts to restructure and revitalize IADE as a business service provider. All international long-term experts of the project are assigned to certain directorates or departments within IADE according to their specific task portfolio and expertise, such as value chain development, enterprise development, monitoring and communication or setting up an information system. |
| Context and any related preconditions | Timor Leste suffers from all possible constraints of enterprise development, comprising lack of entrepreneurial spirit and entrepreneurs, business skills and access to markets and technology, but also lack of access to finance and very poor infrastructure. The BOSS project is tackling most of these issues directly, except road infrastructure development and access to finance. At the time when the BOSS project was designed and conceptualized no other development organizations and donors focused on Private Sector Development (PSD). Hence, the ILO had the first-mover advantage to freely select the most obvious and suitable counterpart and cooperation partner which is IADE. After the 2012 election and the dissolving of the counterpart organization of Components 1 and 3, IADE (and its superordinate state secretary SEAPRI) became the key counterparts of the entire project. |
| Targeted users / Beneficiaries | The direct beneficiaries are, first and foremost, the public agency IADE and its regional Business Development Centres (CDEs) at district level. Indirect, ultimate beneficiaries are MSEs and their employees, who receive more consistent and sustainable high quality business services. |

| | |
|--|--|
| <p>Challenges /negative lessons - Causal factors</p> | <p>There are a few potentially negative effects or challenges of the tight embeddedness of the BOSS project in the counterpart IADE that need to be addressed:</p> <ul style="list-style-type: none"> • It could create technical and financial dependencies on the side of IADE. The exit of BOSS from IADE needs to be prepared slowly and smoothly to avoid a sudden shock. • It could generate the assumption that a BOSS exit strategy is unnecessary since high capacity with the counterpart will be left behind in any case. However, the current implementation structures do not replace a sound exit strategy. |
| <p>Success / Positive Issues - Causal factors</p> | <p>The positive effects of the tight embeddedness of the BOSS project in the counterpart IADE are various:</p> <ul style="list-style-type: none"> • Increasing sustainability and facilitating exit at the end of the project life through high level of capacity built with the counterpart due to joint day-to-day implementation of activities • Better project delivery performance on the side of BOSS and activity delivery performance on the side of IADE. • One M&E system (Management Information System designed by BOSS) serves both the project and IADE, and thus increases resource efficiency • Increase of national project ownership. |
| <p>ILO Administrative Issues (staff, resources, design, implementation)</p> | <p>The BOSS Project effectively does not employ any national staff (except one administrator and three drivers), since IADE staff is assuming these positions and tasks for the project and for IADE simultaneously.</p> <p>This in turn means that at the end of the project no project staff needs to look for a new employment and being supported by the project for doing this. Severances packages don't need to be paid by the ILO for project staff with expiring contracts.</p> <p>Instead the project can employ more regional and international experts that are directly working with counterpart employees on a day-to-day basis and enhancing their skills continually. A precondition, however, for this in the Timor Leste context is that the long-term international experts learn the local language Tetum (and/or already speak Bahasa Indonesia or Portuguese, which are more common than English).</p> |

| | |
|--------------------------------|---|
| Other relevant comments | For this Lesson Learned, qualification and experience of counterpart staff matter strongly. In line with this, IADE managed to recruit relatively capable staff when extending the number of officers for filling new positions in the center in Dili or the CDEs in the districts. Following the usual recruitment guidelines though is difficult, as the Civil Service Commission runs the recruitment process with little attention to qualifications. In the case of IADE, however, the BOSS Project is temporarily employing new staff, which after some months is absorbed by IADE with the approval of the Commission. |
|--------------------------------|---|

ILO Lesson Learned Template

Evaluation Title: Business Opportunities and Support Services (BOSS) Date: 30.09.2013

Project TC/SYMBOL: TIM/10/02/IRL - Name of Evaluator: C. Schoen

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

| LL Element | Text |
|---|---|
| <p>Brief description of lesson learned (link to specific action or task)</p> | <p>Flexibility in project design and freedom of experimentation to come up with a tailor made approach for the specific setting and conditions. To some extent, the BOSS project showed that it allows for experimentation and exploration, followed only then by implementation. At this point in time, this is a rather rare strength of a development project. Here, the basic assumption is that if market systems are facilitated to change from within, rather than through a number of direct and distorting interventions, better and more sustainable results can be achieved.</p> <p>A key example for experimentation and adjustment of project design in the BOSS project is the shift moving from a Local Economic Development (LED) to a Value Chain development approach in Component 1 after it was recognized that the slow progress of the decentralization process in Timor Leste does not allow for doing LED in a proper and efficient way. The flexible response of the project to the difficulties of doing LED in a non-decentralized setting was the adoption of the value chain approach (without completely omitting the involvement of the districts and their key structures).</p> |
| <p>Context and any related preconditions</p> | <p>The precondition for this is that local conditions are recognized and accepted and that local knowledge is gained and used as much as possible to make informed choices in line with the context. The main concepts relevant here are: 'focus on root causes, not symptoms', 'focus on resilience and adaptability of the system', 'invest more in field-based, pre-design phases', and 'test and promote co-evolutionary experimentation'.</p> <p>Another pre-condition is that the donors involved are willing to accept and finance a more extensive experimentation and exploration phase and to agree on sensible structural adjustments also during the project implementation. This might include the adjustments of result chains and indicator structures. Such an approach also requires a minimum duration of a project of at least 4 years to have a sufficient time for both experimentation and implementation.</p> |
| <p>Targeted users / Beneficiaries</p> | <p>The direct beneficiaries are the direct cooperation partners and counterparts. During implementation, some organizations face stronger interaction with the project and some weaker interaction compared to the experimentation phase. Indirect, ultimate beneficiaries are MSEs and their employees, who can benefit potentially from higher and more sustainable project impact.</p> |

| | |
|--|---|
| <p>Challenges /negative lessons - Causal factors</p> | <p>In order apply an experimentation and exploration approach to PSD project in a setting showing all possible key constraints on business development requires innovative approaches, experimentation on what works and what does not work and very profound documentation of tools and instruments. If this learning and these instruments are then properly captured through sound knowledge management, more donors and development organizations in Timor Leste and countries with a similar setting could benefit from it. In other words, a set of key skills on the side of the project staff is necessary to apply this approach.</p> |
| <p>Success / Positive Issues - Causal factors</p> | <p>The positive effects of an experimentation approach at the project onset are manifold:</p> <ul style="list-style-type: none"> • Identification of what can possibly work and what cannot and selecting the tested, most feasible solution for implementation • Better understanding of the system the project intends to change and being able to design systemic, sustainable interventions (by better anticipating the intended and unintended effects of an intervention). • Flexibility in project design and implementation, i.e. being able to respond swiftly to changing framework conditions • Avoiding the typical ‘one-size-fits-all’ mistake by trying to adopt best practices or good practices elsewhere without having tested their suitability properly. |
| <p>ILO Administrative Issues (staff, resources, design, implementation)</p> | <p>Administrative issues in ILO are:</p> <ul style="list-style-type: none"> • Support of experimentation and exploration • Providing resources for safe-to-fail” experiments • Design of final results chains and indicators only after experimentation phase • Support further flexibility also during experimentation, e.g. through respective backstopping |
| <p>Other relevant comments</p> | <p>This lesson learned is in line with an increasing understanding within the development community that the way development work is currently done is too simplistic. The way development practitioners plan and map out required change (e.g. in the form of pre-designed impact chains or other planning instruments) and monitor and evaluate what has happened during a project phase or life is oversimplified and does not sufficiently reflect reality. It is almost impossible to plan for every eventuality and therefore projects need to be designed in a more flexible way while still satisfying funders that the projects are not wasting resources. Hence, systems thinking and complexity need to be stronger integrated into development projects’ design and implementation work.</p> |

Annex 6 – The Framework of Systemic Competitiveness

Jörg Meyer-Stamer (Meyer-Stamer, 2005) and Esser et al. (Esser et al., 1995) propose a heuristic model known as Systemic Competitiveness that combines crucial insights from economics, social science and other disciplines in order to better understand the driving forces of economic development. It allows for the analysis of the relationship between 4 levels namely the meta (cultural), macro (broad economic policies), meso (industry or issue-specific policies and programmes) and micro (network, hierarchy and market level performance) levels in an industrial system.

Factors at each of them, and the way in which factors at the levels interact, shape the ability of countries, and the locations in them, to thrive in an increasingly competitive world economy. The levels are (see Figure 1).

- the micro level where companies compete in competitive markets, but where also networks and alliances of companies emerge to sustain their competitive efforts,
- the meso level of selective interventions to support companies' effort to shape a competitive advantage,
- the macro level of generic institutions, economic policies and framework conditions,
- the meta level of basic orientations in a given society as well as other slow variables.

This framework not only connects the micro behaviour of markets, firms (hierarchies) and networks to each other, but also explains the relationships between government policy, institutional performance and even cultural and socioeconomic views in a society.

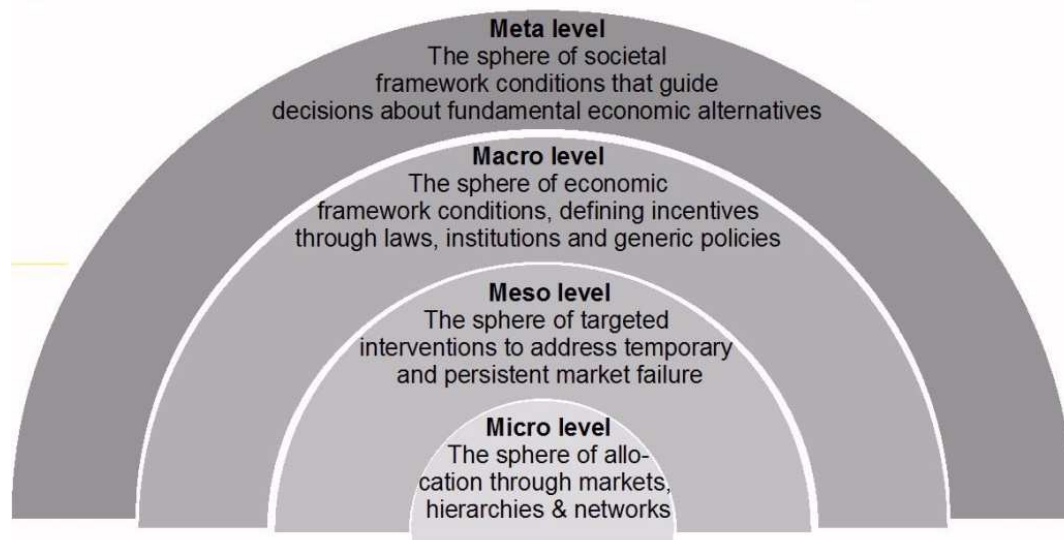


Figure 4: The four levels of Systemic Competitiveness

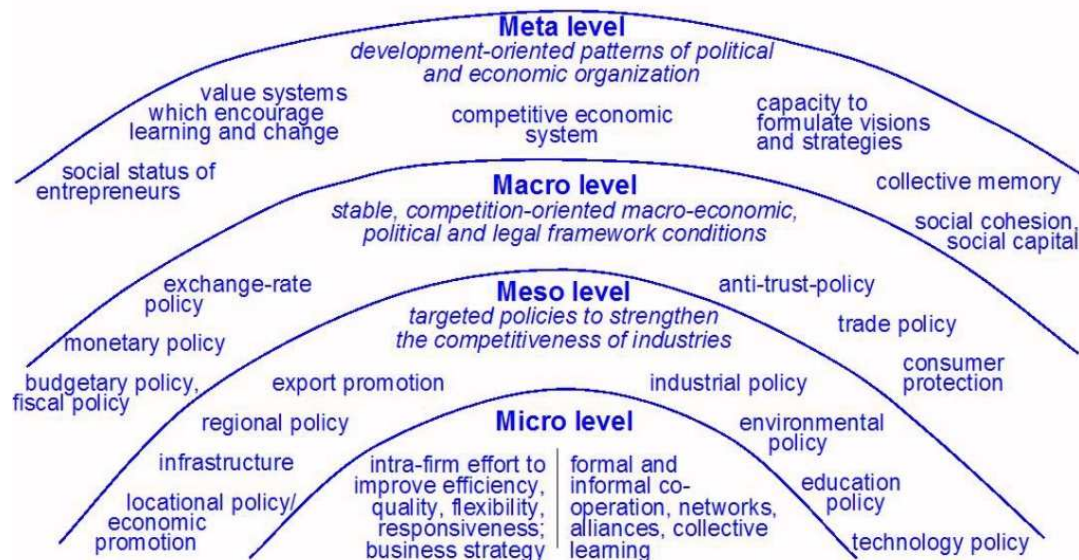


Figure 5: Determinants of Systemic Competitiveness

The concept goes explicitly beyond the conventional view of orthodox mainstream economics which addresses primarily macro- and micro-level. From that perspective, the meso-level is primarily the world of distortions introduced by government and other actors to compromise the workings of markets. The meta-level is something that mainstream economics address in a normative way, not in an empirical and analytical way. The concept of Systemic Competitiveness draws on social science literature in order to get a robust understanding of factors that shape the evolution of societal structures, as well as the options and limits in terms of deliberate efforts to govern societal and economic change.

The Systemic Competitiveness approach acknowledges the crucial importance of macroeconomic framework conditions, robust institutions and a predictable macroeconomic policy for economic development. It emphasises, though, that a favourable macroeconomic environment is a necessary yet not sufficient condition for sustained growth processes. Targeted interventions by government or other actors are necessary to address market failure and network failure that stand in the way of the upgrading of existing industries and the emergence of new industries which are needed to compete at a global scale (Meyer-Stamer 2005).

In a country with ideal conditions for development, a robust and predictable macroeconomic framework creates stable expectations in the business sector. At the same time, a liberal trade regime, a consistent anti-trust policy and other institutions and policies make sure that markets are structured in a competitive way. Strong rivalry among companies forces them to constantly upgrade, to improve productivity and quality, and to innovate. Targeted interventions at meso-level address market failure (e.g. underinvestment in skills formation and in research and development), thus supporting the efforts of companies to strengthen their competitiveness. Behind the ability of a society to create this type of environment are meta-level factors such as a basic consensus on the economic model (competitive integration into the world market), a development-oriented political-administrative system (focus at problem-solving), and ongoing conversations among the key groups in the **society** regarding strategic priorities.

In the worst case, fundamental disagreements and antagonistic relationships at the meta-level lead to erratic macro-economic policy making, generating a highly volatile economic environment that obstructs the growth of the private sector. The private sector focuses at short-term survival rather than long-term growth, thus underinvesting in equipment, skills, and innovation. Demand for services from meso-level organisations, even if they exist, is weak.

Annex 7 – Current Organisational Chart of IADE

