EVALUATION REPORT FOR TONGA BUSINESS ENTERPRISE CENTRE

FINAL REPORT

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ABOUT THIS REPORT

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ABSTRACT

This independent evaluation of the Tonga Business Enterprise Centre (TBEC) has been undertaken to inform future decisions in support of TBEC. It assesses how effectively TBEC has delivered its services and what difference this has made, and makes suggestions and recommendations on improvements to enhance TBEC's relevance, effectiveness and impact. The evaluation focused on direct engagement with TBEC's clients, and with key informants from MFAT, the TCCI, TBEC and Government of Tonga ministries. The evaluation findings show that TBEC has continued to meet private sector needs and clients have received considerable value in accessing TBEC's services. The training programme has reached a significant number of businesses, while the advisory and support programmes have reached considerably fewer businesses but have still helped to address their immediate needs. TBEC's governance structure has been adequate but it requires strengthening, particularly with regards to management and accountability of funding. Operationally, TBEC has grown as an organisation and continued to function at full capacity. TBEC has gone through an establishment phase followed by an expansion and consolidation phase. In considering its future development, it is timely to consider how it might better meet the needs of microlevel, grassroots businesses; how it can increasingly package its services to meet the needs of its clients in the short, medium and long term; formalising a governance framework which ensures TBEC can operate semi-autonomously from the TCCI; establishing more streamlined reporting processes; and ways to leverage greater engagement with the private sector and with government.

Background and context of the Activity

The Tonga Business Enterprise Centre (TBEC) was established in November 2010 as a comprehensive business development service centre that provides business training and business advisory/mentoring services to existing small and medium enterprises (SMEs). In the short term it seeks to mitigate impediments to business, improve business management and fill gaps in staff skills. Ultimately it seeks to strengthen the private sector so that it makes a greater contribution to the economy, and improve business culture.

TBEC is funded by the New Zealand Ministry of Foreign Affairs and Trade (MFAT) through the NZ Aid Programme. It is staffed by a Manager and six staff members and sits within the Tonga Chamber of Commerce and Industry (TCCI). TBEC receives sector expertise and guidance from a Training Advisory Committee (TAC) and delivers its services in partnership with external business mentors and advisors, and trainers.

Purpose, objectives and methods of the evaluation

The primary purpose of this evaluation is to inform future decisions in support of TBEC. The objectives of the evaluation are to assess: the **relevance** of TBEC's services; the **effectiveness** of TBEC's services to the private sector; the **impact** of TBEC's services; and the **efficiency** of TBEC's structure and operations.

The evaluation considers both processes and impacts. As well as considering what TBEC has delivered and how, the evaluation makes suggestions and recommendations on improvements or adjustments to enhance TBEC's effectiveness.

The evaluation methods involved engagement with a range of participants, including TBEC staff and clients, and representatives of the TCCI, MFAT and the Government of Tonga.

Findings

TBEC is reasonably well aligned with the needs and priorities of the Government of Tonga, and of the private sector. However, these needs are not always clearly articulated and there is a need to improve processes for the Government and the private sector to engage with TBEC, and to formulate and share their respective interests and priorities. For the private sector in particular, this can be challenging due to its small and fragmented nature.

TBEC is reaching a range of beneficiaries from across the SME sector and its reach has extended into larger and micro-level enterprises. The evaluation found general support for shifting TBEC's reach to a lower level through a stronger focus on micro-level, grassroots enterprises; however, not at the exclusion of it continuing to also focus on SMEs. Greater

targeting of micro-enterprises would require changes to TBEC's approach, including alternative modes of outreach, potentially more entry-level business advice and training, and more flexible training options such as evening classes.

With around 200 course deliveries to 2,700 participants, the Private Sector Training Programme (PSTP) has delivered significant training. The continual availability of training at this volume is expected to fulfil missing skills in private sector employees, and fits expectations about what is needed to initiate change and growth in the sector in order to achieve the desired outcomes. Participants in the training programme are able to demonstrate how their businesses have benefited as a result.

TBEC's Business Advisory Services (BAS) has engaged with 150 businesses and currently operates with around 35 active cases. It appears to be meeting a real need in terms of providing specialist advice as well as lower level mentoring, support and encouragement. TBEC has limited capacity to cope with any higher demand and do not actively promote BAS. The Business Support Programmes (BSP) have achieved fewer outputs, with 14 approved applications under the Business Opportunities Support Scheme (BOSS) and 7 under the Business Development Scheme (BDS). A redesign of the support criteria for the BOSS is expected to results in more applications.

Factors that have enhanced the effectiveness of TBEC's services include the high visibility of the PSTP, accessibility to services in terms of no cost barrier, the relevance of training/advice, the calibre of trainers/advisors, the practice of workplace follow up to training, and the ability of TBEC to manage trust and confidentiality issues. Factors that have constrained the effectiveness of TBEC's services include low visibility at the village level, lack of engagement with banks and with the Government, perceptions that the TCCI (and by extension TBEC) is a 'white organisation' that does not understand Tongan values and culture, and a lack of training follow up in the workplace.

While it is premature to judge the impact of TBEC's services, the positive effect it is having on many individual participants and businesses in the short term suggests it has strong potential to make a difference at the private sector and economic system level in the future. It will remain difficult to judge this in the absence of improved measures of TBEC's activity and impact, and relevant national level indicators of SME performance.

TBEC's governance structure has proved adequate; however, there is plenty of scope for improvement. It is currently hindered by a reliance on people as opposed to good governance structures and processes; low capacity to fully engage in governance and to champion and support TBEC's strategic direction; and poor processes relating to the management and accountability of funding. The latter in particular is contributing to inefficiencies in administrative processes and creating a feeling of disempowerment. While significant, these matters can be addressed through the development of an agreed governance framework that addresses issues of governance capacity and financial management and accountability.

At an operational level TBEC's growth as an organisation has matched its growth in service delivery. The establishment of Programme Manager positions has helped to empower local

Tongan staff and there would be benefit in furthering internal capacity development at all levels. Despite its growth, TBEC continues to operate at full capacity and this places pressure on the team. There are likely to be efficiency gains to be made in implementing more streamlined administrative reporting processes which would help to alleviate some of this pressure. As with any growing organisation that has a significant amount of funding going through it, there are likely to be other minor efficiency gains that could be made to its operation.

Recommendations

Based on the findings, the evaluation has identified a set of focused and strategic recommendations to inform future programme and funding decisions and to enhance the effectiveness of TBEC. These recommendations are set out below. Areas for potential improvement at a more practical level, many of which could be implemented relatively easily, have been identified elsewhere in this report.

- 1. Expand the target beneficiaries of TBEC to include micro-enterprises and grassroots level businesses, while retaining a predominant focus on SMEs.
- 2. TBEC to design and implement outreach strategies to target grassroots level uptake of its services. This might include:
 - 2.1 Extending outreach work through existing village/community structures, such as village councils or women's committees.
 - 2.2 Holding group meetings at the village/community level to introduce basic or foundation business principles, and to introduce and promote TBEC's services (potentially a roadshow type model).
 - 2.3 Including a role for successful Tongan business people in these initial meetings as role models for people to aspire to.
 - 2.4 Providing one-to-one follow-up opportunities for more focused and individualised advice and support.
 - 2.5 Potentially collaborating with the GOT, TCCI and UMOs in this outreach work so that they can also introduce and promote their services and role.
- 3. TBEC to increase the use of local Tongan co-trainers and expatriate Tongan trainers in the PSTP to at least 60 percent of deliveries in order to build the capacity of local trainers to support the programme's grassroots outreach and long term sustainability.
- 4. Further develop and promote the use of Tongan business leaders to work as business advisors and mentors to, in particular, grassroots level businesses.
- 5. Maintain the current pricing structure for the PSTP, including the flexibility to set prices to reflect a course's target group and content, but strengthen communication about the real cost and value of the training that is offered.

- 6. Improve systems and processes for measuring the performance of TBEC, including designing and implementing:
 - 6.1 Activity level indicators, including targets, for programmes under the BSP (e.g. in relation to funding expenditure and number of projects supported).
 - 6.2 A means of assessing short to medium term outcomes relating to less tangible results (e.g. business confidence and motivation).
 - 6.3 Baseline and long term follow up (e.g. 1–2 year) indicators relating to core business data (e.g. number of staff and financial turnover).
- 7. TBEC to continue to promote the upskilling of its own staff to build specialist capacity and also capacity that can work across the organisation (i.e. on different programmes to match changing demands). This should include consideration of establishing an assistant manager position, or officer in charge (OICs) positions, with training and upskilling in managerial operations, who would act as understudies to the Manager and as an acting manager in the Manager's absence.
- 8. Retain the current governance structure for TBEC but strengthen TCCI's governance framework and TBEC's operational management policies and processes. As part of this, we recommend:
 - 8.1 Establishing a clear separation between governance and management functions, allowing TCCI to maintain effective governance oversight and TBEC to maintain its day-to-day operational autonomy and control.
 - 8.2 Reviewing policies and processes for the management and accountability of TBEC funding to support greater transparency and efficiency, including budget approval processes, financial delegations/authority, and reporting processes.
 - 8.3 Strengthening the governance capacity and processes within TCCI as part of succession planning.
- TBEC provide support to TCCI to take a lead role in strengthening the capacity of sector specific UMOs to effectively determine the needs within their sectors, including at the grassroots level, and input these needs as part of the TAC process.
- 10. Build and maintain stronger connections between TBEC and the GOT, at all levels, including with Ministers, senior officials (including through strengthening participation on the TAC) and staff in operational roles.

1 BACKGROUND AND CONTEXT OF THE ACTIVITY

This report presents the findings and recommendations from an evaluation of the Tonga Business Enterprise Centre (TBEC). TBEC is being implemented to help advance Tonga's private sector businesses by providing business advisory and mentoring services, supported by an annual calendar of training. The evaluation findings and recommendations are expected to inform future funding and programme decisions in support of TBEC, and to support the effectiveness of TBEC as a development tool for the private sector.

1.1 The Tonga Business Enterprise Centre

TBEC was established in November 2010, having been set up under Grant Funding Arrangement (GFA) between the Ministry of Foreign Affairs and Trade (MFAT) and the Tonga Chamber of Commerce and Industry (TCCI). TBEC aims to establish a comprehensive business development service centre that provides business training and business advisory/mentoring services to small and medium enterprises (SMEs) in Tonga. Its objectives are:

- 1. To increase the business survival rate and profitability of new and existing businesses via providing advisory and training support to SMEs.
- To increase the number of small businesses and new jobs created, including the increased participation of women in business and strengthening of tourism-related SMEs.
- 3. To improve the skills of entrepreneurs in Tonga.
- 4. To support the priorities as outlined in Tonga's National Strategic Development Plan particularly focusing on tourism, as well as horticulture, agriculture, fisheries and manufacturing.

TBEC currently provides three main service areas:

- Business Advisory Services (BAS) provides a range of advisory services to individual businesses through in-house advisors supported by a small pool of external advisors.
- 2. **Business Support Programmes (BSP)** offers a range of programmes/tools to support business development and in support of the delivery of partner programmes, currently including:
 - Business Development Scheme (BDS) provides small grants to help businesses overcome immediate impediments to their development.
 - Business Opportunity Support Scheme (BOSS) provides grants to entrepreneurs and investors for feasibility studies, exploration visits, conference/exhibition attendance, product development, product quality assurance, and to develop marketing and promotion tools.

- Short Term Training and Attachments scheme (STTA) provides opportunities for people in employment to travel to New Zealand for short term training or work attachments.
- Pacific Business Mentoring Programme (PBMP) acts as a local coordinator/broker by matching selected businesses with experienced mentors from New Zealand and arranging meetings.
- 3. **Private Sector Training Programme (PSTP)** delivers mostly short term training courses to SMEs in a range of topics based on an annual needs assessment and training calendar. Training is delivered using local and international trainers and training providers.

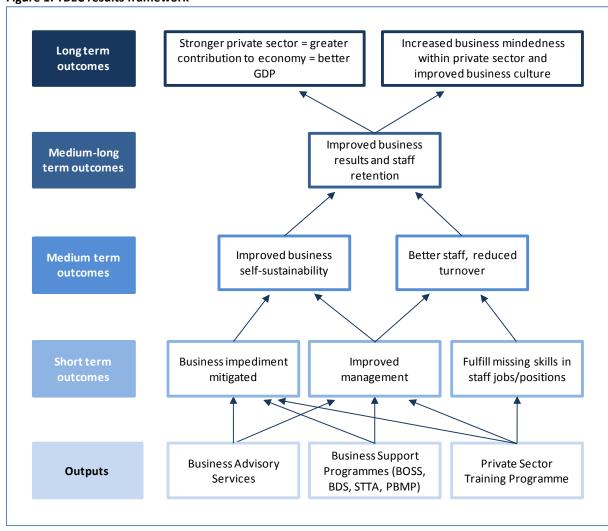
An existing results framework (Figure 1) shows the relationship between these service areas (shown in the framework as 'outputs') and TBEC's short, medium and long term outcomes. Ultimately the programme was designed to increase GDP and improve business culture.

TBEC is 'housed' within the TCCI and is overseen by the TCCI Executive Council (EC). It is staffed by one full-time TBEC Manager, who is an ex-officio member of the EC, and six other staff. TBEC commonly uses Volunteer Services Abroad (VSA) volunteers to support delivery. A Training Advisory Committee (TAC) provides sector expertise and guidance into the development and implementation of the training programme.

The GFA was initially for a two-year period and included T\$504,646. In 2012 funding was extended to 30 June 2014 and five variations to the GFA have increased total funding to T\$4,027,953.

Since the programme's launch it has undergone one major re-design, in April 2012, which resulted in a significant expansion of activity including the extension to 2014. This coincided with the appointment of TBEC's second Manager and, to some degree, marks the transition from an initial phase of establishment under the first Manager, into a phase of expansion and consolidation under the second Manager.

Figure 1: TBEC results framework



2 PURPOSE, OBJECTIVES AND METHODS OF THE EVALUATION

2.1 Purpose and scope

The purpose of the evaluation is to:

- inform MFAT's future funding and programme decisions in support of TBEC and the wider Tongan private sector
- provide independent advice to assist the effectiveness of TBEC as a development tool for the private sector.

In addition to the above purpose, the evaluation comes at a time when, following an initial establishment phase followed by an expansion and consolidation phase, TBEC is under pressure to increase its focus to a lower level to target more micro businesses, and to offer more of its services in the Tongan language. Such a shift in focus may require a change in TBEC's overall offering, including different tools and products.

The geographic focus for the evaluation is Tonga and the evaluation team conducted one incountry visit to Tongatapu. The evaluation covers TBEC since its inception in August 2010 through to the timing of the country visit in December 2013. The key target groups for the evaluation are MFAT, the Government of Tonga (GOT), TCCI, and TBEC itself.

2.2 Objectives and evaluation questions

The evaluation objectives address four of the DAC evaluation criteria:

- 1. To assess the **relevance** of TBEC's services.
- 2. To assess the **effectiveness** of TBEC services to the private sector.
- 3. To assess the **impact** of TBEC's services.
- 4. To assess the **efficiency** of TBEC's structure and operations.

Evaluation questions for each of these objectives are included in the Evaluation Plan in Appendix B.

2.3 Methodology

2.3.1 Approach

The evaluation considered both processes (e.g. how TBEC services are delivered) and impacts (e.g. what difference the services make). There have been adjustments to the implementation of TBEC over its three-year lifespan and the evaluation focused more on current delivery processes. In considering TBEC's impacts, the evaluation focused on the short and medium term outcomes specified in the results framework. As TBEC has only been operational for a short time, where feasible we have commented on the potential for TBEC to impact on the medium to long term outcomes in the future.

The purpose and drivers for the evaluation suggested the need to incorporate a formative evaluation approach by including a focus on 'where to next' for TBEC. As well as documenting and analysing what happened during the three years of TBEC implementation to gain an understanding of what factors influence outcomes, we have also collected and analysed information on what potential improvements or adjustments could be made to TBEC to enhance its effectiveness.

The approach to the evaluation involved engagement with a wide range of participants, in particular TBEC staff and clients, and also representatives of the TCCI, the GOT and MFAT.

2.3.2 Methods and data sources

The evaluation used a mixed-method design, drawing on multiple sources of information. The methods used in the evaluation included:

- Review of Activity documents including design documents, monitoring reports, progress/status reports, the GFA and associated variations and the TBEC Strategy.
- Review and analysis of data on funding allocations and expenditure, and data from the TBEC database on service participation.
- Qualitative interviews with 18 TBEC clients across the three service areas, ranging from micro-enterprises with one employee to large enterprises with more than 50 employees. A number of the 18 clients had accessed more than one service and/or multiple trainings. The majority of clients had accessed the services in 2012 or 2013, but a number had first accessed services in 2011.
- Key informant interviews with people with experience or expertise in TBEC's services, including TBEC staff (past and present), representatives of the TCCI, GOT ministries, MFAT and the New Zealand High Commission in Tonga.

A list of data sources is included in Appendix C.

The majority of interviews were undertaken during an eight day visit to Tonga over the end of November / beginning of December 2013. A small number of interviews were conducted by telephone, including with one client on Vava'u and one on Ha'apai.

2.3.3 Strengths and limitations

The evaluation was able to consider TBEC within the context in which it is being implemented by collecting context-rich, qualitative information from client and key informant interviews within Tonga. By engaging with different stakeholder groups, the evaluation could consider implementation and impact from multiple perspectives. The methods permitted in-depth discussion of strengths, weaknesses and areas for improvement, which have informed the evaluation recommendations.

While the interviews provided rich information about people's views and experiences, there is limited ability to generalise from this context-specific information. The engagement with TBEC clients from outside of Tongatapu was limited and the quality of this engagement (telephone as opposed to face-to-face) limited the information and insights that could be gained. The evaluation did not engage with private sector businesses that had not been clients of TBEC, and this limits an understanding as to why some businesses have not accessed TBEC services. There is also limited ability to draw out definitive conclusions on the impacts of TBEC due to the relatively short time the Activity has been operational (as discussed earlier). TBEC has been operational over the period of the global financial crisis and the Tongan economy is extremely vulnerable to external shocks. It is difficult to isolate the impact of TBEC from such external factors. Finally, it was not feasible to schedule a stakeholder workshop for the purposes of 'sense making', as proposed in the Evaluation Plan. This was a value-add step that would have enabled some joint discussion and interpretation of preliminary findings.

3 FINDINGS

This section is structured around the four evaluation objectives: relevance, effectiveness, impact and efficiency. The final part considers cross-cutting issues.

3.1 Relevance of TBEC's services

The questions under this objective considered relevance in terms of alignment with the priorities and needs of the GOT, alignment with the priorities and needs of the private sector, and whether TBEC's services are reaching the appropriate beneficiaries.

3.1.1 Alignment with the needs of the Government

The GOT identified the need for a 'Business Learning Centre' in its 2009 National Private Sector Development Strategy. The Ministry of Commerce, Tourism and Labour (MCTL)¹ then engaged with the New Zealand Aid Programme and the TCCI in establishing and setting the strategic direction of TBEC over 2009–2010. The GOT, through the MCTL, has retained representation on the TAC which, among other things, meets regularly to provide advice on future priorities for TBEC training courses and makes suggestions on other services TBEC could provide. This was intended as a mechanism for ensuring that TBEC remains consistent with the priorities and needs of the Government, aligns with country priorities, policies and strategies, and so that TBEC complements other available training including that delivered by the Government.

Participants in the evaluation consistently reported that the Government was infrequently 'at the table' and that there was a need to strengthen TBEC's relationships with the Government and its representation on the TAC. This has contributed to a lack of shared understanding of what the Government's priorities and needs were with respect to the private sector. It was reported that this issue is compounded by a lack of cohesion in the private sector (i.e. a fragmented sector with a lack of a collective view) and between the private sector and the Government, as well as a lack of joined up government: 'each Ministry is different; each is like their own government'.

It is evident that there has been recent progress in this area, and a number of evaluation participants cited the MCTL's 'Tonga Micro, Small and Medium Enterprise (MSME) Policy and Strategy' (2013) and the 'Tonga Tourism Sector Roadmap' (2013) as examples of where Government priorities and needs were being articulated. In addition, a number of participants identified the National Growth Committee and specific sector growth committees as making a positive contribution to strengthening the relationship between the Government and the private sector. The committees are, reportedly, helping to build a

¹ At the time it was the Ministry of Commerce, Labour and Industry. Throughout this report it is referred to by its current name, the Ministry of Commerce, Tourism and Labour.

shared understanding of the role of government in supporting the private sector (creating an enabling environment), and in facilitating the establishment of specific sector needs and priorities and the Government's understanding of these needs. The TCCI has been instrumental in developing the sector growth committees and this relationship could be used to better link the committees into TBEC, including possibly through representation on the TAC.

There are examples of where private sector training and support has closely aligned with changes in public policy and regulations, such as the delivery of training for whale watch guides and skippers closely linked with new licence requirements under the Whale Watching and Swimming Regulations 2013. There are also examples where there may be room for improvement in aligning training with policy and regulation, for example:

- More individualised support, possibly in the workplace, to help SMEs meet new consumption tax requirements to complement training workshop.
- Rules of Origin training (delivered in this case by TCCI in partnership with the Pacific Islands Private Sector Organisation (PIPSO)) could have been better coordinated with the MCTL who could have sent someone to speak to the policy.

Some participants did caution against aligning TBEC too closely with the needs and priorities of the Government. They noted that the Government had a habit of changing its direction and priorities regularly, and that many within the private sector treated the Government with scepticism and would not necessarily value TBEC services being closely aligned with the Government's needs.

3.1.2 Alignment with the needs of the private sector

TBEC faces similar challenges in aligning with the priorities and needs of the private sector in Tonga: the sector is small and fragmented, similar industries often do not talk to one another making it very difficult to develop collaborative solutions, and problems and needs are often individualised or unique. This makes it very difficult to identify and address needs at a sector level, or even at a specific sector (e.g. agriculture) level. Despite these challenges, most participants in the evaluation felt TBEC had effectively adapted its services to this diverse environment and had demonstrated an ability to customise its outputs to particular clients' needs.

There would be value in gaining a better understanding of the private sector's current training and support needs through identifying needs, prioritising, mapping priorities against existing training and support services provided by others (including the Government), and identifying the gaps. As noted in the previous section, this would fit with the role of the sector specific growth committees in the productive sector and there needs to be a process of feeding this information in to TBEC. Existing Umbrella Organisations (UMOs) and other industry associations (e.g. Vava'u Taxi Council) should also be fulfilling this role, including advising on their needs through the TAC process. There is uncertainty over the status and strength of many of these groups, however, and an evaluation participant felt TBEC should

play a role in strengthening such associations and supporting them to input their needs effectively, adding: 'TAC needs to be good for TBEC to be good'.

The level of private sector business participation in TBEC's services (detailed in latter sections of this report) suggests the outputs are well aligned to the needs of individual businesses. The exception has been the BOSS programme which TBEC has identified as not matching the needs of local businesses and, in response, proposed an expansion in the scope of activities that could be funded under the scheme. A variation to the GFA has recently (September 2013) been agreed; it is too early to tell how this has impacted on participation in the scheme. This adjustment does, however, demonstrate TBEC's ability to modify its services to meet the sector's needs.

Interviews with TBEC clients provided many examples of how its services are relevant to businesses' needs; as well as a few examples where its services were only marginally relevant at best. Some examples are provided in the box below.

Relevance of training to job

One client, from a medium-large business, attended a one week training course in teamwork. She was asked to attend the training as it coincided with her being promoted to a new position as a team leader. She found the training pitched at the right level for her and was able to apply what she had learnt immediately into her new role. The client reported that through the training she learnt many new skills and tips for leadership and teamwork.

Another client shared a similar experience of undertaking a supervisory course at just the right time. He had also recently been promoted to a supervisory role and was able to use real examples from his workplace in the training. The course involved a two-hour follow up in the workplace where he was able to go through specific plans and weekly and monthly duties, one-to-one, with the trainer.

In another case, a client felt that the content of a three-day customer service training course was relevant to his staff and it was delivered on site, but it was not delivered in an appropriate way. The delivery was too much of a 'pen and paper approach' for his staff who were more used to hands-on techniques, and the full days of training were too long with staff losing focus after 3–4 hours.

Confidentiality of business advice and mentoring

In accessing business advisory and mentoring support, a number of clients spoke of the critical need for advice and support to be independent and confidential. They trusted the TBEC advisors and the PBMP mentors in this respect, and valued the professionalism of the support. They also spoke of the challenges that local Tongan advisors/mentors would face in maintaining confidentiality.

Need for additional support

One client received funding under BOSS for a feasibility study, and had expected more support would be forthcoming if the outcomes of the study were favourable. While the client reported that they got a very comprehensive study, they were disappointed that further support was not forthcoming and felt that TBEC had raised their expectations around this.

Similarly a client who approached TBEC for financial support to repair a piece of equipment was directed into business advice and, while they described the support they had received as helpful, they were still left with an unrepaired piece of equipment which was an impediment to proposed expansion.

3.1.3 Who is TBEC reaching?

The greatest number of direct beneficiaries of TBEC services are the businesses and trainees who have participated in the PSTP. Figure 2 shows the total number of participants (head count at each training), number of individuals (recognising that an individual may participate in multiple trainings), and number of businesses (recognising that an individual business may send multiple staff on trainings) that have benefitted from the PSTP in each of its three years of operation.

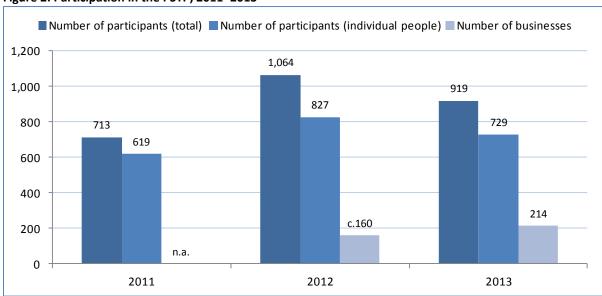


Figure 2: Participation in the PSTP, 2011–2013

The programme's reach is significant. It is also apparent that it is common for individuals to benefit from more than one training course in a year, and for businesses to send multiple staff. In 2013, on average participants completed 1.3 training courses. Two participants interviewed as part of the evaluation had completed more than 10 courses (over 2–3 years). Meanwhile, the 919 participant trainings in 2013 were from 214 businesses, giving an average of 4.3 trainings per business.

Using data on the number of small businesses that participate in the PSTP, TBEC estimates that 20 percent of the businesses that participated in training in 2012, and 40 percent in 2013, would be classified as small or very small (1–3 employees).

Figure 3 provides further information about the reach of the PSTP, showing the number of training deliveries in the four main island groups (Tongatapu, Vava'u, Ha'apai, 'Eua) and in the Tongan language. Very little private sector training was reaching islands outside of Tongatapu pre-TBEC. Deliveries to these island groups have increased from 14 to 23 over the 3 years and in 2013 accounted for 34.3 percent of all deliveries. The number of training deliveries in the Tongan language has fallen slightly since 2011.

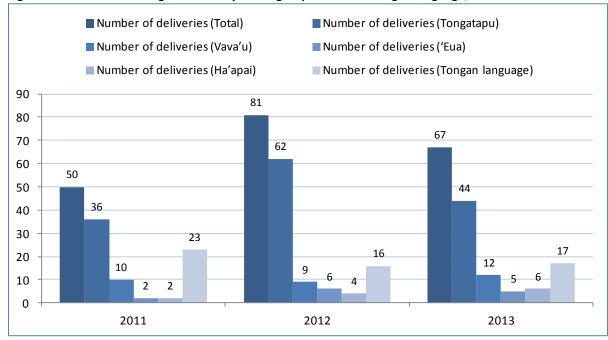


Figure 3: Number of training deliveries by island group and in the Tongan language, 2011–2013

The number of training deliveries from large businesses that result in full cost recovery has increased from nil in 2011, to two in 2012 and four in 2013.

Data on the number of BAS cases that TBEC has worked with is shown in Table 1. Data for each year includes new cases as well as cases which were still active from the previous year. It shows that BAS is clearly reaching businesses outside of Tongatapu with 43.1 percent of cases being from Vava'u, Ha'apai or 'Eua in 2012 and 18.0 percent in 2013.

Table 1: Number of BAS cases, 20110-2013

	2011	2012	2013
Number of cases worked with (Total)	5	58	111
Number of cases worked with (Vava'u, Ha'apai, 'Eua)	0	25	20

While the total number of BOSS and BDS projects in delivery has been small, data does indicate that these services are reaching across the island groups of Tonga. During the period 2011–2013 there were 12 BOSS projects in delivery. Five of these projects were in Vava'u, Ha'apai or 'Eua. Over the same period there were five BDS projects in delivery, one of which was in Vava'u, Ha'apai or 'Eua.

3.1.4 Who should TBEC be reaching?

The issue of reach or coverage of TBEC services featured prominently in many of the evaluation interviews. This was particularly the case among key informants who were aware of a view within the GOT that TBEC was meeting the needs of larger, established

businesses, but needed to extend its reach 'one step lower' into micro-enterprises and the informal sector.

There is a divergence in opinion as to whether TBEC is reaching the beneficiaries it should be. Under the GFA, TBEC was designed to 'focus on existing SMEs and not business start-ups or micro-entrepreneurs, given the risks associated with start-ups, and the fact that micro-enterprises are being served via the national network of the Tonga Development Bank (TDB)'. The GFA also signals an initial focus on the tourism sector, while TBEC's Strategic Plan identifies increasing women's access to business opportunities as a further target.

More recently there have been calls, led by the Minister of Finance in Tonga, for TBEC to do more to target micro-level enterprises and businesses in the informal sector. It is not clear what the drivers for this are. A number of evaluation participants considered that:

- The TDB was no longer providing effective support to micro-enterprises.
- TBEC could work closer with the TDB to better coordinate support and to reach out to their client group and get them into TBEC support services and training.
- The Government does not have a strong understanding of who is benefiting from TBEC's services, and therefore of TBEC's current achievements in reaching microlevel businesses.

The most recent TBEC Activity Design (June 2013) signals a shift in focus 'to provide Business Advisory Services at a lower level and in Tongan' [emphasis added].

The evaluation did find general support for shifting TBEC's reach to a lower level. A number of notable themes emerged from these discussions:

- There was a high degree of consensus that there was a need for services at a lower level.
- There was a view among some participants that it was a natural progression for TBEC to move downstream in its targeting, and now that it had achieved good penetration (some say saturation) in the SME market, it was time to gain greater penetration in the micro-sector.
- There was a widespread, almost universal, opinion that any reach downwards should not be to the exclusion of the existing client base and so TBEC needs to retain a focus on SMEs.
- Some participants noted that TBEC had a better chance of achieving its long term outcomes of increased GDP and improved business culture by focusing on bigger businesses, and also a better chance of achieving these outcomes sooner. They suggested retaining a focus on SMEs, but re-directing some of the resource to target grassroots/micro enterprises.
- There is a need to identify what TBEC does well with its current beneficiaries to ensure this is not lost from any re-focusing (i.e. adopt a strengths-based approach by building on what works).

 Some participants noted a greater focus on the micro-enterprise and informal sector should benefit businesses in Vava'u, Ha'apai, 'Eua and also businesses run by women.

3.1.5 How could TBEC extend its reach?

If it is agreed that TBEC should adjust its focus to target businesses operating at a lower level, it will be necessary to determine how it could do this effectively. There was agreement among evaluation participants that targeting micro-enterprises would require a different approach than TBEC currently employed, and the approach would be more resource intensive. Required changes to the current approach that were identified include:

- A greater focus on raising awareness about TBEC's services, using alternative modes such as outreach (getting out and talking to businesses and to village councils), greater use and promotion of associations such as the Vava'u Taxi Association, more use of the Tongan language, and articulating the services in a way that grassroots businesses are used to (i.e. the offer has to be 'more Tongan').
- Modifying the TBEC training offer to include appropriate foundation level courses (e.g. there may be a need for courses in areas like literacy and numeracy).
- Modifying the TBEC business advisory offer to include fundamental/entry-level advice (e.g. basic business principles). This could be delivered at a group level (e.g. a community or industry sector) and followed up by one-to-one advice.
- Offering more flexible training options, such as evening classes for sole proprietors who cannot afford to take a full day off to attend training.
- Use of local trainers and local mentors, who are able to deliver support in the Tongan language and, for mentors, also operate independently and confidentially. This may require train-the-trainers/mentors initiatives.
- Alternative methods of delivering separate training and support programmes, such as that being undertaken by Langafonua Handicrafts under the Handicrafts Cultural Tourism Support Programme which works directly with local communities in coordinating and delivering training to a specific sector.

The evaluation team did observe cases of TBEC supporting clients who might be classed as operating at the grassroots or micro-level, and there is evidence that TBEC is beginning to adopt some of the approaches above, such as offering courses in evenings and at weekends. Conversely a number of TBEC clients who participated in the evaluation might be classed as large enterprises (e.g. they had 20–40 employees), and these clients were high users of TBEC's services. We would conclude that TBEC's services have been relevant to beneficiaries at both ends of this spectrum. In part this demonstrates that TBEC already has a very wide offering of services. Whether it has the capacity to expand that offering even wider to better target businesses at a lower level, while also retaining a focus on SMEs, is doubtful. There would likely need to be some trade-off. Participants generally acknowledged this and appeared comfortable if it meant having, for example, fewer better targeted training deliveries.

A number of participants stressed that their views on extending TBEC's reach were not to criticise what it has achieved; several articulated it more in terms of being a 'victim of its own success'. Others noted that reaching micro-scale businesses was not just a challenge for TBEC, as TCCI had been grappling with the same issue.

3.2 Effectiveness of TBEC services to the private sector

Under this objective the evaluation assessed progress being made towards achieving short and medium term outcomes, factors enhancing or constraining progress toward these outcomes, and the effect of TBEC's pricing structure on achieving results.

3.2.1 Progress toward short and medium term outcomes

Private Sector Training Programme

Data on the PSTP shows that it grew and then consolidated over the three years of delivery. A total of 2,696 participants have accessed training (as shown in Figure 2 in section 3.1.3). Figure 4 illustrates the growth in training deliveries and training topics over 2011–2012, and the consolidation through to 2013. A total of 198 training deliveries to 2,696 participants over 3 years represents a significant volume of training. The continual availability of training at this volume fits expectations about what was needed to initiate change and growth in the sector in order to achieve the desired outcomes. It certainly suggests that the PSTP is fulfilling missing skills in private sector employees.

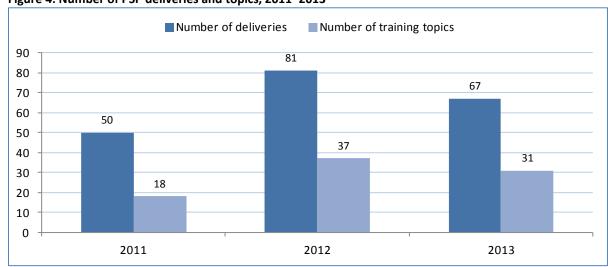


Figure 4: Number of PSP deliveries and topics, 2011–2013

Key informants interviewed as part of the evaluation found it difficult to judge the effectiveness of the PSTP other than commenting on the significant volume of training. A few reported anecdotal information on the benefits of the programme with a number

commenting specifically on the strong performance of the TBEC 'trade mark' courses in customer service, book-keeping and marketing.

With only one or two notable exceptions, clients of the PSTP who participated in the evaluation reported positively on the training experience. Some examples of how TBEC training had benefited their work or business follow:²

We are now using Excel for ordering and finances. Before the training we used a book and filing was poor. It is better organised with Excel. It has helped with our budgeting and cashflow, and doing accounts. We are looking to save money by doing our own accounts. It has made the day-to-day record keeping easier and able to plan for tomorrow.

Very small business, training in book-keeping with a focus on Excel

It taught me that I need to make work fun and interesting so that the team wants to come back tomorrow. If we treat staff well they will be happy and make customers happy, who pay their wages and will come back ... Also leant that the staff's attitude is more important than their skills ... and the importance of respect: if you do not respect your team and your customers they will not respect you.

Medium/large business, trainings in customer service and teamwork

It helped me to overcome shyness and I am more happy with my business and confident to speak face-to-face with clients. I now understand the importance of being on time with opening hours of my stall as well as meeting orders on time ... Other stallholders laughed at me for attending the trainings and told me not to waste my time ... but I am grateful I did because I have seen a growth in sales since making changes to the stall display and taking a personal approach with customers.

Very small business, trainings in customer service and grooming and presentation

The training created knowledge ... each of us knows what to do; our own role we play (like one who looks after the machine, his role ... like us with the finance side, our role) ... because we all have individual duties we can manage together and keep the [name of project] running.

Community project, training in business planning and financial management

The trainings have enlightened us to know more ... The old way was [always] the same; do job, go home, no stepping up. As a result of the course I have new ideas ... I've learnt to look for difficulties and weaknesses, find out what needs to be improved, what we are going to tackle next month ... there is always something to do. The TBEC course really helped to make this clear.

Medium/large business, multiple trainings including supervising and marketing

Where clients reported negative or neutral training outcomes, this was because the training content was not relevant to their current job or when the delivery of the training was not appropriate for the participants (the latter was provided as an example if section 3.1).

Managers and business owners who had had staff participate in the PSTP also reported positive benefits for their business. For some, it took the pressure off them to have to conduct in-house training, freeing them up to run the business and with the confidence that their staff were being well trained. By sending all staff on the same course (e.g. the

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² These are not all direct quotes but are an accurate reflection of the participant's experience.

customer service courses) this has helped to establish a standardised level of service, as well as standardised manager's level of expectation of their staff.

Business Advisory Services

Data on BAS shows strong growth in the number of businesses accessing the services, with a total of 150 new cases over 3 years (Table 2). As at 31 December 2013, TBEC had 67 open BAS cases, of which 35 were active cases.

Table 2: Number of BAS cases, 2011–2013

	2011	2012	2013
Number of new cases	5	56	89
Number of closed cases	3	20	44
Number of open cases (as at 31 December)	2	36	67
Number of active open cases (as at 31 December)	2	22	35

The BAS has covered a range of business sectors, with a concentration in the tourism sector, and a wide variety in the type of advice provided, from management, marketing, sourcing, financial and strategy. The BAS is not actively promoted, partly because it would not be able to cope with the demand created. Around half of the service's clients are self-referrals, while the other half are either referred from another TBEC service (e.g. the PSTP) or are the result of TBEC approaching an individual business owner.

Eight TBEC clients who participated in the evaluation had received support under the BAS programme. All eight reported benefits from the advice and support they had received, and many commented on the professionalism of the advisors and of their approach. A number had received a relatively low level of support and described its benefits in terms of moral support (e.g. motivation and encouragement), mentoring on an ongoing basis (e.g. 'handholding', always there to reach out to when need support), as well as technical (e.g. options for financing). Others related the benefits of the BAS programme in helping overcome a specific business impediment, for example:

One client accessed BAS because he had run into debt. The business was struggling and it was creating personal problems. He had had to refund money to customers due to poor service and the support from TBEC helped him to negotiate the terms of a loan to re-pay an external service provider so that he could once again provide a service to his customers. It also enabled him to look at using his business premises at the market for other income options. The support was provided in conjunction with some book-keeping training to help mitigate future problems. He described TBEC as a 'lifesaver'. Beyond the immediate help, TBEC appeared to have provided hope for the future.

Another client approached TBEC to seek financial assistance with an existing business. Rather than just offer financial support under the BDS (he was only seeking around T\$600) he was referred to BAS so that TBEC and the business owner could get a better understanding of how the business was being managed and what may have caused it to require the financial support. TBEC were seeking some commitment from the business owner; the business owner accepted the support hoping it would eventually help him get the financial support he needed – he described it as 'I asked them for help so I have to play their game'. He received BAS support over 2–3 months, meeting with an advisor almost weekly. The support included installation of an accounting package, some-to-one training on the package, and some follow up support. He is seeing the benefits of the accounting system: 'I realise now that before going into a new project I need a proper plan and business process. There is no way we'd go back to the old way of doing things.' He is optimistic that his commitment will give TBEC confidence to now approve his request for funding support.

Another client who did not have a background in business, found the support from an advisor/mentor to develop an organisation HR plan invaluable. The advisor was based in New Zealand but that hadn't been a barrier to establishing regular contact by telephone or skype. He indicated that the advice he receives already goes beyond the initial development of the HR plan and that he regularly contacts his advisor with questions or feedback on ideas: 'The only stupid questions are the ones I don't ask'.

The effective delivery of business advice and support does not always result in the desired outcome. One client reported receiving support over 5–6 meetings from two advisors. The business was facing a complicated impediment. The client reflected on how the advisors demonstrated a strong ability to understand the issues, and gave him confidence in understanding that other business faced similar challenges and that they were solvable. The advice was 'sufficient to open our eyes and help us identify what we could and couldn't do'. He valued the advice and agreed with the changes that were recommended as necessary to overcome the impediment. However, in the end they (he and wife) decided that they could not implement the changes and they made the decision to sell the business.

Business Support Programmes

Progress under the BOSS has been limited and, as discussed earlier in this report, it has recently been re-designed with the expectation that this will enable it to reach more clients. The issue was more a design fault and not due to poor implementation. Table 3 shows data on the number and value of applications over the past 3 years. Of 31 applications received, 21 have been approved (including the 7 pending approval). Excluding these 7, the total value of approved applications is T\$358,605. Data for 2013 indicates the approval rate for applications has improved considerably. Note that TBEC took over administration of BOSS in May 2011.

Table 3: Number and value of BOSS applications, 2011–2013

	2011	2012	2013
Number of applications received	10	9	12
Number of applications approved	5	5	4 (7 pending)
Number of applications declined	5	4	1
Value of approved applications	T\$129,970	T\$142,031	\$86,604

Data on the coordination of the PBMP (Table 4) shows that TBEC had registered a total of 132 clients for the programme over 4 years. As at 31 December 2013, 58 of the clients' cases were still open.

Table 4: New registrations to the PBMP, 2010–2013

	2010	2011	2012	2013
Number of new registrations	35	45	28	24

Data on the applications and value of approved projects under the BDS is shown in Table 5. Of a total of 12 applications, 10 have been approved (including the 3 that are pending approval). Excluding these 3, the total value of approved applications is T\$24,500. Note that the fund was established in 2011 and was closed in 2012 for redesign.

Table 5: Number and value of BDS applications, 2011–2013

	2011	2012	2013
Number of applications received	1	-	11
Number of applications approved	1	-	6 (3 pending)
Number of applications declined	0	-	2
Value of approved applications	T\$5,000	-	T\$19,500

The GFA states that up to 10 placements per year for the STTA scheme will be allocated to priorities identified by TBEC. The STTA was suspended in December 2012 as the contract between MFAT and the supplier was being renegotiated. It officially reopened for applications in July 2013; however, it was several more months before the scheme was fully back on line. TBEC has supported 11 applications to the scheme, 7 which have been funded.

The evaluation participants included two TBEC clients who had accessed the BOSS, three who had accessed the PBMP, and one who had recently had an application approved for the STTA scheme but was not due to undertake the six months of training until 2014. Both participants within the BOSS had used their grant for feasibility studies for new business ventures. Following the feasibility studies, which the clients were happy with, they both then failed to gain access to finance to support the ventures. One has since scaled back the venture so that he can self-fund it. The other, who had initially expected TBEC might be able to provide financial support for the venture, was still in the process of trying to find potential investors.

A number of key informants spoke favourably, albeit anecdotally, about the benefits and impact of the PBMP. The three TBEC clients who engaged in the evaluation and had received support under the programme reported mixed experiences.

One client clearly valued the support they had received under the PBMP, having received support over five years from three different mentors. He commented that the mentors wanted to relinquish him from the programme, but he still feels he gets a lot of value out of the service and needs it given the absence of alternative high level mentors within Tonga.

The business mentoring had helped him in thinking through a proposed change in how the business operated and consequently in expediting a restructure. He had the vision for a new way of operating but, as the sole business owner, needed the support in thinking it through, and then developing and implementing the new structure.

Another client had met with their mentor three times but was now 'having a break' as he felt he needed space, that things were moving too fast and that he was content with where his business was at. The mentor had referred him back to TBEC for some marketing advice, however, and he was enthusiastic about receiving that at some point in the near future.

The third client initially found the support from her mentor helpful; however, she then felt that the mentor was not giving sufficient acknowledgement or demonstrating sufficient understanding of some sensitive issues that arose concerning doing business in Tonga. She is no longer receiving the support.

Measuring progress

In trying to measure the effectiveness of TBEC's services and the progress being made towards the intended outcomes, a number of issues are apparent:

- The performance indicators in the existing results measurement framework do not provide an accurate measure of how well the Activity is doing and whether it is reaching the right businesses, or not.
- Many of the existing indicators are not very clear and it is doubtful that all are actually measureable or meaningful (e.g. business manager's rating of staff).
- There are a lack of activity level indicators for the BSP, such as spend or number of approved projects, unlike those for the PSTP (e.g. number of topics delivered).
- It is very difficult to develop SMART3 indicators to measure the types of outcomes that TBEC is seeking (e.g. increased business mindedness and improved business culture), or indeed that it is actually achieving (e.g. the improved motivation, inspiration and confidence described by some of the participants in the previous section).
- It is very difficult to benchmark performance given the Activity is very context specific (i.e. due to the unique characteristics of the Tongan private sector and economy).

A number of evaluation participants felt there was a need to design and agree a new set of indicators and targets for TBEC. Some expressed the view that the current monitoring framework was too focused on throughput and there was a need to improve the measurement of the quality of service delivery. This could facilitate continuous quality improvement through knowing what works, what does not, and making regular

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³ Specific, measureable, achievable, relevant, time-bound.

modifications to the services. A better understanding of the benefits and quality of the services could also be used in promoting awareness and uptake of the services.

3.2.2 Factors enhancing and constraining progress

Visibility of TBEC

TBEC uses a range of means to raise awareness of its services, including radio, newspaper and television advertising, and more directly though visiting businesses. Many of the TBEC clients who participated in the evaluation had heard about TBEC through the radio, and often others had encouraged them to approach TBEC for assistance. A number of others had been approached directly, usually by the TBEC Manager. The visibility of the training programme was another way people were aware of TBEC, and the regular emails about upcoming trainings has resulted in a number of clients maintaining a strong awareness of its services.

Key informants considered there was a good awareness of TBEC but noted a number of constraints or areas for improvement:

- TBEC's efforts to raise awareness of its services through banks was considered largely unsuccessful with very few clients referred through bank lending programmes. Banks do not appear to recognise the value TBEC could add and further promotion of its services to bank staff is required.
- Some informants felt TBEC had low visibility in villages and smaller businesses and that there was a need for further translation of advertising into Tongan and further direct communication with villages (e.g. through meetings with village councils and through industry associations). TBEC staff did not feel that they had sufficient time to get out and directly promote services.
- A number of people felt that the Government was not doing enough to promote TBEC and that endorsement and promotion by the MCTL would add credibility to TBEC's work.

Service access

The cost of attending the PSTP was not considered a barrier to access by TBEC clients (see section 3.2.3). However, taking the time off work to attend a course during the daytime was considered a barrier, especially for smaller businesses. A number of participants said that they would find it easier to access courses if they were in the evening or held, say, for half a day a week over 4–5 weeks. Two businesses outside of Nuku'alofa reported having trainers visit them and undertake the training in their community; in one case over three evenings a week for a month. This had made it very easy to access the training; though it was noted that some people would rather travel to Nuku'alofa for training than attend it in a neighbouring village.

There was considerable evidence of the effort TBEC staff go to in getting people onto courses and ensuring a high course occupancy rate. This includes operating a stand-by list in case people pull out of a course, having a 'leads' section in the PSTP database noting interests people have previously signalled in different training topics, and, if necessary, cold calling businesses to make up numbers on a course.

As previous noted, access to BOSS has been constrained by factors in the scheme's design. Irrespective of the recent changes to its design, a number of key informants felt that there was still a need for further support in helping people in completing applications to the scheme. They noted that the poor quality of applications was contributing to inefficiencies in the scheme, as members of the BOSS panel had to review all the applications, despite few of them gaining approval. Several solutions were proposed, including using consultants to review applications prior to submission, considering a role for the TCCI in promoting and supporting new proposals, and the potential for the MCTL to operate a learning centre at the Ministry which would include facilities for completing applications and for receiving support in this.

One TBEC client who was interviewed as part of the evaluation had not been successful in accessing a grant under the BDS. Again this seems to be more of an issue with the scheme's design than its delivery. TBEC wanted to see more commitment and motivation to change from the business owner before they considered supporting a financial solution: 'funding is hard to get because under our mandate you are supposed to be motivated by change; not motivated by a grant.'

Throughout the course of the evaluation, a number of participants commented on the existence of a widely held perception that the TCCI is a 'white organisation' that does not understand Tongan culture and values and, by extension, so is TBEC. Some participants reported that businesses have not wanted to access TBEC services because of the TCCI's involvement and this perception. We are unable to confirm the extent that this perception is a barrier to access; nevertheless, the TCCI needs to address this perception as it is likely to be affecting both membership of the Chamber and access to TBEC.

Service delivery

The delivery of the PSTP has grown fast and, generally, very positively. However, the growth has also presented challenges. The regularity of deliveries has enhanced its visibility and provided frequent opportunities for businesses to engage in training. The content of the trainings was, on the whole, well-targeted at business's needs and TBEC's outcomes. Courses like customer service, accounting and financial management were considered particularly effective in enhancing progress towards TBEC's outcomes. Some informants did question whether TBEC should be 'trying to fix everything' by offering courses in things such as presentation and grooming and emergency preparedness; noting that while there was clearly a need for training in these areas, they were not well-aligned to outcomes related to increased financial return and establishing a business culture, or to what a business enterprise centre might be expected to lead. Other informants felt that training courses

needed to be better coordinated with those provided by others, including training delivered by the Government, in order to avoid duplication of course deliveries.

The approach taken to delivering training was also considered a key factor in enhancing effectiveness. Most PSTP clients felt trainers had contextualised the training well, used appropriate language and explained more difficult concepts well, and made the delivery interesting. Where clients had received follow up to the training, one-to-one with the trainer in the workplace, this was seen as of significant benefit in helping them implement what they had learnt. Not all clients had received this and this practice should be extended. Where it is impractical or too expensive to arrange for the trainer to do the workplace follow up, other options could be considered such as training TBEC staff to do the follow up.

A minority of evaluation participants did question the calibre of some of the trainers. Some noted a perception that there is a lack of confidence in the trainer if they are Tongan, and that Tongan trainers were often regarded as 'too theoretical with insufficient experience in delivering training.' There is a heavy reliance on overseas trainers in the programme. Around 20 percent of training topics and 42 percent of training deliveries use Tongan cotrainers (an overseas trainer with a local counterpart) or are delivered by expatriate Tongans. Greater use of Tongan co-trainers would help to build local training capacity and help to address this perception.

The effectiveness of service delivery has improved in response to feedback received from participants. Simple things like the quality of the venue and catering have been addressed. In cases where there has been significant dissatisfaction with a trainer, or issues raised by the trainer, these have been discussed with the TBEC Manager and actions taken. However, beyond addressing these issues, the constant delivery of training has limited TBEC's capacity to focus on reviewing and assessing monitoring feedback, and to put identified learnings into practice.

While TBEC has effectively managed trust and confidentially concerns under the BAS, it remains difficult to find advisors who clients are comfortable sharing information with, and who also have business knowledge and private sector experience in Tonga. Getting the match right between client and advisor or mentor under BAS and the PBMP is critical, in terms of sector, level of sophistication, etc., and is not always easy.

The ability of TBEC to provide a package of support services, a 'one-stop-shop', is considered a key factor contributing to its effectiveness. Of its client base, around 50 percent of businesses and 40 percent of individuals have accessed more than one type of support. There does not appear to be any typical pathway or starting point through the types of support. Some key informants felt there would be additional benefits through more packaging of the support services, and in doing so placing more of a focus on the non-training services. For example, it was suggested that financial support under BOSS or the BDS should never be standalone, and always backed up by delivering some business advice or mentoring under the BAS or the PBMP. It was felt that this 'packaging' of financial assistance and advice/mentoring in the short term, with training under the PSTP in the background over the longer term, could really turn some businesses around.

3.2.3 Pricing structure

BAS services are delivered free of charge, as are the activities under the BSP although some require a contribution from the recipient organisation. A pricing structure applies to the PSTP and it is set out in the second variation to the GFA. In summary, it sets out a scale of fees to attend training, from free of charge, to a part fee of 5–10 percent (for most general courses), to a majority fee of 80+ percent (for highly specialist or technical courses). It notes that some courses may be a combination of all three. It also signals that clients may purchase an entire course for their staff on a full cost recovery basis, and that larger organisations may enrol two participants on a course at the fee level for all participants but any more than two will be charged at 50 percent of cost.

The evaluation found a high degree of consensus among key informants that PSTP beneficiaries should make some financial contribution to their training wherever possible. Charging a fee, no matter how nominal, was considered to add a perceived value to the training ('if you get something for free you don't value it' or 'if something is free it can't be much good'), and demand some level of commitment from the client organisation (i.e. they seriously think about enrolling and think twice about pulling out). There was also general agreement that training in the outer islands should remain free, that training for large businesses should operate on a full cost recovery basis, and that the costs for other training should be partly determined by the level of training (e.g. introductory or advanced knowledge), the group being targeted (what they can afford to pay), and the absence or presence of other barriers to training (e.g. having to travel a great distance).

Among the PSTP clients who participated in the evaluation, the cost of training had varied from free of charge to around T\$120, and all reported the cost as being reasonable and not a barrier (sometimes the time off from work was considered a cost barrier, but not the course cost itself). It was not clear the extent to which a fee added to people's commitment to training, or to their perception of the training being 'professional' or not. Participants tended to know what they paid for their course (e.g. T\$10 or T\$30), but not what this represented as a proportion of the real cost of the course (e.g. 5 percent or a T\$300 course). Knowing the real value of the course may make people value the training more, but would also probably be a useful selling point for the courses.

It is apparent that some businesses could afford to pay more to attend the PSTP, and that some of these businesses also value the benefits of the training sufficiently that they would likely accept paying a higher contribution. The option of a more graduated pricing structure was tested with key informants, and some felt it would be fair and a useful way to recover some of the high costs of training. However, others noted the complexities in managing a sliding scale of fees (e.g. based on number of employees or financial turnover).

The current fee structure is not acting as a barrier to the achievement of results and there seems to be sufficient flexibility built into the system to manage any potential barriers.

3.3 Impact of TBEC's services

Under this objective the evaluation considered the progress that has been made toward achieving TBEC's long term outcomes, and the factors that are enhancing or constraining progress toward these outcomes. The Evaluation Plan acknowledged that the findings in relation to this objective will be indicative because we would not expect to see evidence of long term outcomes at this stage of implementation of TBEC.

TBEC faces a huge challenge in delivering on its long term outcomes of private sector growth, contribution to economic growth and improved business culture. Key informants engaged in the evaluation typically spoke of the challenges associated with 'tapping into the mentality of the private sector and changing the cultural mindset towards business.' Yet where businesses were ready to and serious about making a change, TBEC was considered to be making a difference. As discussed, the volume of activity, particularly in terms of the training programme, does indicate that TBEC will be able to have a long term impact on the sector.

There is, however and as expected, little evidence of impact to date. Clients were unable to articulate change over the long term, or attribute it to TBEC. Nevertheless, what they did report in terms of effects to date (section 3.2.1) suggests that TBEC does have the potential to have a long term impact.

Measuring TBEC's impact is problematic and the majority of indicators for the long term outcomes are not currently measured, generally because reliable data is not available on a regular basis. This includes data on:

- Number of SMEs.
- Employment.
- Business survival rates.
- Staff turnover / employee retention.
- Contribution of SME sector to GDP.
- Staff numbers.
- Profit.

3.3.1 National indicators of economic activity

This section presents trends in recent available key economic activity that TBEC may be expected to have an impact on over the longer term. This is provided as context only. Obviously there are many other factors beyond the influence of TBEC that will influence the future trajectory of these indicators.

Comprehensive and timely labour market data is unavailable in Tonga. The National Reserve Bank of Tonga (NRBT) does conduct informal surveys semi-annually. In the most recent survey, businesses expected full time employment to increase slightly over the next

six months, consistent with a more positive NRBT growth outlook (NRBT, September 2013). The overall response rate to the survey was, however, low. The most recent Census (2011) reported Tonga as having a labour force participation rate of 52.3 percent, and an adjusted unemployment rate of 6.5 percent (rising to 33.2 percent if subsistent workers are included).

Figure 5 shows that growth in real GDP has varied considerably since 2006/07, peaking in the year of TBEC's establishment (2010/11) and maintaining positive growth since. The decline in the growth rate over the past year is mostly owing to a slowdown in construction activity.

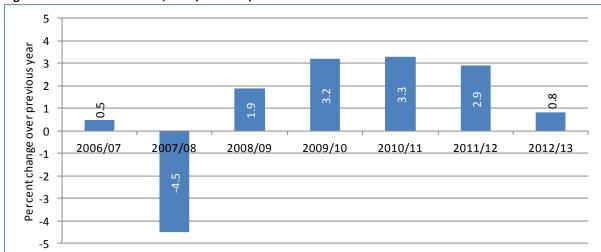


Figure 5: Growth of real GDP, 2006/07-2012/13

Source: NRBT, Quarterly Bulletin v24, #3, September 2013

Figure 6 shows that the value of total exports and re-exports has steadily increased since a dip in 2007/08, and has reached pre-global financial crises levels of around T\$20 million.

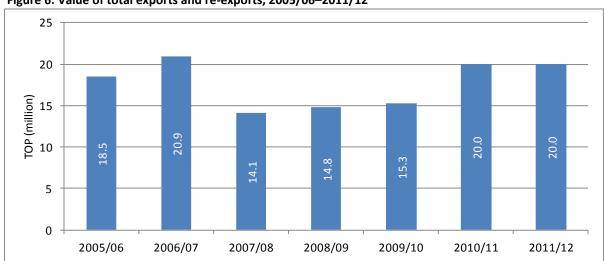


Figure 6: Value of total exports and re-exports, 2005/06-2011/12

Source: NRBT, Quarterly Bulletin v24, #3, September 2013

Figure 7 shows that tourism receipts have continued to grow other than a dip experienced in 2009/10. Total tourist arrivals by air and yacht were 72,001 in 2011/12, down from 73,077 in 2010/11.

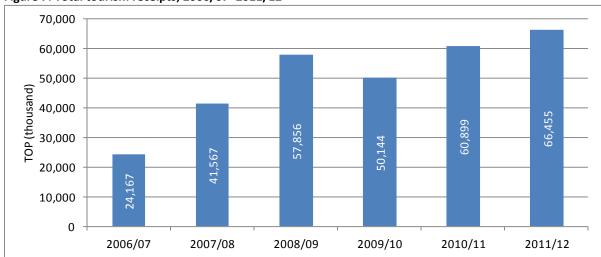


Figure 7: Total tourism receipts, 2006/07-2011/12

Source: NRBT, Quarterly Bulletin v24, #3, September 2013

Figure 8 shows trends in two indicators related to the costs of doing business in Tonga. The long term trend shows a gradual increase in petrol and electricity prices; while there has been a gradual decrease over the past three years since TBEC was established.

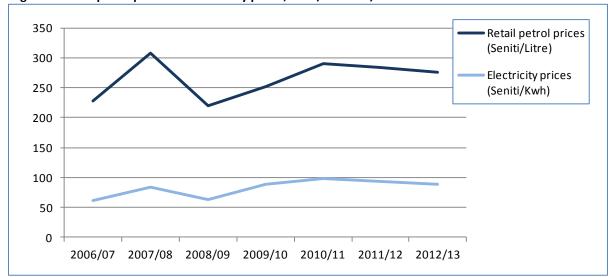


Figure 8: Retail petrol prices and electricity prices, 2006/07–2012/13

Source: NRBT, Quarterly Bulletin v24, #3, September 2013

The World Bank's 'Ease of Doing Business Index' measures the relative ease of establishing a business and performing standard business operations. In 2010 Tonga ranked 52 out of 183 countries, while in 2012 it ranked 62 out of 185 countries.

3.3.2 Indicative assessment

The short term effect that TBEC has had at an individual participant and individual business level appears to be significant (section 3.2.1). It is not possible to determine the likely impact this will have at the private sector or economic system level in Tonga over the long term. However, the foundations are certainly being laid for a potential impact to become evident in the longer term.

The availability of accurate labour market and business activity data is required to measure impact over the longer term. Data on the number of SMEs, their survival rate (new SMEs, de-registered SMEs), and their contribution to the total workforce and to GDP would be particularly valuable.

3.4 Efficiency of TBEC's structure and operations

Under this objective the evaluation examined the governance and operational structure of TBEC, and looked at how well it had used its resources to achieve outputs.

TBEC's main structure and relationships are shown in Figure 9. Funding comes from MFAT, through the NZ Aid Programme to the TCCI. The TCCI's Executive Council provides governance oversight of TBEC, while the TAC provides further expertise and guidance with a focus on the training programme, including approval for the annual Calendar of Training. In providing services to its customers or clients (i.e. local businesses), TBEC works with Business Mentors New Zealand and local and New Zealand based trainers as delivery partners. TBEC may refer its clients to a number of different agencies for alternative forms of support and advice.

3.4.1 Governance structure and relationships

TBEC's main governance relationship is with the TCCI. The TAC provides another oversight function, advising on the development and implementation of the training programme and also providing suggestions on additional services TBEC could provide.

Tonga Chamber of Commerce and Industry

TCCI has provided the governance mechanism for TBEC since its initial design. However, the governance relationship has never been clearly articulated and it appears to have functioned more on the basis of people than on processes. There are different views as to whether TBEC was, in its design, supposed to more joined up with the TCCI (e.g. through sharing a receptionist and other back-office functions), or operate more independently of the TCCI. There continue to be calls for TBEC to more formally integrate with the TCCI, and equally for it to operate with more autonomy or even to split away from the TCCI.

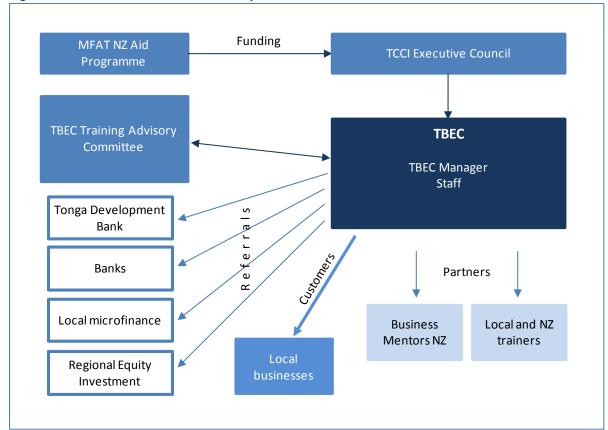


Figure 9: TBEC structure and relationships

Most of those informants interviewed as part of the evaluation who felt able to comment on the governance relationship with TCCI would describe it as 'adequate, with scope for improvement'. An analysis of factors that have helped or hindered the relationship follows:

- Reliant on people: the effectiveness of the current governance arrangement is largely dependent on people, including individuals such as the President and Treasurer of the TCCI. These people are passionate about TBEC and have a high ownership in it (the Treasurer had a key role in the design of TBEC). This passion and ownership can lend itself to a tendency to go beyond governance roles, straying into operational management. The reliance on people rather than structures and processes presents a risk that the current governors are well aware of: 'who will take over when we leave?' Clearer governance structures and processes are needed for many reasons, not least to facilitate the entry of other TCCI EC members into playing greater governance roles.
- TCCI capacity and visibility: TCCI has its EC, currently consisting of seven members, but only a small low level operational arm of an office manager, project officer and receptionist. TBEC appears to be the TCCI's flagship programme; it is the most visible part of the TCCI (although a lot of people would see it as fairly separate from the TCCI) and it is comparatively well resourced (e.g. TBEC has a bigger staff that the TCCI). A number of informants noted that TCCI were nowhere to be seen at TBEC events, and that members of the EC, while very capable, were busy running

their own businesses and did not have sufficient capacity to contribute to TBEC's governance. Beyond the 2–3 passionate individuals, the TCCI do not appear to be championing the direction of TBEC. Greater governance capacity would support TBEC's strategic direction.

- Management and accountability of funding: there appears to be a mismatch in financial management and decision making processes that are contributing to perceptions of lack of transparency and trust, and leading to inefficiencies in processes. The TBEC budget is prepared and agreed annually, line-by-line (activities, programmes, marketing, outputs, etc.) between TBEC and the TCCI, in parallel with the annual Calendar of Training, for negotiation and approval by MFAT. Once it is approved, however, the ability of the TBEC Manager to manage the expenditure of the budget is limited by current processes. These processes are quite complicated and it is not the evaluation's intention to analyse these in great detail or propose detailed solutions. The main hindrances or issues are:
 - The TBEC Manager has had limited access to the accounts, with no access to the accounting system (QuickBooks) and no monthly accounts (e.g. Profit and Loss Statement). The Manager has read-only access to the account through online banking, and holds purchase orders and an invoice book. He is, therefore, able to reconcile these but relies on information from TCCI to complete acquittals, etc.
 - The TBEC Manager has financial authority for up to T\$300 petty cash. Authority for expenditure above this is needed from the TCCI, with the President and Treasurer required to sign/counter-sign payments. The process for getting approval appears to be clear and logical; however, it is also a very manual process that can take time and is susceptible to delays caused by, for example, either of the authorising officers being away on travel or occupied by other business.

These issues are leading to inefficiencies within the budget management process. The TBEC Manager spoke of having to spend 60 percent of his time on administering TBEC, including the budget, when his allocated time was 30 percent. TBEC staff spoke of having to pay for travel out of their own money and claim it back because the time it took to get approval from the TCCI would disrupt a trip. Beyond this, these issues have also contributed to a feeling of disempowerment and, we detected, an environment of suspicion and mistrust. This is significant.

The issues were raised by a number of informants and by two TBEC clients:

Financial delegations are also not appropriate. Manager gets paid a professional salary as their expectations of him are high – they are employed as they know how to do the job – but then micro-managed and not given due authority.

TBEC is put together well but manager should be able to run alone, not such a strong hand from TCCI ... Manager needs to be allowed to do the job ... monitoring the person ... don't hinder them.

TCCI are the liable party and they do need to have structures and processes for monitoring the TBEC Manager and ensuring TBEC remains aligned to what it is mandated to do. But the current checks and balances in the system are having a detrimental impact on efficiency, energy and morale, and alternative control mechanisms need to be investigated and implemented.

The above issues aside, the governance relationship between TCCI and TBEC has served well to date. There are benefits in continuing to keep TBEC aligned with TCCI, including potential efficiency gains in bringing some of the back-office functions closer together, as initially planned. There are also benefits in continuing to keep TBEC semi-autonomous from the TCCI, with control over operational management.

The above issues will, however, begin to have a greater detrimental impact on TBEC if left unaddressed. There would be benefit in developing a governance framework which clearly sets out roles and relationships, and that specifically addresses issues of governance capacity and financial management and accountability.

Training Advisory Committee

The TAC has been a key component of the TBEC structure since its initial design. It is one of the main sources of input into developing the annual Calendar of Training, and reviews and approves the Calendar (including a summary of each training topic and the estimated budget) before it is agreed between the TCCI and TBEC. It includes representatives from government ministries and from the private sector, including from UMOs. It meets annually to review and approve the Calendar of Training and every six months to discuss progress and emerging issues.

There was widespread agreement among key informants in the evaluation that getting direction from the sector through the TAC process is critical, that the composition of the committee is appropriate/representative, and that the Calendar of Training process works well in identifying training needs from multi-sector stakeholders. The TAC was recognised as having the capacity to add real value in helping TBEC to achieve its results.

There was also widespread agreement that the TAC could be more effective and that the main constraint was that all members were not always attending the TAC meetings to decide on training priorities. Government attendance at TAC meetings appears to have been particularly poor, with numerous informants noting that while the GOT seemed to have an opinion about TBEC it had not taken up the opportunity of being involved in the TAC to voice that opinion.

The issue of weak government engagement in TBEC goes beyond the TAC. Ensuring ministries, and in particular the MCTL, are at the table at TAC meetings will help strengthen government engagement considerably, but other mechanisms should also be considered. This engagement needs to happen at multiple levels as currently information on how well TBEC is doing does not appear to be filtering up to Ministers or down to operational staff. Greater engagement also needs to lead to two-way information flow (i.e. the GOT also needs to communicate on what and how well it is doing to TBEC).

Informants from the TCCI acknowledged that it has a role to play in improving government engagement in TBEC, including through regular formal reporting/briefing to Ministers and relevant ministries (MCTL and MFNP), and through strengthening the Chamber's lobbying role. Many informants noted the broader need to improve the TCCI-GOT relationship, citing poor processes in Tonga for the private sector to work with government, and a relationship that is too dependent on who is in government and who is in the Chamber.

There would be benefit in improving government engagement at the TBEC Manager level too. The first TBEC Manager put considerable emphasis into engaging government and eventually had some success in establishing regular meetings, but this took significant effort. TBEC and relevant ministries should commit to reinstating regular (perhaps quarterly) meetings. These could be as simple as informal catch-ups to provide updates on progress and emerging issues. There may also be a role for MFAT (the NZ High Commission) in facilitating greater engagement between TBEC and the GOT.

Finally greater government engagement should also be facilitated at the officer level, so for example through establishing relationships and maintaining regular contact between TBEC's Programme Managers and MCTL's Business Development Officers (a new role in the Ministry). Greater engagement between TBEC and government at all these levels will help to ensure better coordination of training efforts and avoid duplication between the training deliveries of the key partners.

A number of key informants also felt that private sector input into the TAC needed to be improved. The UMOs on the Committee were not all considered strong and there was not a lot of depth in terms of other industry associations in Tonga to reach out to. Associations covering the informal sector were also often weak. These challenges are similar to those that the TCCI faces in trying to be representative of the private sector, and in trying to reach the informal sector. As noted in section 3.1.2, given the critical role of the TAC, there may be a role for TBEC and the TCCI to play in ensuring strong and representative input into the Committee.

3.4.2 Operational structure and relationships

The initial design of TBEC allowed for one TBEC Manager, one training coordinator and a part time business advisor. Over the three years TBEC has grown to seven staff, including the TBEC Manager, a Programme Manager and two further staff for the PSTP, a Programme Manager for the BSP, an M&E Officer and an Office Support position. One staff member is based in Vava'u; the rest are in Nuku'alofa. At the time of the evaluation, and for much of its lifespan, TBEC has been supported by two VSA volunteers.

TBEC's growth in capacity has matched its rapid growth in service delivery. It remains a small organisation, however, and is still vulnerable to staff mobility. A number of informants commented on its track record of attracting capable staff, helped by reasonable salaries and recent investment in human resource development (e.g. staff appraisals and development plans). It would appear that a number of stakeholders, including the TCCI and MFAT, would prefer TBEC not to grow staff numbers any further, although it is recognised

that it is operating at full capacity and staff are under pressure. It is also recognised that any change in delivery mode (e.g. more targeting of businesses at the micro-enterprise level) may have resource implications (either a trade-off in the volume of services delivered or an increase in staffing).

Operational factors that have enhanced or constrained TBEC's delivery of outputs include:

• Objective and confidential: TBEC's success is strongly dependent on its ability to remain objective and confidential. To date, both TBEC Managers have demonstrated an ability to divorce themselves from private sector and government interests. Numerous clients and key informants reported trusting the TBEC Manager with confidential business information:

The structure has worked well. Confidentiality is a strength. People find it hard to come and talk to TCCI about their problems but TBEC at an advantage ... Cyril and John [current and former TBEC Manager] very good at dealing with sensitive information.

Confidentiality is one of the key criteria being assessed in the current recruitment process for a new TBEC Manager. It is proving a challenge to get an applicant who has a strong understanding of the business context in Tonga and is also able to clearly demonstrate objectivity. As a result, a second round of recruitment was initiated which extended advertising of the role to regional and international channels. Both Managers to date have been non-Tongan nationals.

Confidentiality is critical to the current TBEC Manager role as it involves direct advisory and mentoring support to individual businesses under the BAS. However, even if the Manager role did not include this specific programme work, the role will continue to require programme oversight and relationship management with businesses and, therefore, objectivity and confidentiality are expected to remain key criteria.

• Staff ownership and empowerment: the recent establishment of the Programme Manager role, for the BSP and the PSTP, has empowered staff at the second tier with reported satisfaction from taking ownership of an entire programme with back-up/support from the Manager.

The TBEC Manager needs to be similarly empowered to perform their role. As discussed in section 3.4.1, the current governance and operational structures are working against this. The TCCI needs to pass ownership of the programme to the TBEC Manager but also set up clear accountability arrangements. It is imperative that the arrangements include support for the TBEC Manager so that he/she feels confident that the Chamber will back them up if necessary.

Capacity building: several informants felt that there is a need to further strengthen
the capacity of TBEC at all levels, but especially at the next tier down from the
Manager. Other than the Manager, the current staff are all Tongan nationals and it
is felt that the nationality of the Manager would be less important if there are local
staff in other key positions (note: many informants considered the nationality of
the Manager to be unimportant). Senior local staff need to see room for personal

growth and development within TBEC and consideration should be given to establishing more senior roles that could assist and deputise for the Manager, such as an Assistant Manager or Officer in Charge positions. Senior staff could be provided appropriate training in operational management to fulfil these roles on a rotational basis.

• Programme administration: As noted earlier, the current TBEC Manager estimates that he spends 60 percent of his time on administration, including managing people and resources, reporting, and operational planning. The Office Support position provides valuable support to the Manager in fulfilling these functions, in particular in reporting to the TCCI. Nevertheless, the Manager feels 'swamped' by the level of administration required and is concerned that he does not have sufficient time to oversee the running of the programmes, provide advice under the BAS and for strategic planning.

TBEC is probably not sufficiently large to warrant separate strategic management and operational management positions. However, it is also not sufficiently complex to warrant the current level of reporting on the programme. Currently the TBEC Manager prepares regular written reports for MFAT, the TCCI and the TAC, in addition to fortnightly meetings with MFAT (NZ High Commission), regular meetings of the TCCI EC, six monthly meetings of the TAC, and six monthly budget meetings with the TCCI Treasurer. There is probably an opportunity to rationalise the quantity of written reporting, and in particularly the weekly reports to the EC and the monthly reports to TCCI that are then sent to MFAT. Further review and analysis is required of the purpose of all the reporting requirements with a view to rationalising them.

In delivering its services, TBEC partners with local and NZ based training providers (for the PSTP) and Business Mentors NZ (for the PBMP). The processes and relationships with these partners have, on the whole, served the programme well. The main issue to emerge from the evaluation is the engagement of local trainers in the PSTP, with several informants wanting to see greater use of local trainers to help ensure the sustainability of the programme and to create efficiencies (it being cheaper to pay for local trainers than fly in trainers from NZ). Greater use of co-trainers was considered an appropriate short term solution to build local capacity in training, with one informant suggesting the use of co-trainers should be a requirement for certain course for the next phase of the programme.

Several informants did acknowledge that it was often necessary to go offshore to get high calibre trainers and that the benefits in bringing these trainers in outweighed the greater costs. One informant felt TBEC needed to negotiate harder for what it is prepared to pay for training, and potentially develop a non-negotiable scale and cap for trainer fees.

3.4.3 Value for money

As noted in section 1.1, the GFA for TBEC was initially for a two-year period and T\$504,646. In 2012 funding was extended to 30 June 2014 and five variations to the GFA have increased total funding to T\$4,027,953 (Table 6). The largest variations were for implementing the PSTP (T\$630,940) and extending the duration of the programme (T\$2,749,052).

Table 6: Total Grant Funding

	Value (T\$)	Reason for Variation
Original Grant Funding	504,646	
Total cost of Variation 1	47,004	Extension of GFA by one month and additional task under PSTP
Total cost of Variation 2	630,940	Implementation of PSTP and administration of BOSS
Total cost of Variation 3	96,311	Funding to support the BDS and to allow WISE to purchase training courses
Total cost of Variation 4	2,749,052	Extension of GFA to 30 June 2014
Total cost of Variation 5	nil	Change to BOSS criteria
Total amended Grant Funding	4,027,953	

Tracking expenditure over time is complicated by the fact that different programmes came on stream at different times and the financial reporting period for different outputs varied. These were brought into line for the latest financial year (2012/13) and the budget and expenditure for this 12 month period is shown in Table 7.

Table 7: Budget and expenditure, 1 July 2012-30 June 2013

	Budget (T\$)	Expenditure (T\$)
Management costs	369,106	286,679
Business Advisory Services	24,000	11,109
Business Support Programmes	501,545	74,493
Private Sector Training Programme	707,825	582,833
Tax Adviser	24,000	0
Total	1,626,476	955,114

The management costs account for 30.0 percent of expenditure for the year. This is relatively high. Most of this (T\$189,508) was for staffing (salaries, etc), of which T\$100,000 was for the TBEC Manager's salary. Most evaluation participants acknowledged that this level of salary was justified in order to attract someone of the calibre needed to run the programme. Excluding the TBEC Manager's salary brings the administrative costs down to around 21.8 percent. A proportion of the Manager's time is, of course, allocated to the BAS programme.

For the BSP, the majority of the budget (T\$422,345) was allocated to the BOSS, but actual expenditure on the scheme was only T\$44,483 due to the small number of quality proposals submitted (as discussed in section 3.1.2). Expenditure on the BDS was T\$20,000 while only T\$200 was spent on the PBMP.

Over half (61.0 percent) of TBEC's expenditure was on the PSTP. The variance from the budgeted expenditure was due to savings but also to inaccurate forecasting. TBEC delivered 97 percent of the training it had budgeted for in the year to June 2013. The majority (67.4 percent) of this was on trainer costs, while 21.4 percent was for service costs (marketing and catering, etc.) and 11.2 percent was for participant costs (travel, etc). The PSTP had income of T\$59,279, surpassing the target, and therefore real expenditure was T\$523,554.

It is difficult to make judgements about the value for money of the programme in the absence of appropriate comparators. The Samoa Business Enterprise Centre provides some similar services but also other, quite different, services (e.g. loan guarantee scheme), and targets businesses at the grassroots level of the private sector with the Chamber of Commerce targeting the SME sector. The private sector in Samoa also operates on a different scale than in Tonga.

The value of the services is discussed under 'relevance' and 'effectiveness'. In terms of a basic input/output analysis, for the PSTP the T\$582,833 purchased around 67 deliverables for 919 participants⁴. This equates to a cost of approximately T\$8,700 per deliverable or T\$630 per participant. Most deliverables/courses are around 3–5 days in duration.

There would be benefit in monitoring these unit costs over time, particularly to help judge the impact of any increase in use of local trainers and any increase in targeting of grassroots businesses. It would also be useful to monitor the administrative component (management costs) of the total expenditure over time, to see how this tracks against the 30.0 percent in 2012/13.

For the 2013 calendar year, 4 BOSS applications were approved for a total value of T\$86,604 (or an average of T\$21,651). In the same year, 6 BDS applications were approved for a total value of T\$19,500 (or an average of T\$4,875).

There were mixed opinions from evaluation participants on how well TBEC used its resources to achieve its outputs:

- Some informants considered the amount of funding spent on administrative costs to be high; one citing wastage in marketing and advertising costs.
- Evidence of TBEC taking steps to be more efficient was noted by others, including trying to use more local trainers and drastically reducing course catering costs.
- Two informants commented on the number of TBEC staff, questioning whether it
 was potentially overstaffed and whether it could bring efficiencies through staff

⁴ This is an estimate as it combines budget information based on the financial year (2012/13) and output information based on the calendar year (2013).

working more across the business on different programmes to better respond to peaks and troughs.

- Two informants also felt there was potential for duplication across TBEC and TCCI and thought there were potential efficiency gains to be made through more effective sharing of back-office functions, such as administrative support.
- Others commented on the potential for efficiency gains in better joining up and coordinating training delivery with other programmes, such as training coordinated through PIPSO or the GOT.
- One informant had no real concerns, noting that a lot of money goes through TBEC and there will always be some wastage and some room for efficiency gains, and that it was just a matter of continuing to 'nip away at the small things to make it more efficient'.
- Another informant felt TBEC was very efficient and very focused on cost-cutting, to the extent that they would like to see more of a focus on quality of delivery over efficiency.

TBEC has been in delivery mode and it is apparent that those involved in the governance and operation of TBEC have not had the 'space' to step back and consider whether there are other ways of achieving similar outputs for less. There may be value in doing this as part of a strategic planning exercise.

We would also observe that achieving greater efficiency gains relies on having access to reliable, consistent and timely information. The lack of access to accounting information limits the ability of TBEC to truly understand the costs of its service delivery and opening up access to timely information would be a significant improvement.

3.5 Cross-cutting

Cross-cutting issues relating to gender, human rights and environmental sustainability have not featured significantly in either the design or implementation of TBEC.

3.5.1 Gender equality and women's empowerment

Variation 3 to the GFA, in September 2011, provided for a specific output to enable Women in Sustainable Enterprise (WISE) to purchase TBEC training for its clients, in recognition of its leadership role in formal and informal businesses led by women. WISE is able to purchase training up to the value of T\$20,000 per annum; however, this provision has been underutilised with only T\$2,900 being used in the year to 30 June 2013. One participant in the evaluation, who had received support through WISE, felt that TBEC needed to push WISE to commit to creating greater awareness of TBEC's training and support services at a grassroots level. Certainly the ability of female entrepreneurs to leverage of this opportunity needs to be reviewed.

TBEC has recently updated its database and is only able to disaggregate clients by gender from January 2014. A manual analysis of clients to BAS and the BSP indicates that approximately:

- 40 percent of BAS cases are female.
- 20 percent of approved BOSS applications are from females.
- 25 percent of approved BDS applications are from females.
- 50 percent of PBMP clients are female.
- 25 of applications supported under the STTA scheme are from females.

We have not been able to access data on business ownership by gender; therefore, it is difficult to judge the extent to which TBEC is achieving equitable access to its services. TBEC should start reporting clients by gender and, as far as possible, benchmark this against available national business and employment statistics. The 2011 Census of Population and Housing reported that females made up 41.1 percent of the population in employment (41.0 percent of paid workers and 41.2 percent of subsistence workers); and had a labour force participation rate of 42.3 percent (compared to 62.7 percent for males).

3.5.2 Human rights

The most direct way that TBEC is protecting and promoting human rights is through empowering participants through its training and support services. Several TBEC clients spoke either about their own sense of empowerment as a result of training or support, or about how they had learnt new skills and practices that had enabled them to manage and treat their staff better.

3.5.3 Environment and climate change

A small number of TBEC trainings include environmental-related issues, such as the Whale Watch Guide and Swimming course which covers avoiding stress and harm to the whales. A number of other trainings target resource-based businesses, such as those in the agriculture sector or community utilities, but the promotion of environmental benefits is not an integral part of these courses. TBEC recently ran a week long Emergency Preparedness and Business Continuity workshop for 24 participants and has just completed a Business Recovery Assessment for businesses on Ha'apai following Cyclone Ian in January 2014.

4 LESSONS LEARNED

TBEC has been operational and continually developed over 2010–2014. It aims to provide business training and business advisory/mentoring services to existing SMEs, and in the long term to increase private sector contribution to the economy and improve the business culture in Tonga. Three years into TBEC, the main lessons that people who make decisions in support of TBEC and the wider Tongan private sector can take from the evaluation follow.

- The design of TBEC has remained relevant and sufficiently flexible to continue to meet private sector needs. Existing clients have, on the whole, received considerable value from accessing TBEC's services. Ongoing monitoring and review and, as required, modification and adjustment, should ensure it continues to be relevant in the future. It would be prudent to continue the investment in TBEC.
- 2. While its focus has been on SMEs, TBEC's reach has extended to larger and micro-level enterprises. Increasing TBEC's penetration at the micro-enterprise level risks over-stretching TBEC; making it 'everything to everyone' and doing a lot adequately, rather than less very well. While a greater focus on the micro-enterprise level may contribute less to the programme's outcomes, it would certainly fulfil a gap in services and support improved livelihoods for those micro-entrepreneurs. It would seem a reasonable step to take. At the same time TBEC should continue to play to its current strengths and know-how in supporting SMEs.
- 3. TBEC's outputs have been dominated by the PSTP which has achieved significant results in terms of the number of deliveries, participation, visibility, relevance of training and calibre of trainers. This is precisely what was and continues to be needed to initiate growth and change in the sector. There continues to be a high demand for the training programme. The BAS and BSP have a lower profile than the training programme, but potentially offer more in terms of what is needed to remove business impediments and improve business management in the more immediate term. The ongoing delivery of TBEC would be enhanced by gaining a further understanding of what services and tools the private sector needs, and then packaging support in such a way that enables businesses to 'journey through' a mix of BAS, BSP and training to meet their changing needs over time. In providing more of a balance in the package of services, the PSTP may have a smaller number of training topics and deliverables with more emphasis on outreach, follow up and learning from past deliveries.
- 4. TBEC's governance and operational structure and processes have been adequate but need strengthening in order to enhance effectiveness and efficiency. A governance framework is essential to clarify responsibilities and accountabilities, and to ensure TBEC can remain semi-autonomous of the TCCI and retain day-to-day operation control and management of the programme. TBEC is operating at full capacity; more efficient, streamlined administrative reporting processes would help to relieve some of the pressure.

- 5. The process for getting direction from the private sector is critical to TBEC's success. There is a need to incentivise collaboration within industry sectors and representation on the TAC. At the same time there is a need to continue to work to understand the needs of individual businesses.
- 6. Government engagement in TBEC has been weak. There is a need to commit to greater collaboration between government and TBEC at all levels.
- 7. Current approaches to measuring results and monitoring and evaluating TBEC's outputs and outcomes provide limited information on which to judge the impact of TBEC. There is a need to improve measures of the impact of TBEC's services on individual businesses, and to identify relevant measures of the impact of TBEC on the private sector and economy as a whole.

5 RECOMMENDATIONS

Based on the findings, the evaluation has identified a set of focused and strategic recommendations to inform future programme and funding decisions and to enhance the effectiveness of TBEC. These recommendations are set out below. Areas for potential improvement at a more practical level, many of which could be implemented relatively easily, have been identified elsewhere in this report.

1. Expand the target beneficiaries of TBEC to include micro-enterprises and grassroots level businesses, while retaining a predominant focus on SMEs.

There would appear to be a gap in training and support services reaching microenterprises, although it is acknowledged that TBEC's services do reach some clients at this level already and that TBEC is beginning to adopt alternative delivery approaches to better reach these clients. Businesses operating at this lower level would benefit from the types of services TBEC provides, particularly with some modifications as described in other recommendations, and it would be logical gap for TBEC to fill. However, TBEC should retain a predominant focus on the SME sector because: (a) there continues to be a demand for TBEC's services at this level and TBEC has demonstrated a strong ability to deliver services to this group; and (b) the likely greater returns from focusing on the SME sector, in terms of contribution to the economy, is needed if TBEC is to achieve its long term outcomes.

- 2. TBEC to design and implement outreach strategies to target grassroots level uptake of its services. This might include:
 - 2.1 Extending outreach work through existing village/community structures, such as village councils or women's committees.
 - 2.2 Holding group meetings at the village/community level to introduce basic or foundation business principles, and to introduce and promote TBEC's services (potentially a roadshow type model).
 - 2.3 Including a role for successful Tongan business people in these initial meetings as role models for people to aspire to.
 - 2.4 Providing one-to-one follow-up opportunities for more focused and individualised advice and support.
 - 2.5 Potentially collaborating with the GOT, TCCI and UMOs in this outreach work so that they can also introduce and promote their services and role.
- 3. TBEC to increase the use of local Tongan co-trainers and expatriate Tongan trainers in the PSTP to at least 60 percent of deliveries in order to build the capacity of local trainers to support the programme's grassroots outreach and long term sustainability.

4. Further develop and promote the use of Tongan business leaders to work as business advisors and mentors to, in particular, grassroots level businesses.

There are credible, local Tongan business leaders with the skills and technical expertise to support the needs of many small and micro-level enterprises. Many may be limited in terms of their capacity or interest in acting as an advisor or mentor to other Tongan business owners. However, it is likely that others would have the capacity (e.g. a 2–6 hour block once a fortnight or month) and would be keen to assist other business owners as part of consultancy work. They could develop formal mentoring roles with a caseload of business owners, or provide business advice on an ad hoc basis (e.g. a 'handholding', motivating role, or supporting a business in completing a BOSS application). Issues such as concerns regarding confidentiality would need to be carefully managed through a relationship building process between the individual client and the mentor/advisor.

- 5. Maintain the current pricing structure for the PSTP, including the flexibility to set prices to reflect a course's target group and content, but strengthen communication about the real cost and value of the training that is offered.
- 6. Improve systems and processes for measuring the performance of TBEC, including designing and implementing:
 - 6.1 Activity level indicators, including targets, for programmes under the BSP (e.g. in relation to funding expenditure and number of projects supported).
 - 6.2 A means of assessing short to medium term outcomes relating to less tangible results (e.g. business confidence and motivation).
 - 6.3 Baseline and long term follow up (e.g. 1–2 year) indicators relating to core business data (e.g. number of staff and financial turnover).
- 7. TBEC to continue to promote the upskilling of its own staff to build specialist capacity and also capacity that can work across the organisation (i.e. on different programmes to match changing demands). This should include consideration of establishing an assistant manager position, or officer in charge (OICs) positions, with training and upskilling in managerial operations, who would act as understudies to the Manager and as an acting manager in the Manager's absence.
- 8. Retain the current governance structure for TBEC but strengthen TCCI's governance framework and TBEC's operational management policies and processes. As part of this, we recommend:
 - 8.1 Establishing a clear separation between governance and management functions, allowing TCCI to maintain effective governance oversight and TBEC to maintain its day-to-day operational autonomy and control.
 - 8.2 Reviewing policies and processes for the management and accountability of TBEC funding to support greater transparency and efficiency, including budget approval processes, financial delegations/authority, and reporting processes.

8.3 Strengthening the governance capacity and processes within TCCI as part of succession planning.

This recommendation is designed to tidy up governance and management processes, in particular regarding financial management where the evaluation found that the TBEC Manager has limited ability to effectively manage the budget. By retaining the current governance structure it is proposed that TBEC stay aligned to the TCCI but that it maintains operational control and autonomy. The governance framework needs to provide this protection better than it has in the past. Part 8.3 of this recommendation reflects a concern that the governance of TBEC is currently too reliant on people, and that it needs to be supported by strong processes that provide clarity for future governors.

9. TBEC provide support to TCCI to take a lead role in strengthening the capacity of sector specific UMOs to effectively determine the needs within their sectors, including at the grassroots level, and input these needs as part of the TAC process.

The role of strengthening UMOs best fits with the TCCI. However, as TBEC relies on the effective participation of UMOs in the TAC process to ensure it delivers relevant training, it should play a supporting role in ensuring they are able to input their needs. In support of recommendation 1, this should include supporting UMOs to reach out to grassroots businesses where they have the potential to be effective representative bodies. This recommendation should not be to the exclusion of sector specific growth committees playing a role in determining and inputting their sector's needs.

10. Build and maintain stronger connections between TBEC and the GOT, at all levels, including with Ministers, senior officials (including through strengthening participation on the TAC) and staff in operational roles.

This recommendation requires commitment from both the TBEC Manager and staff, and from GOT officials. It is also likely to involve members of the TCCI Executive Council, in particular in communicating the role and effectiveness of TBEC to Ministers and senior government officials. It should include strengthening engagement through formal mechanisms such as the TAC, but also informally such as regular catch up meetings between the TBEC Manager and senior government officials.

APPENDIX A: TERMS OF REFERENCE FOR THE EVALUATION

This appendix contains a copy of the terms of reference for the evaluation.

Background information

Tonga's private sector is characterised by tenacious and resourceful small business owners and a large informal sector. Business owners are affected by fluctuations in Tonga's economy, which is vulnerable to external shocks and was affected by the global financial crisis. Development challenges include high levels of debt, limited employment opportunities, and low private sector investment levels. The Tongan economy continues to depend heavily on foreign aid and overseas remittances, (remittances dropped significantly since 2008) from the half of the country's population that lives abroad, chiefly in Australia, New Zealand, and the United States. Tonga's indebtedness has increased markedly owing to two loans from EXIM bank of China. Tonga remains at high risk of 'debt distress'.

In Tonga, growth is projected at 0.5% in FY2013 and 0.3% in FY2014. The expected slowdown reflects the completion of public investment projects, weak business activity, and slow recovery in remittances and private sector credit (ADB, 2013).

TBEC was established in November 2010 to help advance Tonga's private sector businesses by providing business advisory and mentoring resources supported by an annual calendar of training. It is 'housed' within the Tonga Chamber of Commerce and Industry (TCCI).

The goal of TBEC is to improve the capacity, viability, and effectiveness of businesses in Tonga for the betterment of Tonga's economic growth.

Long term outcomes are:

- A "business culture" (i.e. business mindedness and ease of doing business on a broad scale)
- A stronger private sector and greater GDP

Medium term outcomes are:

- Improved business sustainability
- Better quality staff
- Improved business results

Short term outcomes are:

- Business impediments are mitigated
- Improved business management
- Fulfilled missing skills in staff positions

These outcomes are delivered by way of three main areas of service:

- Business Advisory Services
- Private Sector Training Programme
- Business Support Programmes (i.e. mentorship, specialized advice, and small funds)

Purpose of the evaluation

The evaluation will be used

- To inform funding and programme decisions on the future of NZ support to TBEC and the wider private sector, and
- To provide independent advice to assist the effectiveness of TBEC as a development tool for the private sector.

TBEC as an organization has grown since starting in August 2010 and is now established as a trusted training provider. However with growth comes increased pressure on staff and organizational structure. After three years of operation, it is a good time to assess TBEC's strengths and challenges in order to help it determine its way forward in the coming years. This timing coincides with the fact that the current phase of New Zealand support to TBEC is due to end on 30 June 2014.

The results of the evaluation will be reported/disseminated among the Ministry of Foreign Affairs and Trade, the Government of Tonga, Tonga Chamber of Commerce and Industry, and TBEC itself.

Scope of the evaluation

The time period covered is August 2010 – August 2013.

The geographic focus is Tonga.

The target groups are TCCI, TBEC, and TBEC clients.

Evaluation criteria and objectives

Criteria being assessed

The DAC criteria that will be assessed in this evaluation are

- Relevance: How TBEC's outputs align with the priorities and needs of the private sector.
- Effectiveness: How actual results (outputs and short/medium term outcomes) compare with those originally planned (e.g. against indicators and targets), and the technical and practical feasibility of achieving the targets from this point onwards.
- Impact: To the extent there is available data, how actual results translate into planned impact in the wider private sector.
- Efficiency: The level of efficiency of the structure and operation of TBEC in allowing it to implement its outputs.

Objectives and evaluation questions

The objectives of the evaluation are to:

Objective 1: to assess the relevance of TBEC's services.

- How have TBEC's outputs aligned with the priorities and needs of the private sector?
- How have TBEC's outputs aligned with the priorities and needs of the Government of Tonga?
- Who are the beneficiaries of TBEC's services?
- Is TBEC reaching the beneficiaries it needs to reach?
- Who should the beneficiaries be of TBEC's services?

Objective 2: to assess the effectiveness of TBEC services to the private sector.

- What progress has been made toward achieving TBEC's short and medium term outcomes?
- What factors are enhancing or constraining progress toward these outcomes?
- How well has TBEC's pricing structure helped it to achieve results?

Objective 3: to assess the impact of TBEC's services.

- What progress has been made toward achieving TBEC's long term outcomes? (i.e. Private sector growth and contribution to the economy)
- What factors are enhancing or constraining progress toward these outcomes?

Objective 4: to assess the efficiency of TBEC's structure and operations.

- How has the structure and operational policies of TBEC had an impact on its ability to deliver its outputs?
- What elements have enhanced its delivery of outputs, and what elements have constrained progress toward outputs?
- How well has TBEC used its resources (quantitative and qualitative) to achieve outputs?
- How well has TBEC's governance structure helped it to achieve results?

Methodology for the evaluation

Principles/approach

The principles underpinning the evaluation are

- Partnership the principle of partnership with the Government of Tonga, TCCI, and TBEC will underpin all stages of the evaluation process.
- Independence The evaluation will be carried out in a way that ensures there is no undue political or organisational influence on the findings or recommendations.
- Participation Stakeholders will be involved at all stages of the evaluation to the
 extent possible. Key stakeholders such as the Government of Tonga and TCCI will
 be represented on the Steering Group.
- Transparency The evaluation processes are open and understood by all parties.
- Capacity development Where possible, stakeholders will be involved in the evaluation process to enhance organisational capacity in regards to evaluations.

A participatory approach is expected. At a minimum, participation of TBEC is expected to be in:

- The collection of data (in particular, ensuring that confidentiality issues around commercial information are adequately addressed);
- The design of the evaluation;
- Undertaking the evaluation; and
- The range of stakeholders to be consulted.

Participation of the Government of Tonga is expected on the Steering Group and all its related functions, and in the collection of data.

Evaluation Plan

The evaluation team will develop an evaluation plan (using or being guided by the *Evaluation Plan Template*) before undertaking the evaluation.

The evaluation plan will describe how cross-cutting issues of gender equality, human rights, and the environment will be considered throughout the evaluation.

The intended results of the Activity (i.e. the goal, outcomes and outputs) will be clarified and described in a Results Diagram (program logic, logic model) in the evaluation plan.

Upon the incorporation of any further feedback from the Steering Group on the Evaluation Plan, the Evaluation Plan will be approved by Gareth Smith, Deputy Director PACDEV.

The plan may need to be redrafted if it does not meet the required standard or is unclear. The evaluation plan **must** be approved prior to the commencement of any field work or other substantive work. The evaluation plan is to be appended to the main written report.

Team composition

The evaluation will be undertaken by a Supplier who will be selected via a Closed Tender process.

It is expected that the Supplier will comprise of a small team, and will need to demonstrate the following expertise and experience:

- Evaluation expertise and experience
- Private sector development experience
- Very good understanding of the business context in Tonga
- Experience working in the Pacific, preferably Tonga

Governance and management

The evaluation is commissioned MFAT and the evaluator(s) will be accountable to MFAT.

Oversight of the evaluation process will be the responsibility of the Evaluation Steering Group.

The Activity Manager (Elena Noyes) is responsible for day-to-day management and administration of the evaluation. Their responsibilities include contracting; briefing the

evaluation team; managing feedback from reviews of the draft report; and liaising with the evaluation team throughout to ensure the evaluation is being undertaken as agreed.

Outputs and milestones

No.	Output/milestone	Description	Inputs	Due date
1	Evaluation Plan	Literature review, briefing and finalized plan	8 days	11 November 2013
2	Field work complete	Field work complete and results provided to stakeholders via a stakeholder workshop	10 days in-country field work, 1 day stakeholder workshop	13 December 2013
3	Draft report	Preparation of the draft report and submission to MFAT	8 days	10 January 2014
4	Final report	Acceptance/approval by MFAT after any revisions of the draft are completed, and debriefing	3 days	31 January

Reporting requirements

Copies of the report are to be delivered by email to Elena Noyes.

The written evaluation report is expected to be no more than 30 pages long, 12 pt font, and be guided by the New Zealand Aid Programme Evaluation Report template.

The report must contain an abstract suitable for publishing on the New Zealand Aid Programme website. Instructions for the abstract can be found in the Evaluation Report template.

The evaluation report must meet quality standards as described in New Zealand Aid Programme Activity Evaluation Operational Policy. These quality standards are based on 2010 DAC Quality Standards for Development Evaluation and New Zealand Aid Programme Activity evaluation operational policy, guideline and templates.

The draft evaluation report will be reviewed by MFAT staff, stakeholders and/or external experts. Further work or revisions of the report may be required if it is considered that the report does not meet the requirements of this TOR, if there are factual errors, if the report is incomplete, or if it is not of an acceptable standard.

It is MFAT policy to make evaluation reports publicly available (e.g. on the New Zealand Aid Programme website) unless there is prior agreement not to do so. Any information that could prevent the release of an evaluation report under the Official Information or Privacy Acts, or would breach evaluation ethical standards should not be included in the report. The

final report will be approved for public release by the Deputy Director or Development Counsellor in the team responsible for the commissioning of the evaluation.

Relevant reports and documents

Relevant documents will be provided to the evaluation team prior to the evaluation. These key documents include:

- TBEC Design Document
- TBEC GFA and LOVs
- TBEC Strategic Plan (current version)
- TCCI Strategic Plan
- TBEC Acquittals and Narrative Reports
- TBEC 6-monthly M+E reports
- Materials on Private Sector Training Programme

APPENDIX B: EVALUATION PLAN

This appendix contains a copy of the evaluation plan.

Introduction

Background and context to the Activity

Tonga's private sector is characterised by tenacious and resourceful small business owners and a large informal sector. Business owners are affected by fluctuations in Tonga's economy, which is vulnerable to external shocks. Development challenges include high levels of debt, limited employment opportunities, and low private sector investment levels. The Tongan economy continues to depend heavily on foreign aid and overseas remittances. Tonga's indebtedness has increased markedly and it remains at high risk of 'debt distress'. The Tonga Business Enterprise Centre (TBEC) was established in August 2010 to help advance Tonga's private sector businesses by providing business advisory and mentoring resources supported by an annual calendar of training. TBEC is 'housed' within the Tonga Chamber of Commerce and Industry (TCCI). The goal of TBEC is to improve the capacity, viability, and effectiveness of businesses in Tonga for the betterment of Tonga's economic growth.

Scope of the evaluation

The time period covered is August 2010–August 2013.

The geographic focus is Tonga.

The target groups are TCCI, TBEC, and TBEC clients.

Purpose of the evaluation

The purpose of the evaluation is to:

- inform MFAT's future funding and programme decisions in support of TBEC and the wider Tongan private sector
- provide independent advice to assist the effectiveness of TBEC as a development tool for the private sector.

TBEC as an organisation has grown since starting in August 2010 and is now established as a trusted training provider. With growth comes increased pressure on staff and organisational structure. After three years of operation, it is a good time to assess TBEC's strengths and challenges in order to help it determine its way forward in the coming years. This timing

coincides with the fact that the current phase of New Zealand support to TBEC is due to end on 30 June 2014.

In addition to the purpose articulated in the TOR, the evaluation comes at a time when, following an initial establishment phase followed by a consolidation phase, TBEC is under pressure to increase its focus to a lower level to target more smaller, harder to reach businesses, and to offer more of its services in the Tongan language. Such a shift in focus may require a change in TBEC's overall offering, including different tools and products.

The results of the evaluation will be reported/disseminated among MFAT, the Government of Tonga, TCCI, and TBEC itself.

New Zealand Aid Programme evaluation principles underpinning this evaluation

The principles of partnership and participation will be applied from the outset and throughout the evaluation process. A Steering Group has been established, consisting of representatives of MFAT, the TCCI and the Government of Tonga (represented by the Ministry of Finance and National Planning (MFNP) and the Ministry of Commerce Labour and Tourism (MCLT)). TBEC, as the organisation that will be potentially most affected by the evaluation, is another key partner. These stakeholders were engaged during the development of the TOR for this evaluation, and MFAT and TBEC were consulted during the development of this Evaluation Plan. In implementing the evaluation, we will seek early engagement with these stakeholders and continue to engage with them recognising their dual interests (in TBEC itself and as members of the Steering Group). These stakeholders will also form the core of the group we engage with during the Stakeholder Workshop at the end of the visit, and will have the opportunity to comment and provide feedback on the draft evaluation report.

We will be clear in all communication and engagement that the evaluation is being undertaken independently, and that there is a commitment to an open and transparent process. We will be very open about the purpose of the evaluation, stressing that it is focused on learning from what is working well as well as what is not working so well, and learning from this about how the assistance provided to the private sector could be improved. All engagement will be supported by a two page information sheet which clearly and simply communicates what the evaluation is about, why people have been asked to participate, what participation involves, makes it clear that participation is voluntary, and sets out confidentiality commitments. In our analysis and reporting, we will ensure that the reasoning behind certain value judgements and interpretations is clear, and we will work with MFAT to make the final evaluation report publicly available.

TBEC's involvement in the evaluation process, from the design, as a participant and adviser, through to commenting on the draft report, will help to build its understanding and capacity in evaluation. We understand TBEC are in the process of designing improvements to their monitoring and evaluation tools. We will discuss these improvements as part of the evaluation process, both to inform the evaluation but also so that we can provide advice to TBEC on how they might go about addressing some of the challenges that they are

experiencing, such as how to reconcile process and impact (i.e. attribution). We expect participation in the stakeholder workshop will help to build capacity in analysis and interpretation, as we plan to undertake joint analysis and to get participants interacting and thinking evaluatively in trying to understand 'why' something might be the case, and if it is, 'so what' (i.e. what does it mean for the future of the activity).

Objectives and Evaluation Questions

The evaluation objectives and questions are:

Objective 1: to assess the relevance of TBEC's services.

- How have TBEC's outputs aligned with the priorities and needs of the private sector?
- How have TBEC's outputs aligned with the priorities and needs of the Government of Tonga?
- Who are the beneficiaries of TBEC's services?
- Is TBEC reaching the beneficiaries it needs to reach?
- Who should the beneficiaries be of TBEC's services?

Objective 2: to assess the effectiveness of TBEC services to the private sector.

- What progress has been made toward achieving TBEC's short and medium term outcomes?
- What factors are enhancing or constraining progress toward these outcomes?
- How well has TBEC's pricing structure helped it to achieve results?

Objective 3: to assess the impact of TBEC's services.

- What progress has been made toward achieving TBEC's long term outcomes? (i.e. Private sector growth and contribution to the economy)
- What factors are enhancing or constraining progress toward these outcomes?

Objective 4: to assess the efficiency of TBEC's structure and operations.

- How has the structure and operational policies of TBEC had an impact on its ability to deliver its outputs?
- What elements have enhanced its delivery of outputs, and what elements have constrained progress toward outputs?
- How well has TBEC used its resources (quantitative and qualitative) to achieve outputs?
- How well has TBEC's governance structure helped it to achieve results?

The evaluation objectives and questions are as stated in the Terms of Reference for the evaluation.

A number of the evaluation questions will need to incorporate different perspectives, including:

- Over its three year life, there have been modifications to TBEC's activities, with one major shift around May 2012 resulting in an expanded range of activities and a more recent shift to increase the focus on lower level businesses. In addressing the evaluation questions, we will need to account for these changes and for the general emergent/developmental nature of the activity.
- The drivers for the evaluation have a strong future-focus: to inform future funding and programme decisions; and to inform improvements to the future implementation of TBEC. The line of questioning will need to be responsive to these drivers, so as well as seeking to address what 'has' or 'is' working well, 'been/being' achieved, etc, also focus on 'and what does it need to do better/differently in the future', etc.

Further to these two points, there will be an emphasis on evaluating the relevance, effectiveness, impact and efficiency of the current TBEC offer, including an emphasis on any recent refocusing of its offer since May 2013. There will also be considerable emphasis on addressing questions relating to 'where to next?'.

The evaluation objective and questions relating to 'impact' will be given lesser priority because we would not expect to see evidence of medium-long or long term outcomes at this stage of implementation of TBEC. The findings in relation to this objective will be more indicative than the other objectives.

Stakeholder Analysis

This table shows the stakeholders and outlines their interest in the evaluation, any issues or constraints and their expected involvement. This is not a complete list of stakeholders who will be engaged. We expect to identify other stakeholders in-country through the 'snowball effect' (i.e. stakeholders recommending other people to engage with).

Stakeholder	Interest/stake	Issues/constraints	Involvement/participation
New Zealand High Commission, Tonga (Dep. High Commissioner and NZ Aid Programme Manager, and TBEC Activity Manager).	Primary stakeholder as funder and strategic decision maker. Have overall responsibility for delivery of the NZ Aid Programme in Tonga; manage political relationship with the Government of Tonga; and the Activity Manager for TBEC. On TBEC Steering Group.	Nil.	Telephone interview during development of evaluation plan, briefing at commencement of in-country work; interviewed in-country; stakeholder workshop; comment on draft report.
TBEC (manager, staff and volunteers, and former TBEC manager)	Primary stakeholder as the activity partner and the organisation that is likely to be potentially most affected by the evaluation process and findings.	In-country visit comes at a time when will have just migrated activity information to a new database, and likely to be some teething problems. However, the database should be operating smoothly by 2 December. Will need to develop an open and trusting relationship from the outset to ensure their input is genuine and not motivated by self-interest, and to facilitate access to their clients. Likely to interview individually to avoid potential internal power issues and ensure confidentiality.	Telephone interview during development of evaluation plan, briefing at commencement of in-country work; interviewed in-country; stakeholder workshop; comment on draft report.
TCCI Board (President, Vice President and Treasurer) and potentially others (e.g. other members of the Training Advisory Committee)	Primary stakeholder as the organisation that hosts TBEC and as a member of the TBEC Steering Group. Individuals have an additional stake having been involved in the design of TBEC.	There are some sensitivities in the relationship between TCCI and TBEC with some calling for TBEC to be brought under the control of TCCI, while others calling for it to remain semiautonomous or even separate. Unlikely to be a significant risk in terms of the evaluation. Some individuals have a high 'ownership' in TBEC having been involved in its design. Will include individuals who do not have this history, such as the Vice President.	One-to-one interviews; stakeholder workshop; comment on draft report.

Stakeholder	Interest/stake	Issues/constraints	Involvement/participation
MCTL (Moana Taukolo and potentially others, including the former CEO (now CEO of MFNP))	Primary stakeholders as key Government of Tonga participants and Moana and Natalia sit on the TBEC Steering Group. Interest likely to be more at a high/strategic level.	Benefits of bringing together a small group of Government stakeholders to get a whole-of-government perspective (e.g. from MCLT, MFNP and Ministry of Revenue) needs to be balanced against risks associated with power issues (e.g.	Interview one-to-one or with a small group of other Government stakeholders; possible source of data (e.g. on business participation); potential participant in stakeholder workshop; comment on draft
MFNP (Natalia Latu and potentially others)		poor participation in the presence of superiors). May be some value in bringing together those not involved on the Steering Group.	report.
Ministry of Revenue	Secondary stakeholder. May have an interest in and perspective on how TBEC influences businesses' understanding of the tax system and legal requirements.		Interview one-to-one or with a small group of other Government stakeholders.
National Reserve Bank of Tonga (Dr. Sione Ngongo Kioa, Governor)	Secondary stakeholders. Possible sources of data on business trends.	No issues if limit to previously published data.	Interview one-to-one and request for information.
Tonga Department of Statistics ('Ata'ata Finau, Government Statistician)			
Banks (Westpac, ANZ, MBf, Tonga Development Bank)	Secondary stakeholders. May have a view on whether activity is leading to increased capability of banks' clients, and/or what their clients' needs are.	No issues. View likely to be a distant one and difficult to attribute to activity.	Interview one-to-one or focus group interview.

Stakeholder	Interest/stake	Issues/constraints	Involvement/participation
MFAT (Dep. Director, PACDEV, Gareth Smith; Development Officer and former TBEC Activity Manager, Elena Noyes)	Primary stakeholder as funder and strategic decision maker. Have overall responsibility for delivery of the NZ Aid Programme in the Pacific; and the former Activity Manager for TBEC. On TBEC Steering Group.	Nil.	Briefing at commencement of evaluation; comment on and approval of this Evaluation Plan; one-to-one or joint interview; regular progress reporting; comment on draft report; approval of final report.
TBEC clients (SMEs in Tonga)	Primary stakeholders as beneficiaries of support provided under the activity. Will have direct experience with the services TBEC provides.	May be difficulty in accessing clients due to unwillingness or discomfort in being involved in an evaluation process. May not be forthcoming in speaking critically of TBEC. TBEC may act as a gatekeeper to its clients, purposefully sampling clients who have a positive story to tell. Will develop a matrix for selecting a sample of clients and work with TBEC in identifying and confirming participation of a range of clients, ensuring representation from marginalised groups. Will get TBEC to over-sample in each of the different categories of client so we have a back-up and a choice of which client to approach. Will develop trusting and open relationship with TBEC to facilitate access to clients. Will purposefully select clients that are more likely to engage constructively, and will select some clients who have not necessarily had a positive experience. Will ensure have informed consent to participate, including total commitment to confidentiality.	One-to-one interviews.

Stakeholder	Interest/stake	Issues/constraints	Involvement/participation
TBEC potential clients	Secondary stakeholder as have the potential to benefit from TBEC activity but have not taken up the offer as yet.	Many of same constraints as for TBEC clients. May also have insufficient knowledge of TBEC to constructively participate. Will focus on a small number of potential clients that TBEC has targeted.	One-to-one interviews.
Manager of Langafonua Handicraft Gallery	Secondary stakeholder but, as a women's craft association, some of its members may be clients and therefore primary stakeholders.	No foreseeable constraints. Will seek their perspective on TBEC, especially in regards to participation of women and the informal sector; and potentially to reach out to TBEC clients from	One-on-one interview.
WISE (Women in Sustainable Enterprise)	Primary stakeholder as have ability to access set amount of training annually from TBEC.	their respective sectors/associations.	
Industry associations (e.g. To Kakawa Farmers Association, Vanilla Growers Association, tourism and fishing associations)	Secondary stakeholders. May have a view on whether activity is leading to increased capability of their members, and/or what their members' needs are.	Need to confirm relevant groups with TBEC, MFNP, MCLT and Ministry of Agriculture, Fishery, Forestry and Food. Some uncertainty as to status of these groups.	One-to-one interview with association chairs/heads.

Evaluation Design

Intended Results of the Activity

The Results Framework for TBEC is shown in the diagram on the following page. It provides a very useful theoretical framework to guide the development of specific indicators and questions, and to guide the structure of interviews.

The four evaluation objectives generally map across to the Results Framework.

The evaluation objective and questions concerning **relevance** generally sit beneath the current Result Framework (i.e. as inputs) and at the output level. This will include questions around whether the design and development of the three activities (advisory services, support programmes and training programme) is aligned with the priorities and needs of the private sector and the Government of Tonga. At the output level, we will focus on the reach of TBEC's services (i.e. what has been delivered and who is accessing the services, who is not, why/why not, etc) and whether the services have been delivered/implemented as intended.

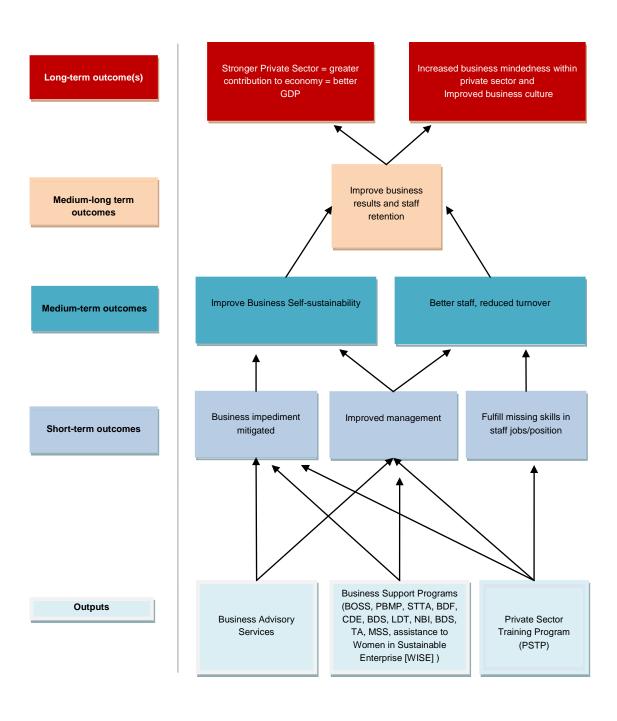
Moving to the short term and medium term outcomes in the Results Framework, the focus shifts towards the **effectiveness** evaluation objective and questions. We expect there to be little in the way of existing, robust data to address these questions. Our line of questioning will logically progress from issues relating to the quality of the services/activities, to the value or merit of the services, to the application of training, skills, support in the workplace, to effect on businesses (i.e. moving from immediate to medium term outcomes).

The **impact** evaluation objective and questions map to the medium-long term and the long term outcomes in the Results Framework. As discussed earlier, at best we would only expect to be able to make indicative judgments about progress towards these outcomes, given the three year life of the activity.

The fourth evaluation objective of **efficiency**, and its associated questions, maps across the various levels of the Results Framework. We would include it as a vertical component down the side of the diagram and, as well as use of resources, would see this as encompassing other cross-cutting themes such as relationships, governance, structure and policies – all of which we could assume as having, in theory, a significant impact on the achievement of TBEC's outcomes.

Similarly, we would expect **context** to underpin the entire Results Framework, and the evaluation will need to consider information on the broader trends in business activity and the Tongan economy over the duration of TBEC.

The Results Framework is a useful communication tool and we would expect to take copies of it to interviews and, as appropriate, share it with participants so they can follow our line/sequencing of questions.



Information Collection

This table shows what information will be collected and how.

Information required	Information source	Method	
Objective 1: to assess the relevance of TBEC's services			
Monitoring data on services delivered and clients, information on service design, perceptions on TBEC's alignment with private sector and Government of Tonga priorities, perceptions on whether reaching relevant beneficiaries	Activity design documents, monitoring reports, TBEC database, stakeholder interviews (TBEC, TCCI, MFAT, MCLT, MFNP, TBEC clients)	Document review, review of monitoring data, qualitative interviews, potentially a focus group with government officials, stakeholder workshop	
Objective 2: to assess the effectivenes	s of TBEC services to the private sector		
Existing survey data on client experiences, perceptions of quality, value and effect of services, perceptions of barriers and enablers	Monitoring reports, stakeholder interviews (potentially all stakeholders but with a focus on TBEC clients, TBEC, TCCI, MFAT, MCLT, MFNP)	Review of monitoring data, qualitative interviews potentially supported by a brief administered questionnaire for TBEC clients, stakeholder workshop	
Objective 3: to assess the impact of TE	BEC's services		
Existing data on overall performance of private sector and Tongan economy, perceptions of contribution to private sector growth and economy, perceptions of barriers and enablers	Published datasets (National Reserve Bank, Department of Statistics, MCLT, MFNP), stakeholder interviews (focus on TBEC, TCCI, MFAT, MCLT, MFNP, TBEC clients, National Reserve Bank and Department of Statistics)	Document and data review, qualitative interviews, stakeholder workshop	
Objective 4: to assess the efficiency of TBEC's structure and operations			
Financial data, information on governance structure and operational policies, perceptions of resource use, barriers and enablers, structures and relationships	Funding Arrangements, TBEC	Document and data review, qualitative interviews, stakeholder workshop	

Detailed Description of Evaluation Methods

Document and data review

We will undertake a desk-based review of documentation and data relevant to the design, development and implementation of TBEC.

The purpose of the document review is to understand the context in which TBEC has been funded and developed, to gain familiarity with key documents that have informed its design and implementation, and to seek information on the expected implementation, outputs and outcomes of the activity. An initial set of documents to review is included in the section below 'Documents to be Used in the Evaluation'. We expect to add to this list as the evaluation proceeds.

We will undertake an analysis of administrative data on inputs and outputs related to TBEC. Data to be accessed includes information on:

- financial resources allocated and spent on TBEC
- the outputs from the advisory services, mentoring programme and training programme (e.g. number of participating businesses, number of individual participants, number of training courses and topics).

We will access other existing datasets on the state of the private sector and economy in Tonga and map trends in key indicators since the establishment of TBEC. This will provide important context for analysing the impacts of TBEC, rather than for drawing direct associations between the performance of TBEC and the performance of the private sector and economy. We will consult TBEC, the National Reserve Bank and the Department of Statistics to identify relevant datasets.

Qualitative interviews

We will use qualitative interviews extensively, and potentially with all primary stakeholders. Interviews will be critical to get a sense of how well TBEC is achieving against its outcomes, in the absence of existing, robust quantitative measures, as well as for gaining an understanding of the relevance and efficiency of the activity.

The interviews will be tailored to the different stakeholder groups, depending both on their particular interest or involvement in TBEC. The interviews will be semi-structured to enable the discussion of issues in depth and to permit participants to 'tell their story' in a conversational way. Semi-structured interviews will also mean that the qualitative information collected can

be systematically analysed, for example, coded and categorised according to key themes. We will ask to record interviews as appropriate.

For TBEC clients, we will develop a sampling frame and use this to select interview participants in collaboration with TBEC. The frame will include variables such as: type of support received; formal/informal sector; Nuku'alofa/other Tongatapu; size of business; business sector; scale of support received; and when support was received. We will also ensure the sample includes: marginalised clients; clients who, anecdotally, may not have valued the support; and clients who have, in collaboration with TBEC, developed a particular approach to addressing their needs that would be valuable to assess.

We would target participants from 18–20 client businesses. Some interviews may include a small group of people from the business (especially the training programme where multiple people are likely to have participated). This sample size is expected to provide for a range of clients (according to the sampling frame), and a wide range of experiences. It is also expected that this will enable sufficient time to be able to explore issues in depth with participants, allowing around 90 minutes per interview for travel, introductions and the interview itself.

We will undertake the recruitment of participants with TBEC. We will ask TBEC to develop a shortlist of around 40 clients, based on the sampling frame. We will then select 20 clients and seek to secure their involvement through a brief telephone call (keeping the remaining 20 as back-ups). We will undertake this exercise from the TBEC office and work with their staff on the most effective process for getting clients on board (e.g. we may have more success/a higher strike rate if TBEC staff make the initial phone call). Interviews will be at participants' place of business. We will call participants a couple of hours before their proposed interview to confirm timing.

For the other stakeholder groups, interview participants will be selected on the basis of their involvement in TBEC or knowledge of the business and economic sector. We already have the names of individuals for most of these stakeholders and will add to this by identifying other participants through the 'snowball effect'. We estimate that we will need to interview 20–25 individuals from the other stakeholder groups. Some of these interviews may be held as a small group interview.

We will check the accuracy of the information collected during the interview process, and corroborate it with other interview information and data from other methods during the analysis. We will ask all participants if they are happy for us to follow up with them on any information we are unclear about at a later date.

Administered questionnaire

To complement the information gathered through the interviews with TBEC clients, we may use a short administered questionnaire to collect additional data from each participant on the impact that the support they have received from TBEC has had on the short and medium term outcomes relating to their business. This might include, for example, asking participants to rate the impact of the support they have had from TBEC on:

- a range of aspect of business management
- the sustainability of their business
- staff skills, retention, etc.

We have included an initial draft of a questionnaire as an annex. We propose discussing the value of such a survey further with TBEC and MFAT before further developing the questionnaire and deciding whether to implement it. Using a standardised questionnaire to gather data on these points will enable us to aggregate results across the 20 interview participants. It may also prove to be a useful pilot exercise in terms of developing TBEC's monitoring and evaluation systems.

Focus groups

We have built in the option of one or two small (4-6 participants) focus group interviews:

- one with public servants (staff from the MCLT, MFNP and the Ministry of Revenue, but excluding Steering Group members) on the alignment between TBEC's outputs and the priorities and needs of the Government of Tonga
- one with bank representatives on the alignment between TBEC's outputs and the priorities and needs of the private sector and whether they have noticed any changes in their clients' capabilities as a result of TBEC.

The focus groups would also provide an opportunity to explore barriers and facilitators to effectiveness and suggested improvements. The interaction generated in a focus group discussion is likely to bring out different information than what we might get in a series of one-to-one interviews with these stakeholders, as new thoughts can be triggered by people listening to each other. It is also an efficient way of reaching a number of stakeholders at once.

Stakeholder workshop

Following completion of the data collection, the evaluation team will convene a face-to-face 'sense making session' with key stakeholders. The workshop incorporates a de-brief on the

emerging evaluation findings, but goes beyond this by being a key analysis tool. Participants are likely to include members of the Steering Group, possibly two or three TBEC clients, and other key stakeholders as appropriate.

During the workshop we will:

- share initial findings to support real time learning and as a means of validating the findings
- undertake group analysis and interpretation of the emerging themes to identify and explain the main findings, and to interpret their significance
- identify potential improvements or adjustments to TBEC that could be made to enhance its effectiveness.

In preparation for the workshop, we will prepare a brief presentation of the evaluation team's analysis of the emerging findings as a basis for discussion and analysis.

The critical elements to the success of the workshop are:

- creating an environment where participants feel comfortable speaking openly and from either a personal perspective or an agency perspective
- the ability to draw on external information, whether that be local information collected through the evaluation or other information that provides a relevant 'reference point' (e.g. the TBEC database, people's own experiences)
- achieving a high level of consensus on critical factors that are contributing to or inhibiting the effectiveness of implementation (this might involve, for example, recording critical issues and testing for consensus at the end of workshop sessions)
- creating space in the workshop to focus on proposing adjustments and improvements to the ongoing implementation of TBEC.

Our role in the workshop will be largely facilitative: we will share the emerging findings from our perspective to provide a catalyst for discussion, and then step back and facilitate further analysis of the issues, consensus on the main issues, explanation building and problem solving. We would expect the responses to any problems, or suggested adjustments to TBEC's implementation as a result of any problems identified, to come from the group. Involving the Steering Group in interpreting and analysing the results in this way will support the eventual uptake of and buy-in to the evaluation findings. Involving a small number of TBEC clients will keep the workshop discussions 'real' and add the beneficiary perspective.

We will prepare a brief report covering the key issues identified in the group analysis and the implications of these issues. The outcomes of the workshop will be synthesised in the final evaluation report.

Data/Information Analysis

The analysis will focus on synthesising and triangulating information from the various data sources and evaluation methods. We will take an iterative approach based on grounded theory that allows themes and findings to emerge from the data.

Evidence to address each of the evaluation objectives will be built up from a variety of data sources. We will analyse qualitative information from interviews, focus groups, the stakeholder workshop discussions, and documents, and corroborate key findings with quantitative information such as monitoring data and wider business and economic data sets. We will continually revisit our findings to check whether and how the supporting and relevant evidence fits with the emerging findings.

In general, we will consider data or evidence to be more valid, and therefore give it more weight, when the analysis identifies convergence in opinions and experiences across multiple sources. However, we recognise that experiences with TBEC will vary in different contexts and therefore will also reflect opinions and experiences that are not widely shared, but are illustrative of a particular situation or consideration.

The dynamic and emergent nature of TBEC will make it difficult – and we would argue inappropriate – to set strict criteria against which to evaluate the activity. The Results Framework provides a theoretical framework from which to test assumptions in a way that is useful both for future implementation of the activity, and for future monitoring and evaluation activities.

Cross-Cutting Issues

- We propose undertaking an analysis of TBEC clients by gender, looking at both client business owners and participants on the training programme. If possible, we will also analyse the level of seniority of training participants by gender. We will make a comparison against available national statistics on business ownership and private sector employees to see how representative TBEC's clients are of the private sector as a whole.
- In terms of environmental issues, we will consider the need for and delivery of environment-related training. This might include, for example, training for resource-based tourism and agricultural sectors.
- We are not currently aware of the relevance of including a consideration of human rights issues, other than making sure potential issues remain on our radar as we undertake engagement. We will consider the relevance of human rights issues further in our initial briefings with the New Zealand High Commission and TBEC.

Ethical Considerations

A number of general principles will guide our engagement with stakeholders:

- respecting all participants, understanding their individual aspirations and unique circumstances, and providing opportunities for maximum participation by all stakeholders
- using face-to-face approaches as much as possible
- taking the time to listen to stakeholders/participants
- having cultural and personal respect for all those involved
- acknowledging the time, knowledge and experiences of participants in the evaluation (e.g. by using methods that allow people to participate in a way that is not interruptive to their own priorities
- obtaining informed consent, verbally, before proceeding with engagement.

We will develop an information sheet and share this with all participants prior to engagement. A draft of this sheet is appended to this Evaluation Plan. It discloses the purpose of the evaluation, what participation involves, commitments to confidentiality and contact details for further queries or concerns.

We have a male and female member of our evaluation team, one of whom is a Pasifika person who lives in Samoa. Both members of the team have experience working with Pasifika people.

Limitations, Risks and Constraints

This table outlines potential or actual risks, limitations and constraints.

Risk/limitation/ constraint	Likely effect on evaluation	How this will be managed/mitigated
There are delays in sourcing key documents leading to delays in reviewing material that may be significant to the project.	Likely to lead to inefficiencies in evaluation process.	Sourcing documents will begin early in the project. The evaluation team will also notify MFAT's contract manager if it considers that there are key documents that it is unable to source and seek their guidance on this.

Risk/limitation/ constraint	Likely effect on evaluation	How this will be managed/mitigated
There are time delays in the evaluation due to unforeseen contingencies.	Failure to meet timing for deliverables and outputs.	The evaluation team has additional capacity and analytical expertise to assist with the project if required, so that it could be completed over a shorter time period. The evaluation team will regularly liaise with MFAT's contract manager to ensure that any issues are raised and addressed promptly.
There are difficulties in gaining access to and/or limitations of data, such as: • potential coverage problems • inconsistent standard of data over lifetime of TBEC • missing data.	Evaluation will be more reliant on qualitative information.	We will follow robust data collection plans and protocols, and agree on access to data and confidentiality arrangements early in the evaluation. The final evaluation report will include an assessment of potential data limitations, biases and mitigation methods.
One of the evaluation team members is unable to continue his/her participation in the project due to ill-health or other reasons.	Disruption due to discontinuity of team members, leading to inefficiency.	Allen + Clarke will ensure that all team members keep well-documented records of their work on the project, which will be regularly backed up on our central server, and hard copies stored in our secure fire-proof storage. We are in the privileged position of having a large suite of permanent and on-call associates so we can ensure project continuity with experienced staff, in the event of any key personal having to withdraw.
There are difficulties in arranging stakeholder interviews with TBEC clients.	May reduce the number of TBEC clients we are able to engage with in the evaluation, and contribute to inefficiencies during incountry visit.	Arrangements for interviews with TBEC clients will begin as soon as this Evaluation Plan is confirmed. We will work closely with TBEC to select a range of clients and over sample so that we have back-up participants.
It is difficult to engage all of the primary stakeholders.	Poor engagement would lead to poorer quality information.	The evaluation team will contact primary stakeholders early on to seek their involvement. Any that are not available during the scheduled in-country visit will be followed up by phone/email.

Risk/limitation/ constraint	Likely effect on evaluation	How this will be managed/mitigated
Participants do not feel respected in the evaluation process.	Participants may withdraw or disengage from process, and/or become critical of the evaluation process and findings.	Allen + Clarke will work with the New Zealand High Commission and TBEC to ensure positive and appropriate engagement with all stakeholders. We will ensure that participation in the evaluation is voluntary and on the basis of informed consent, and we will establish respectful and ethical working relationships with all stakeholders.
		Clear information will be provided to participants on the purpose of the evaluation, their involvement, and what the evaluation findings will be used for. In particular, we will ensure that participants are confident that individual responses will be non-identifiable.
Findings are misinterpreted or misunderstood.	Will add to challenge of communicating evaluation findings to key stakeholders.	The draft report will be extensively peer reviewed (internally and by members of the Steering Group) to ensure results are communicated in as clear a manner as possible. The final report will be thoroughly edited.
The final report is criticised on its findings and/or for the perceived bias in the selection of key stakeholders.	May affect uptake of evaluation findings by key stakeholders.	The approach to be taken, including stakeholder selection, evaluation design and interview questions will be agreed with MFAT. MFAT will be responsible for external communications of the evaluation, with Allen + Clarke providing support to MFAT where necessary. The final report will clearly outline the evaluation scope, assumptions, limitations and methodology as agreed with MFAT.

Feedback of Findings

During the evaluation process we will use the stakeholder workshop at the completion of the in-country visit to present and discuss interim findings with key stakeholders, and use this as an opportunity to:

- get feedback and validation of the interim findings
- get further input into the analysis through joint interpretation of the interim findings (i.e. what do they mean?)

We will agree the participants for this workshop with the New Zealand High Commission and TBEC. We will also provide these two stakeholders with the opportunity of a one-to-one debrief at the completion of the in-country work.

After completion of the in-country visit we will meet the MFAT Contract Manager for a verbal de-brief on the visit and the interim findings.

The draft evaluation report will be provided to the MFAT Project Manager and the TBEC Steering Group for comment and feedback. We will provide a minimum of 10 working days for feedback on the draft report, and will be open to receiving feedback in writing or verbally. We would encourage the Steering Group to provide feedback openly through sharing their feedback with other members of the Steering Group. All feedback received will be taken into consideration in the drafting of the final report. Where there is a significant disagreement with feedback, we will discuss this with the relevant stakeholder and if this cannot be resolved seek advice from the Steering Group as a whole.

Documents to be Used in the Evaluation

Documents to be used in the evaluation include:

- Activity Design Documents: 2010 project description, Apr 2012 update; Jun 2013 update.
- Activity Monitoring Assessments: Jun 2012, Apr 2013.
- TBEC Financial Acquittals and Monthly Reports.
- TBEC Progress Reports: Sep-Dec 2011, Jun 2012, Jun 2013.
- TBEC Budget and Risk Register.
- TBEC Monitoring and Evaluation Framework.
- TBEC Strategy 2011-13.
- TCCI Constitution.
- TBEC PAA (Programme Activity Authority): Aug 2010, Aug 2011, May 2012.
- TBEC 6 Month Report: Dec 2012.
- Grant Funding Arrangements 1–5.
- Letters of Variation 1–5.
- Gender Analysis Guideline.
- Environmental and Social Impacts Guideline.

Timeline

This table shows the timing of key activities and deliverables.

Key activity	Deliverable (output)	Timing
Scoping and preparation	Evaluation Plan	15–26 Nov 2013
In-country visit	Stakeholder workshop	27 Nov–5 Dec 2013
Analysis and reporting	Draft evaluation report Final evaluation report	6 Dec 2013–20 Feb 2014

Appendix A: Questions for Interviews or Focus Groups

This appendix contains lists of questions that will be asked in interviews or focus groups for the different stakeholder groups. Two checklists have been developed. These are checklists only. Not every question will be relevant to every interviewee, so there will be a need to tailor during the interview.

Interview checklist for TBEC clients

1. Preliminaries

- Introductions.
- Explain purpose of evaluation.
- Explain why we want them to participate.
- Provide with information sheet if have not already received it and obtain verbal consent.

2. Background information

- What is the business and what is your role in the business?
- How long has the business been in existence and how long have you been in the role?
- What type of support have you accessed under TBEC? When was this? Details of scale, intensity, (for training) topic and number of staff who participated.

3. TBEC's services

- How did you first hear about TBEC's services?
- Do the services TBEC offers meet your needs? How well? How much control did you have over how you used the services (e.g. the type, timing and delivery of training)?
- Was the actual support you received the same as what you were expecting, or different (and how)?
- If you have participated in training services, who received the training (seniority, etc)?
- Were there any difficulties accessing the services?
- What were the costs for you in accessing these services (financial and time)? Are these reasonable? Were they expected or were there any unexpected costs?
- How could the services TBEC offers better meet your needs?

4. Effectiveness: short and medium term outcomes

In conjunction with administered questionnaire

- As a result of the support you received, what changes or improvements were you able to make immediately or over the first 6 months in terms of:
 - o overcoming any immediate obstacles, impediments or challenges for your business?
 - o how you manage the business?
 - o the skill set and level of skills of your staff?

Seek specific examples, ask them to describe the extent of change and how it is connection to the support through TBEC.

- And what about changes or improvements beyond these immediate ones. What impact would you say the support you've had through TBEC has had on:
- the outlook for your business, its future, its sustainability?
- your staff (their skills, quality of work, turnover, size of workforce)?
- Were these changes/improvements in line with your expectation, or did you expect more/less benefit?
- If you haven't experienced any change/improvement so far, what change/improvement are you expecting as a result of your participation in TBEC services, and when? If not any, why not?
- What are the main factors that helped you make positive changes or that have stopped you from making improvements in these areas?

• Looking back now, what went well? What could be improved? What might you do differently?

5. Impacts: medium-long term outcomes

• Have you noticed any changes to your business results, or to staff retention and the number of staff over the longer term as a result of the support you've received through TBEC? If not, do you expect to, and when?

6. Concluding comments

- Are there any other benefits from the support you've received through TBEC that haven't been mentioned?
- Are there any other ways businesses could be supported that would achieve similar or better results?
- If there is one improvement you could make to the services TBEC offers, or the way it provides business support services or training, what would this be?

Interview checklist for other stakeholders

1. Preliminaries

- Introductions.
- Explain purpose of evaluation.
- Explain why we want them to participate.
- Provide with information sheet if have not already received it and obtain verbal consent.

2. Background information

- What is your organisation's role and what is your role within it?
- How long have you been in the role?
- What engagement have you had with TBEC, what do you understand about TBEC, and do you have a formal role or relationship with it (e.g. Steering Group member, beneficiary).

3. TBEC's services

- What role does or has your organisation play/ed, if any, in designing and/or deciding what services TBEC offers and who receives these services?
- How well aligned are the services TBEC offers to the needs of private sector businesses? What about to the priorities and needs of the Government? How could the services better meet these needs?
- Thinking about the businesses that are accessing TBEC's services, who are they, is it reaching the businesses it needs to, and where are the gaps? Consider both the businesses and the individual beneficiaries, and factors such as size, type, sector, formality, location, gender, seniority?
- What needs to happen in order to fill any gaps in its client base?
- Are you aware of any particular barriers to accessing TBEC services?
- Do you think the pricing structure for TBEC's services is fair and reasonable? Does it affect access? How could it be improved?
- What is your overall impression about how well TBEC is meeting business/government needs, and reaching the beneficiaries it needs to?

4. Effectiveness: short and medium term outcomes

- What is your perception about the changes or improvements beneficiaries have been able to make in the short term, as a result of the support/training they've received?
 Particularly interested in changes relating to:
 - overcoming any immediate obstacles, impediments or challenges for their business?
 - o how they manage their business?
 - o the skill set and level of skills of staff?

Seek specific examples, ask them to describe the extent of change and how it is connection to the support through TBEC.

- And what about changes or improvements over the medium term. What impact would you say that TBEC services have had on:
- the future outlook for business, and business sustainability?
- staff/workforce issues (skills, quality, turnover, size of workforce)?
- Are these changes/improvements in line with your expectations for TBEC, or did you expect it to have more/less benefit?

- If you haven't noticed any change/improvement so far, what change/improvement are you expecting as a result of businesses participating in TBEC services, and when? If not, why not?
- What are the main factors that are enhancing or constraining progress towards achieving positive changes in these areas?
- Looking back now, what has worked well? What could be improved? What could have been done differently?

5. Impacts: medium-long term outcomes

- Is there any evidence of progress being made towards achieving TBEC's longer term outcomes relating to improved business results and staff retention (as a result of TBEC)? If not, do you expect TBEC to contribute to these outcomes and over what timeframe?
- What are the main factors that are enhancing or constraining progress towards achieving positive changes in these areas?

6. Efficiency: structure, policies, governance, relationships

- (For TBEC) how is TBEC structured and what are its main operational policies? How has its structure and operational policies changed over time, and what impact has this had on the services it offers?
- What features of TBEC's structure and operations have enhanced the delivery of its services and brought positive results? What features have constrained progress?
- Looking forward, what changes are needed to its structure and operations to improve progress towards achieving positive results for businesses/clients?
- How well has TBEC's governance structure helped it to achieve positive results? What is work well and what is not, in terms of its governance? How could the governance of TBEC be strengthened?
- How embedded is TBEC within broader structures, policies and support mechanisms for private sector businesses in Tonga? How effective are TBEC's relationships with other parts of the private sector and with the Government? How effective is the relationship between TBEC's governance structure and other parts of the private sector and with the Government?
- (For TBEC, MFAT and TCCI) what resources have been invested in TBEC (inputs)? What are the tangible outputs that have been achieved (services delivered)? What outputs have been delivered that cannot be measured (intangibles)? How well has TBEC used its resources to achieve these outputs?

- (For others) do you have a view on how well TBEC has used its resources to achieve outputs, in terms of the services it has delivered?
- Are there any other ways businesses could be supported that would achieve similar or better results? How does TBEC's use of resources compare to what an alternative might cost?
- If you were given the opportunity to change two things about the way TBEC is structured, governed or the way that it operates, what would you change?

7. Concluding comments

- Are there any other key strengths or weaknesses of TBEC that we haven't discussed vet?
- Is there any one else who you would recommend we talk to as part of this evaluation?

Focus group themes

- 1. From your perspective, what do you see as the main needs of private sector businesses in Tonga to build their capacity, viability and effectiveness?
- 2. How well are TBEC's services aligned to these needs? (For Government) how well are they aligned to the priorities in the National Strategic Development Plan?
- 3. Is TBEC reaching the businesses it needs to reach?
- 4. How well are TBEC's services helping businesses in meeting these needs?
- 5. What are the main factors that are enabling or constraining TBEC's ability to meet these needs?
- 6. What changes would help TBEC meet the needs of businesses more effectively?
- 7. What one thing that we have discussed today stands out for you as most critical for this evaluation to consider?

Appendix B: Questionnaires for Distribution

These are some *initial draft* questions to include in a short administered questionnaire (i.e. in the presence of an evaluation team member) for TBEC clients. The questions will be further informed on advice from TBEC and upon closer review of current monitoring and evaluation information collected.

- 1. What support have you or your business accessed under TBEC?
 - business advice
 - business mentoring
 - training course
- 2. For each of these, when was this support received?
- 3. To what extent has the support received from TBEC meet the needs of your business?
 - Strongly met our needs
 - Somewhat met our needs
 - Did not meet our needs
 - Unsure
- 4. Which of the following practices have you or your business implemented since receiving support from TBEC?
 - Engaged with other staff and shared learning and ideas on business practices
 - Developed new ideas and/or projects to increase the profitability of the business
 - Identified and managed business risks
 - Other (please specify)
- 5. How much impact has the support you have received from TBEC had on:

Categories of: No impact (as yet); Slight impact (so far); Noticeable impact; Strong impact; Unsure

- Management capacity
- Knowledge of effective business practices
- Business confidence
- Ability to respond to emerging business issues
- Ability to maximise business opportunities
- Business skills and competencies
- 6. How would you rate the support you have received from TBEC overall as a worthwhile use of your time?
 - Excellent
 - Good
 - Adequate
 - Poor
- 7. To what extent has the support from TBEC impacted on your ability to:

Categories of: No impact (as yet); Slight impact (so far); Noticeable impact; Strong impact; Unsure

- recruit better staff
- retain staff (reduce staff turnover)
- improve the outlook or sustainability of your business

Note:

- type of business
- industry sector
- number of employees
- annual revenue

Appendix C: Workshop Details

This appendix provides details of workshops that will be held, and the focus of the workshops.

TBEC evaluation: sense making workshop

Description	Workshop of up to three hours to present, discuss and interpret (make sense of) the interim findings. To be held on Thursday 5 December.
Participants	TBEC Steering Group, two or three TBEC clients, other key stakeholders as appropriate (total of 10–15 people)
Focus	 share initial findings to support real time learning and as a means of validating the findings
	 undertake group analysis and interpretation of the emerging themes to identify and explain the main findings, and interpret their significance
	 identify potential improvements or adjustments to TBEC that could be made to enhance its effectiveness.

Appendix D: Information Sheet

Evaluation of the Tonga Business Enterprise Centre (TBEC)

This paper provides information about the evaluation being undertaken of the Tonga Business Enterprise Centre (TBEC). Please read this information before deciding whether or not to take part in an interview.

What is this project about?	The New Zealand Ministry of Foreign Affairs and Trade (MFAT) has appointed <i>Allen + Clarke</i> to undertake an evaluation to assess the relevance, effectiveness and impact of TBEC services, and the efficiency of its structure and operations.
Who is Allen + Clarke	Allen + Clarke is a consulting company based in Wellington, New Zealand. Its team for this project is Ned Hardie-Boys and Nynette Sass. Ned is based in Wellington and Nynette in Apia. As a team they have considerable experience in evaluation and the business sector in the Pacific. For more information about Allen + Clarke, go to allenandclarke.co.nz
What is the purpose of the project?	 The purpose of the evaluation is: To inform MFAT's future decisions in support of TBEC and the wider Tongan private sector. To provide independent advice to assist the effectiveness of TBEC as a development tool for the private sector.
Why have you asked me to participate?	The evaluation team will seek to engage with a range of stakeholder groups to understand their views and experiences of TBEC and its services. This will include past and current clients of TBEC, officials from the Government of Tonga, representatives of the Tonga Chamber of Commerce and Industry (TCCI), and other industry and private sector stakeholders. TBEC clients will be chosen with the advice of TBEC.
What's involved?	The evaluation will use a mix of methods to engage with stakeholders, including interviews and focus groups. For the majority of stakeholders, participation will be through an interview to ask about experiences with TBEC, the changes that TBEC has contributed to, and areas for future focus. The interviews should take between 30–60 minutes to complete and will be conducted over 28 November to 5 December 2013.

Do I have to take part?	No, participation in the evaluation is voluntary.
Is the interview confidential?	Allen + Clarke will seek to ensure your contribution is confidential. Any comments you make will not be attributed to you in our reports. Audio recordings, notes from your interview and survey responses will be kept securely at the Allen + Clarke office for up to two years, before being destroyed.
Can I change my mind and withdraw from the project?	You may stop the interview at any time. You can also withdraw the information you have given up until the time the analysis begins. You do not need to give a reason to withdraw and there will be no disadvantage to you of any kind.
What if I have any questions?	If you have any questions about this project, please contact: Ned Hardie-Boys, Project Manager, Allen + Clarke • Ph. (+64) 4 890 7315 or Mobile: (+64) 27 585 7205 • nhardie-boys@allenandclarke.co.nz Tonga Taumoefolau, Development Programme Coordinator, New Zealand High Commission, Nuku'alofa • Ph. (+676) 23122 x 116 • tonga.taumoefolau@orange.mfat.govt.nz

APPENDIX C: LIST OF DATA SOURCES

This appendix contains a list of data sources used in the evaluation.

- Activity Design Documents: 2010 project description, Apr 2012 update; Jun 2013 update.
- Activity Monitoring Assessments: Jun 2012, Apr 2013.
- TBEC Financial Acquittals and Monthly Reports.
- TBEC Progress Reports: Sep-Dec 2011, Jun 2012, Jun 2013.
- TBEC Budget and Risk Register.
- TBEC Monitoring and Evaluation Framework.
- Draft TBEC Strategy 2011-13.
- TCCI Constitution.
- TBEC PAA (Programme Activity Authority): Aug 2010, Aug 2011, May 2012.
- TBEC 6 Month Report: Dec 2012.
- Grant Funding Arrangement.
- Letters of Variation 1–5.
- Tonga 2011 Census of Population and Housing (Department of Statistics).
- GDP Bulletin 2013 (National Reserve Bank of Tonga).
- Monetary Policy Statement, Sep 2013 (National Reserve Bank of Tonga).
- National Reserve Bank of Tonga Quarterly Bulletin (V24, #3), Sep 2013.
- National Strategic Planning Framework: Next 5–10 Years (MFNP, 2010).
- Tonga Tourism Sector Roadmap: 2014–2018, Aug 2013.
- Tonga Micro, Small and Medium Enterprise Policy and Strategy, Jun 2013.
- Evaluation Report for the Pacific Business Mentoring Programme, Nov 2012.
- DAC Quality Criteria (MFAT).
- Gender Analysis Guideline (MFAT).
- Environmental and Social Impacts Guideline (MFAT).

APPENDIX D: LIST OF EVALUATION PARTICIPANTS

This appendix contains a list of stakeholders and key informants who participated in the evaluation.

Organisation	Role/title	
NZHC	Deputy High Commissioner and NZ Aid Programme Manager	
	Development Programme Coordinator	
MFAT	Activity Manag	er
TCCI	President	
	Vice President	
	Treasurer	
	Office Manage	r
TBEC	Manager	
	Ex-Manager	
	Programme Manager – Training Programme	
	Programme Manager – Support Programmes	
	Monitoring and Evaluation Officer	
	Hospitality and Tourism Trainer (VSA)	
	Marketing Adviser (VSA)	
MFNP	Principal Economist – Aid Management Division	
MCTL	Deputy Director – Trade and Investment	
Langafonua Gallery and Handicraft Centre	National Coordinator – Handicrafts and Cultural Tourism Support Programme	
TBEC clients		
Cyber-net		Handicraft ladies
Ruby Ice		Oholei
Vava'u Taxi Council		PMC
Friends Café		Water Community
Kongakava		Humpback
Lucky 7		Prestige Events and Marketing

TBEC clients	
Friendly Islands Shipping Agency	Taiana
Kool Tonga and Reload	Heilala
AJ&E	

GLOSSARY OF ACRONYMS

The following acronyms are used in this report.

Acronym	Description
BAS	Business Advisory Services
BDS	Business Development Scheme
BOSS	Business Opportunity Support Scheme
BSP	Business Support Programmes
DAC	Development Assistance Committee (of the OECD)
EC	Executive Council (of the TCCI)
GDP	Gross Domestic Product
GOT	Government of Tonga
GFA	Grant Funding Arrangement
MCTL	Ministry of Commerce, Tourism and Labour
MFAT	Ministry of Foreign Affairs and Trade
MFNP	Ministry of Finance and National Planning
NRBT	National Reserve Bank of Tonga
NZ	New Zealand
NZHC	New Zealand High Commission
PBMP	Pacific Business Mentoring Programme
PIPSO	Pacific Islands Private Sector Organisation
PSTP	Private Sector Training Programme
SME	Small and Medium Enterprise
STTA	Short Term Training and Attachments (scheme)
TAC	Training Advisory Committee
TBEC	Tonga Business Enterprise Centre
TCCI	Tonga Chamber of Commerce and Industry
TDB	Tonga Development Bank
ТОР	Tongan Pa'anga
UMOs	Umbrella Organisations
VSA	Volunteer Services Abroad
WISE	Women in Sustainable Enterprise