

EX POST EVALUATION OF JOB CREATION PROGRAMMES

Programme aimed at financing private small and medium entrepreneurship July 2006 Abstract

Background. In 2001, the CEB approved a loan to partially finance a programme aimed at the development of private entrepreneurship. The main objective of the programme was to generate employment through long-term financing of small and medium sized enterprises (SMEs). The CEB's contribution was part of a "Sector-based Multi-project Programme" (SMP).

Evaluation findings. The overall relevance of the programme, i.e. of its objectives, institutional arrangements and modification, was found to be *satisfactory*, but serious weaknesses in programme design and preparation considerably affected its outcomes. The effectiveness of the programme was found to be *marginal*: the number of jobs created was lower than expected; the implementation schedule was not heeded; the quality of the SME selection process and the loan monitoring of the Beneficiary was poor despite a good follow-up on environmental assessments and the general satisfaction expressed by the SMEs. Management and cost efficiency are considered *marginal*; the total investment cost per job created exceeds existing benchmarks. Institutional and socioeconomic impacts are *modest* but environmental impact is considered *sustained*. Overall programme sustainability is *not likely*: the high level of non-performing or high-risk sub-loans calls into question the lending capacity of the Beneficiary and the longevity of some of the SMEs themselves.

With regard to the CEB's added value, the CEB's loan at programme onset helped provide access to loans at much lower interest rates than what was available on the market at the time. However, over the programme duration, the comparative advantage of the CEB's contribution gradually faded as interest rates had considerably decreased.

Rating. Overall, the project is rated **marginal**.

Lessons and recommendations

1. Programme preparation. The main cause of the programme's lack of success is to be found in its poor preparation.
 - *It is essential that the CEB carry out in-depth analyses of the capacity of beneficiary institutions to implement SME programmes.*
 - *The details of programme implementation options should be fully prepared prior to loan approval.*
 - *Programme objectives should be well defined and specified during preparation.*
 - *Best practice in SME programmes should be taken into account in programme design and preparation.*
2. The CEB's added value. Interest rates and maturity of the SMP funds, attractive at programme onset, became less so as general interest rates decreased. The CEB's overall added value therefore is unclear.
 - *To enhance the CEB's added value, best practice in SME programmes should be reviewed, and alternative ways of providing finance be explored. CEB could finance business advisory services or technical assistance.*

Note: this programme was evaluated jointly with another International Financial Institution.