

# Decision Support Unit (DSU)

Mid-term evaluation (MTE) of Essor

Final Report

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## Acknowledgements

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## Executive summary

This document presents the main findings and conclusions of the Mid-Term Evaluation of the UK Government Department for International Development (DFID)'s Eссор project. Eссор is one of three components of the PSD programme in DRC and is a £35 million, five-year business environment reform project implemented by PricewaterhouseCoopers (PwC). The project aims to realise a cumulative net income increase of £10.6 million by the time of project closure in January 2020. This will be achieved by increasing the incomes of 40,000 micro, small and medium-sized enterprises (MSMEs) due to savings on taxes and costs of compliance for business owners.

The main purpose of this evaluation is to identify any constraints or risks to the achievement of the objectives of the Eссор project and to recommend corrective actions where these are required. The evaluation is structured around six evaluation questions (EQs). These questions were answered with evidence from a literature review; a political economy context assessment; three case studies, three sector performance reviews; a results verification exercise; and a VFM assessment.

## Findings

### Design

Eссор is not well designed to improve the business environment because the project:

- Lacks a systematic programmatic approach to private sector engagement and the identification and prioritisation of business environment reform opportunities;
- Lacks a robust and flexible system to adjust resourcing and planning based on traction of the interventions; and
- Failed to articulate an adequate Theory of Change including key assumptions and then use this to guide implementation. As a result, Eссор's interventions have been implicitly based on assumptions about political commitment, capacity, the challenges of engaging with the private sector and fragility that have not been critically examined and that are highly problematic in the DRC context.

### Management and Organisation

Eссор's poor performance is largely attributable to weak organisation and management.

- Effectively managing a £35 million BER project in DRC is one of the more challenging tasks in development.
- Eссор does not have an effective senior management team (SMT) driving project delivery in Kinshasa. Team leadership has been part-time until February 2018 with little senior support and limited authority over the workstreams.
- Both DFID and PwC London have made interventions which, while well intentioned and often seeking to address important weaknesses, have had the effect of further undermining in-country project team leadership.
- The lack of an effective SMT has resulted in weak strategic leadership and a lack of workstream accountability.

- Placing a full-time, francophone Team Leader (TL) in the project is a necessary but insufficient condition to improve Eссор. It also requires a powerful SMT to support the TL and for this team to have the autonomy to manage the project.
- Eссор has not defined or applied standardised processes for the management of partner and stakeholder relationships. A proper set of such processes would start with the criteria for selection of public sector partners, which emphasise their willingness and capacity to effect change; the institutional context; the potential for Eссор to achieve desired impacts by working with a given partner; and the operational, financial and reputational risks of a failed relationship. The absence of any such processes has resulted, variously, in poor choice of partners, poor follow-through of Eссор teams with partners, and inability of Eссор teams to gain traction with chosen partners.
- Generally, there is no structured coordination between ÉLAN and Eссор to enhance performance. There is evidence of some cooperation and exchange of information between Eссор and ÉLAN for the insurance and leasing interventions. There have been some instances of effective cooperation between the two projects on the coffee export tax. However, otherwise ÉLAN has launched market systems interventions without consultations with Eссор to address relevant BER constraints.

## **Achieving Results and Impact**

- Eссор is likely to deliver some improvements in DRC's business environment. These include a reduction in the time and cost of business registration and increased access to finance through the creation of a collateral registry (OHADA); creation of a framework for public–private partnerships in renewable energy systems (A2E); reduction in the coffee export tax (AVC); and, potentially, reduction in corrupt practices at a key border crossing (AC), and reduction of the multiplicity of local government taxes and fees (MSME).
- It is too early to tell if the interventions are generating the targeted impacts, but progress against outputs and outcomes is slow. This evaluation has found that only two workstreams have made significant progress (OHADA and A2E).
- The OHADA workstream has already contributed to an improvement in the DRC's Doing Business ranking for establishing a business but the potential impact that might be achieved from this is not yet clear.
- No other workstream has progressed far enough to produce measurable impacts, and the evidence tells us that we should not expect a BER project to have achieved much at this stage of the project. The evidence for testing whether interventions are on track to achieve an impact is more generally unclear or unconvincing. This is not unusual for a BER programme at the beginning of its fourth year of operation, since reforms, even if successfully implemented, can take a long time to generate measurable improvements in economic performance, increased household incomes, or similar impact indicators.
- There is no evidence that poor producers and women are accessing new opportunities unlocked by Eссор interventions.
- The MTE has not identified any unintended consequences.

## Monitoring and Results Measurement

- The verification exercise undertaken on the recently adopted MRM system rated over two-thirds of its indicators 'red' (i.e. low confidence that reported results accurately reflect reality) and the remainder 'amber' (i.e. medium confidence), which indicates that the quality of the results needs to be strengthened before the MRM can be used as an effective monitoring tool.
- The logframe does facilitate adaptive management to some extent, as the impact and outcome indicators are mostly common to different interventions, with progress of the workstreams measured by the achievement of milestone results and delivery of interim impacts and outcomes.
- Where the logframe struggles is comparing achievement across the different workstreams to enable readjustment of resources based on traction of the different workstreams. The logframe does not track how workstream interventions contribute to project results and there is no system that we were aware of to compare achievement across the workstreams and monitor intervention progress.

## Value for money (VFM)

- Overall the project is unlikely to deliver value for money on its current trajectory. Only two workstreams (OHADA and A2E) have made reasonable progress, while all others have either already closed down or do not yet have compelling evidence to suggest they are on track to deliver any impact. There are major weaknesses with the management of the project, despite this representing around one-third of the project's costs. For the OHADA and A2E workstreams, the nature of potential benefits needs to be more rigorously set out to allow a more evidence-based judgement of the extent to which these specific interventions might be achieving VFM.

## Recommendations

For each recommendation we provide an indication of whether the recommendation is primarily addressed to DFID DRC (DFID) or the Essor management team (Essor).

### Overall management of the project

1. It is recommended that the project be given a period of four months (to end of April 2018) to substantially improve the central management and agree the composition of its workstreams on an informed basis. If project management has not adequately improved by this point then the project should be pared down to its performing workstreams (OHADA, A2E). Key criteria to evaluate management improvements should include:
  1. A competent, full-time, resident, Francophone, BER specialist Team Leader in post, with a functional SMT;
  2. Strategic coherence, complementarity, and relevance of the workstreams and their interventions articulated; and
  3. Each workstream having produced an assessment of:

- A plausible workstream theory of change, including assumptions;
  - What is likely to have been delivered in terms of results by project closure;
  - What resources are needed to achieve this goal; and
  - Progress against clearly defined performance targets (Essor, DFID).
2. The workstreams need to have either resident French-speaking leads, or (if non-resident) senior members of the team who can interface with the client and support them in decisions related to the political economy. They need *not* be highly experienced technical experts: with the exception of A2E, few Essor interventions require highly developed technical expertise. Their principal tasks should be to build relationships with and coordinate support to designated counterparts and beneficiaries, often through relationships and in conjunction with other donors. The workstream leads, subject to approval by the Team Leader, should have the ability to bring in short-term technical specialists as needed, with a minimum of delay (Essor).
  3. Wherever possible, DFID needs to reduce its involvement with ongoing project management decisions to enable the project to be more rapid, flexible and responsive to ongoing implementation needs. DFID can advise and can also put in writing their suggestions but the accountability for implementation decision making should be with the implementing partner (DFID).
  4. The monitoring and results measurement (MRM) system should be strengthened to more accurately reflect achievements and results appropriate to a BER project. This could include developing more intervention-specific impact indicators based on an exercise of clarifying the full range of expected benefits for each workstream. It should also incorporate a review of what the best indicators of progress towards such impact could be. The timing of the project's final evaluation should be three to five years after project close-out, providing a more realistic time frame to assess the true impacts of the project (Essor).
  5. The project needs to implement its private sector engagement strategy, and engage in a systematic way with the private sector to better identify issues and develop solutions. Different techniques can be used:
    - Use of the planned regular MSME survey to gather feedback on issues and progress on reform;
    - A light-touch stakeholder mapping for each intervention to identify key potential champions and challengers for each reform. This can be used as the basis for establishing public–private dialogues to work on each issue;
    - If there is time at this stage of the programme, working alongside business management organisations (BMOs) (and engaging other local stakeholders such as think tanks and the media) to build their capacity to represent MSMEs and specifically to prepare issues for dialogue, and advocate and monitor reform; and
    - Implementation of the communications strategy to build support for the reform process (Essor).
  6. An improved VFM framework should be implemented. Key changes include defining the qualitative analysis required, setting targets and breaking down the analysis to the workstream

level, and improving and integrating the impact modelling into the framework. Reporting against the framework should focus on what the analysis implies for adapting the project implementation strategy (Eссор).

7. Eссор should seek to place a long-term, resident expert within ANAPI to support the organisation and help set strategic reform priorities, most likely by working with one or more local staff to set and carry out a policy reform research agenda (Eссор).
8. Eссор should cooperate more closely with the ÉLAN project. DFID should develop an approach to sharing attribution that incentivises collaboration between the projects (DFID).

## Overall project portfolio strategy

9. Given most workstreams' slow progress to date, and the complexity of BER in the DRC, the project's remaining time frame is very short.<sup>1</sup> To inform the project's strategic choices, DFID should clarify whether it is willing to continue to engage in BER beyond 2019 (DFID). If DFID does not indicate a willingness to continue supporting BER in DRC, Eссор should plan its project closure based on the expectation of no further engagement beyond the end of 2019. The expected end-point of all workstreams ahead of that date needs to be clear, including any required transition arrangements of activities to government or other donors. In such a context there seems limited merit for any further diagnostic or early-stage reform activities (Eссор).
10. Given the challenges the project has faced in trying to manage its activities in the highly complex area of BER in the DRC, a practical approach at this stage would be to reduce the range of activities being supported. This is relevant both within certain workstreams themselves (anti-corruption, which has engaged in far more interventions and activities than it has the management and technical capacity to support) as well as in reducing the breadth of the Eссор portfolio of interventions. An optimal portfolio at this stage of the project would consist of a continuation of the OHADA and A2E workstreams as currently configured, together with an anti-corruption workstream reduced to a much smaller set of interventions, but with the possible incorporation of the MSME as a standalone intervention within the anti-corruption workstream (Eссор).
11. Were DFID to indicate a willingness to continue to support BER in the DRC beyond 2019 then the project could adopt an approach closer to the originally intended flexible facility design. The sector performance reviews and case studies set out specific examples of potential new departures for workstreams that might prove effective but would require a longer period of support than could be achieved during what is left of the project's existing time frame (Eссор).
12. The decision has already been taken to shut down the agriculture value chain (AVC) workstream. It is recommended that the Eссор AVC team be offered to ÉLAN to work on improving the business environment for the coffee value chain and others, notably by reforming the rules, regulations and procedures that Office National du Café (ONC) applies, and providing technical assistance and capacity building to continue to help the ONC become an organisation that provides valuable services to actors in coffee and other agriculture subsectors (ÉLAN).

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<sup>1</sup> Eссор's contract end date is January 2020. To allow for sufficient reporting as well as the wind-down of relevant activities, this implies most workstreams will need to largely complete their activities by the end of Q3 2019.



13. The project should develop a systematic engagement strategy with the private sector, to build the capacity to identify and advocate for reforms and to encourage transparency and accountability (Eссор).
14. To improve its gender focus, Eссор should collect specific gender-focused data for all its data collection and survey activities for 2018. This is not simply a question of disaggregating samples and responses by sex: specific questions need to be asked about the gender outcomes and impacts for the workstreams under study. There is currently no mention of gender in the survey descriptions. Careful attention then needs to be paid to considering how this data practically informs the implementation of workstreams (Eссор).
15. The logframe could be adjusted to include nested logframes which would better track implementation and results of workstream interventions (Eссор).
16. In general, interventions going forward should move away from the current heavy focus on training and sensitisation, and towards more practical and facilitative actions with concrete and measurable outputs (Eссор).
17. Eссор should use political economy analysis more systematically to guide the management of partner and stakeholder relationships.

### Detailed recommendations by workstream

18. **Access to electricity:** The A2E workstream should continue its activities with few changes.
19. **OHADA:** should be continued and expanded as resources permit (more detailed recommendations are provided in the OHADA Case Study).
20. **AC:** future AC interventions should restrict themselves to Kinshasa and one other location – working with women traders to reduce corrupt practices at the Kasumbelesa border crossing appears to be a promising opportunity.
21. **AVC:** DFID have decided to close the AVC workstream in Eссор. It is proposed that the AVC team be offered to ÉLAN to assist with the enabling environment for agriculture and agri-business.
22. **MSME:** Given the degree of convergence between AC and MSME, a merger of the two workstreams is proposed, with an expanded focus to include not only official payments but unofficial ones as well.
23. There are two choices for Eссор and DFID with respect to A2F:
  - i. maintain a reduced presence until ARCA and the Central Bank become more receptive to Eссор support in development of the regulatory framework for insurance and focus on leasing activities in collaboration with ÉLAN; or
  - ii. seek other aspects of inclusive finance that it could support and in which it could produce results within the two remaining years of project life.



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## List of abbreviations

A2E	Access to electricity
A2F	Access to finance
AC	Anti-corruption
AfDB	African Development Bank
AFEECO	Association des Femmes Entrepreneurs du Congo
ANAPI	Agence Nationale pour la Promotion des Investissements
ARCA	Autorité de Régulation et de contrôle des Assurances (Insurance Regulation and Control Authority)
ASI	Adam Smith International
ASSOFE	Association de Femmes chef d'entreprise de la RDC
AVC	Agricultural value chain
BCC	Banque Centrale du Congo
BCDC	Banque Commerciale Du Congo
BER	Business environment reform
BMO	Business membership organisation
CAFCO	Cadre permanent de concertation de la Femme Congolaise
CCIM	Chambre de Commerce, de l'Industrie et des Métiers
CENADEP	Centre National d'Appui au Développement et à la Participation Populaire
CENI	Commission Electorale Nationale Indépendante
CNONGD	Conseil National des ONG de Développement de la République Démocratique du Congo
COPEMECO	Confédération des Petites et Moyennes Entreprises Congolaises
CRONGD	Conseil Régional des Organisations Non Gouvernementales de Développement
DB	Doing Business index
DFID	Department for International Development
DGI	Direction Générale des Impôts
DGRAD	Direction Générale des Recettes Administratives
DPSI	Document de Politique et des Stratégies Industrielles

DRC	Democratic Republic of Congo
DSU	Decision Support Unit
ECOFIN	Committee on Economy and Finance of the National Assembly
EQ	Evaluation question
EQUALS	DFID's Evaluation Quality Assurance and Learning Service
ETD	Entités Territoriales Décentralisées
EU	European Union
FEC	Fédération des Entreprises au Congo
FENAPEC	Fédération Nationale des Artisans et Petites et Moyennes Entreprises du Congo
FGD	Focus group discussion
FOLECO	Fédération des Organisations non-gouvernementales Laïque à vocation économique du Congo
FPI	Fonds de Promotion de l'Industrie
GAAD	Groupe d'Appui et d'Accompagnement pour un Développement durable
GRIP	Groupe de Recherche et d'Information sur la Paix
ICF	International Coach Federation
ICG	International Crisis Group
ICT	Information and communication technologies
ILO	International Labour Organization
IMF	International Monetary Fund
LAC	Lignes Aériennes Congolaises
MDAs	Ministries, departments and agencies
MINOCONGO	Minoterie du Congo
MNO	Mobile network operator
MRM	Monitoring and results measurement
MSMEs	Micro, small and medium-sized enterprises
MTE	Mid-term evaluation
MW	Megawatt
NGO	Non-governmental organisation

NAIC	Net attributable income change
OGEFREM	Office de Gestion du Fret Multimodal
OHADA	Organisation pour l'Harmonisation en Afrique du Droit des Affaires
OIF	Organisation internationale de la Francophonie
ONC	Office National du Café (national coffee body)
OPEC	Office de Promotion de moyennes et petites Entreprises Congolaises
OPM	Oxford Policy Management
PAP	Programme d'Appui au Parlement
PECA	Political Economy Context Assessment
PEF	Plate-forme de l'Entrepreneuriat Féminin de la RDC
PME	Petites et Moyennes Entreprises
PNDS	Plan National Stratégique de Développement
PRMN	Programme de Restructuration et de Mise à Niveau de l'Industrie
PSD	Private sector development
PUSIL	Programme d'Urgence de Soutien à l'Industrie Locale
PwC	PricewaterhouseCoopers
RCCM	Registre du Commerce et du Crédit Mobilier (Commercial and Movable Property Registry)
RVA	Régie des Voies Aériennes
SME	Small and medium-sized enterprise
SMT	Senior management team
SNPME	Stratégie Nationale de Développement des Petites et Moyennes Entreprises
SOFIDE	Société Financière de Développement
TOC	Theory of change
TOR	Terms of reference
UCAB	Union Congolaise des Armateurs des Baleinières
UN	United Nations
UNDP	United Nations Development Programme
VFM	Value for money

# 1 Introduction

## 1.1 Overview

This document presents the findings and conclusions of the Mid-Term Evaluation (MTE) of the UK Government's Department for International Development (DFID), Democratic Republic of Congo (DRC) Eссор project, which is a component of DFID's Private Sector Development (PSD) programme in the DRC. Each component of the PSD programme is contracted and implemented separately:

- ÉLAN RDC, a £50 million, five-year market development project, implemented by Adam Smith International (ASI);
- Eссор, a £35 million, five-year flexible facility aiming to improve the DRC's business enabling environment, implemented by Pricewaterhouse Coopers (PwC); and
- the Decision Support Unit (DSU), which supports the other projects with annual reviews, evaluations, learning and adaptation activities, intended to improve implementation and increase impact. The DSU is being implemented by Oxford Policy Management (OPM).

This report deals exclusively with the Eссор component of the PSD programme. Separate MTE reports are being produced for ÉLAN RDC (ÉLAN) and for the Private Sector Development programme as a whole.

The purpose of the MTE is principally formative: to identify any constraints or risks to the achievement of the objectives of the Eссор project (and, by extension, the PSD) and to recommend corrective actions where these are required.

The primary target audience for the mid-term evaluation report is DFID DRC, as the contractor of this deliverable. The report's secondary audience is Eссор. This aligns with the overarching purpose of the MTE – to make recommendations for corrective actions to improve project results. Additional audiences that may benefit from the evaluation findings include service provider private sector partners and government counterparts, other donors and service providers implementing private sector development initiatives, and the development community more broadly. While the MTE is not executed expressly for these additional audiences, they are considered in the reporting and dissemination plan.

## 1.2 MTE completion process and Terms of Reference

The Eссор MTE process and report were managed and written by the DSU, which is operated by OPM through the ePact consortium. The role of the DSU is:

- to provide DFID with impartial verification of PSD programme results;
- to play a learning function through conducting a mid-term and final evaluation and collating lessons learned; and
- to conduct research activities to understand the context of implementation in DRC.

The process of completing the Eссор MTE proceeded as follows:

- selection and contracting of independent MTE Component Leads as core members of the MTE team, followed by briefing and document review in May 2017;
- an MTE Inception Mission to Kinshasa in June 2017;



- drafting of the MTE inception report in August 2017, its review by DFID's Evaluation Quality Assurance and Learning Service (EQUALS), and its finalisation incorporating EQUALS' comments and guidance in September 2017;
- preliminary data collection and planning for the MTE field mission during September 2017;
- the completion of the MTE field research mission by the MTE core team, 7–27 October 2017;
- drafting of reports on the research activities carried out as part of the MTE, October–December 2017;
- preparation of this first draft of the Eссор MTE report by 15 December 2017;
- review and discussion of inputs provided by PwC and DFID in January–February 2018;
- completion of Annual Review in March 2018; and
- incorporation of inputs and final draft produced in April–May 2018.

The focus of the MTE and the selection of the EQs were informed by discussions with DFID, Eссор and other stakeholders during the MTE Inception Mission, as well as by the findings and recommendations of the ÉLAN and Eссор 2017 annual reviews undertaken in February 2017. No separate terms of reference for the MTE was produced, but the statement of objectives and evaluation questions (EQs) set out in the MTE Inception Report (and detailed further below) are taken as providing the terms of reference and are presented in Annex A.

### **1.3 MTE report structure**

The report is structured as follows:

- Chapter 2 summarises the Eссор project, its objectives, main operating features and its implementation trajectory since inception. It describes and assesses the project's overall theory of change (TOC) as well as each of the sector interventions and their respective results chains;
- Chapter 3 outlines the evaluation approach pursued by the MTE and the key features of its implementation. This summarises the method that was applied for the completion of the MTE, and the process of data collection that was pursued;
- Chapter 4 presents a summary of the MTE findings;
- Chapter 5 consolidates and interprets the MTE's findings setting out the overall conclusions; and
- Chapter 6 outlines the main lessons and recommendations that should be considered by Eссор and DFID DRC in focusing and structuring the remainder of the project's implementation to January 2020.

Additional material is included in the annexes. A set of annexes featuring Sector Performance Reviews and Case Studies is submitted separately as a Technical Annex. The annexes included in this report are excerpts from the MTE Inception Report (Annex A), the Review of the research methodology (Annex B), the full MTE findings (Annex C), the Value for Money (VFM) assessment (Annex D), the Political Economy Context Assessment (PECA) (Annex E), and additional information supporting the report including the list of interviewees, a summary of the research findings cited in the report, and the logframe (Annex F).

## 2 The Eссор project

### 2.1 Context

Decades of economic mismanagement and war have exacted a heavy toll on the economy of the Democratic Republic of Congo (DRC). Despite average growth rates of 6% since 2002, official GDP per capita is still the lowest in the world (US\$231) – less than half of its 1980 value in constant terms.<sup>2</sup> It is estimated that only around 300,000 people (less than 0.5% of the population) are employed in formal micro, small and medium-sized enterprise (MSME) firms.<sup>3</sup> A handful of large formal firms in mining, banking and telecoms provide employment for those fortunate enough to secure jobs. The remainder of economic activity (up to 90%) takes place 'below the radar' in the informal sector.<sup>4</sup>

### 2.2 Overview of the Eссор project

Eссор is a £35 million, five-year project launched in May 2015 and managed by PwC. It is a significant component of DFID DRC's £100 million Private Sector Development programme, which also includes ÉLAN RDC and the DSU. According to its original design set out in the business case for the PSD programme, Eссор was intended as a 'Flexible Facility which would, on an as-needed basis, design and implement interventions in:

- Business environment reform (commencing with support to the Government of DRC for OHADA<sup>5</sup> implementation);
- Access to finance; and
- Anti-corruption.'

DFID's terms of reference for Eссор called for this flexible facility to design and implement demand-led interventions to contribute to private sector development and poverty alleviation in DRC. This work was to 'commence with a programme of support to the Government of DRC for the implementation of OHADA law, practices and institutions ... [and] to contribute to outcome indicator 1 of the logframe for DFID DRC's Private Sector Development Programme: to support DRC to reduce its distance to the frontier of the World Bank Doing Business Indicators from 35 to 52.'

The beneficiaries of the project are described in the logframe as poor people in DRC with a focus on MSMEs.

Eссор's Inception Report described the project as a 'continually evolving portfolio of interventions, responsive to emerging opportunities. This is at the core of the adaptive programming approach set out in DFID's Business Case.' The Inception Report noted that 'this approach makes it hard to predict at the outset how the portfolio will look in subsequent years.'

### 2.3 Eссор's implementation model

Eссор's implementation model is based on the premise in the initial TOR that improvements in the business environment, including expanded access to finance and reduced corruption, will stimulate

<sup>2</sup> Figures taken from World Bank World Development Indicators.

<sup>3</sup> World Bank (2012). While a range of definitions are used, the Government of DRC defines MSMEs as follows: Micro (1–5 employees, US\$10,000 turnover); Small (6–50 employees, US\$10,001–US\$50,000 turnover); Medium (51–200 employees, US\$50,001–US\$400,000 turnover) (Schwarz, 2011).

<sup>4</sup> World Bank (2012a).

<sup>5</sup> OHADA is the Organisation pour l'harmonisation en Afrique du droit des affaires, or Organisation for the Harmonisation of Corporate Law in Africa.

private sector development and reduce poverty in DRC. The original design concept as set out in the PSD Business Case<sup>6</sup> involved an adaptive, flexible facility that could work with different counterparts, abandon activities afflicted by policy or institutional blockages when necessary, and launch new activities more likely to succeed in a changing environment.

Eссор's inception report described the implementation model as follows:

'The core portfolio will consist of larger projects, each consisting of separate components linked to the overarching outcome of that particular project. Each outcome will in turn be nested within the overall private sector development (PSD) programme outcome. Our current vision is that Eссор will comprise around five to seven large projects;

These core projects will generally be active at both central and provincial levels (drawn from DFID's priority provinces, recognising that there may be changes to these provinces). One of our key flexibility levers will be to shift the geographical focus of a particular project dependent on impact and buy-in; so far as possible we need to foster a sense of competition between parts of government, and even between provinces, to make this happen.

In addition, we propose to support ad hoc projects outside of this main core portfolio of large projects. It will take time to design the next round of projects (beyond the OHADA project) to meet DFID's requirements. We recognise that this may be frustrating for our government partners and will look to implement ad hoc interventions wherever possible to help maintain momentum and relationships.'

The Eссор Inception Report emphasised that 'improving business climate in the DRC is a key driver of poverty reduction', and treated improving the business environment as largely synonymous with improving DRC's ranking and distance to frontier in the World Bank Doing Business indicators. The priority areas of action identified were:

- the ease of business registration,
- accessibility of data on the credit-worthiness of businesses,
- ease of winding up a business, and
- transparency and predictability in the legal system.

The Inception Report stated that Eссор expects these changes will reduce the costs faced by firms in DRC, improve their perception on the business environment and increase business investment.<sup>7</sup> The approach set out in the Inception Report aims to focus 'on a small number of reforms which, if implemented successfully, will result in benefits for a large number of MSMEs and individuals'. The approach also aimed 'to work with government departments and agencies on 'demand-driven' policy: legal and regulatory reform that focuses on targeted MSMEs, sector, and provinces. The project will focus on reform of specific policies, legislation, and regulation that will have the highest impact, covering large populations.'

Eссор had initially established seven workstreams, by the time of the 2016 Annual Review, as shown in Table 1. The selection of workstreams was based on the findings of a survey<sup>8</sup> of micro, small and medium-sized enterprises (MSMEs) which identified obstacles. Eссор's work has been structured around these obstacles – there is at least one workstream targeted at addressing each obstacle.

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<sup>6</sup> See Annex C.3 for brief discussion of an Adaptive Facility and Eссор's implementation of the concept.

<sup>7</sup> Eссор Inception Report, April 2015.

<sup>8</sup> A survey of 920 MSMEs in Kinshasa, Bandaka, Lubumbashi and Goma.

**Table 1** Eссор workstreams

Investment climate obstacle	Workstream(s)	Workstream objective
Corruption	Anti-corruption	Reduce resources lost to corruption through improved fiscal burden and anti-corruption reforms
Customs procedures and commercial regulations	Agricultural value chains reform Anti-corruption	Traders face a reduced trade burden and experience a more credible, transparent and equitable regulatory system
Access to electricity	Access to electricity	Businesses benefit from improved public procurement process and increased access to electricity
Access to finance	Access to finance OHADA	Businesses can access financial services (credit, insurance, leasing, investor protection) that are more cost-effective, more equitable and more accessible.
Taxes and fees	MSME support Anti-corruption	Tax policies and regulatory frameworks are streamlined and operate with more transparency, equity, reliability and accessibility
Heavy administrative burden	OHADA Construction permits Anti-corruption	Business registration services are more cost effective, transparent, reliable and accessible

Source: 2016 Annual Review of Eссор.

Eссор's activities to date have been limited to Kinshasa, Lubumbashi and Goma. Each of the six<sup>9</sup> workstreams are active in Kinshasa.

Agencies are public sector bodies that are the main counterparts for project activities. Eссор collaboration with these agencies is outlined under memoranda of understanding or 'protocôles d'accord'. Partners are, for the most part, other donors or donor-funded projects, which work in the same thematic areas as Eссор, and which coordinate with Eссор and with one another. Partners may also be Congolese NGOs, which help Eссор teams (in field surveys, for example), but whose members are also, typically, intended beneficiaries of the project. BMOs are business membership organisations such as chambers of commerce or sector/industry associations, which play a similar role to that of other Congolese NGOs in that they assist Eссор in field research and related activities, but whose members are also intended project beneficiaries.

## 2.4 Eссор's Theory of Change

### 2.4.1 Steps in the development of Eссор's Theory of Change

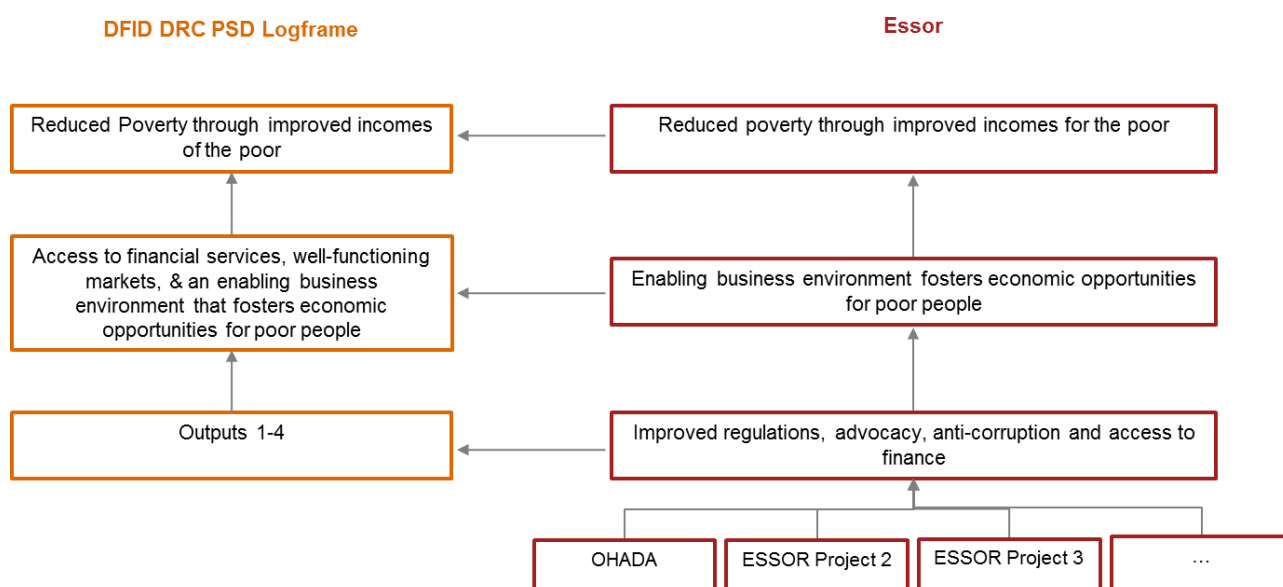
No complete statement of Eссор's Theory of Change (including a full identification of critical assumptions) had been articulated by the time of the MTE. Eссор's Inception Report presented the Theory of Change as shown in Figure 1. It was described as follows:

"Eссор's desired impact is to reduced poverty through improved incomes for the poor. At the outcome level, Eссор's theory of change is that improving business climate in the DRC is a key driver of poverty reduction. Key aspects of the business environment that could be

<sup>9</sup> Eссор started with seven workstreams, but abandoned Construction Permitting when conflicts over jurisdiction between central and provincial governments made implementation impossible.

improved include the ease of business registration, accessibility of data on the credit-worthiness of businesses, greater ease of winding up a business, and improved transparency and predictability in the legal system. Essor expects these changes will reduce the costs faced by firms in DRC, improve their perception on the business environment and increase business investment.”

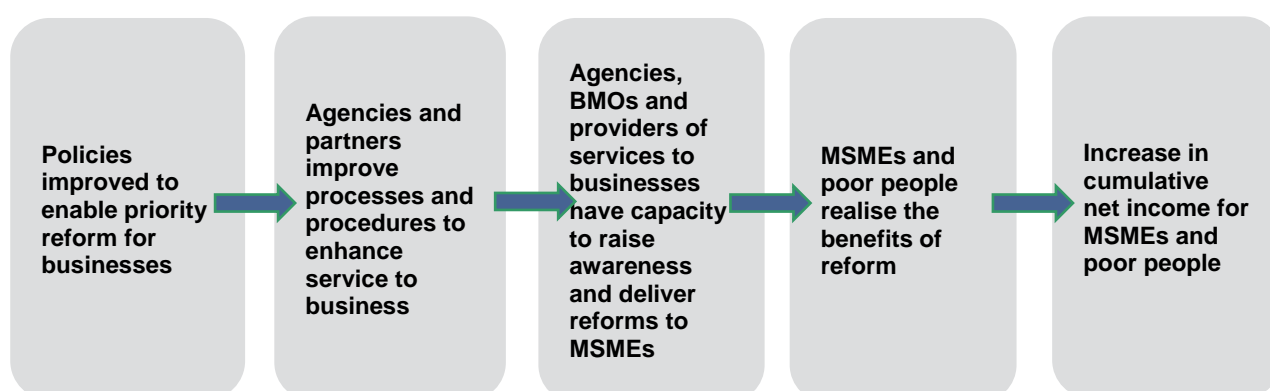
**Figure 1 Essor’s Theory of Change (Inception Report, 2015)**



No assumptions related to the Theory of Change were explicitly articulated. The “Risk Register” in the Inception Report set out a large number of risks but these were not explicitly tied to particular steps in the intervention logic.

Essor produced a draft 'Theory of Change and Vision' document in April 2017. This set out the ‘Vision’ shown in Figure 2 which is based on the notion that the key underlying problem to address is a poor business environment, which impedes the recovery and growth of the private sector, which in turn restricts business opportunities for people and inhibits poor people’s opportunities to increase their income and improve their livelihoods.

**Figure 2 Essor's intervention logic and results chain**



Source: adapted from PwC 'Essor Theory of Change and Vision', draft, 17 April 2017.

The vision placed emphasis on public–private dialogue (PPD) as a critical process in prioritising and building political support for specific reform initiatives, as shown in Figure 3.

**Figure 3 Eссор's Theory of Change (Vision)****Theory of change**

PwC

**What Eссор will do:**

Support Government to engage with private sector organisations through consultations and PPD (Project Level and Workstream Level)

Support Government to review, draft and adopt improved legislation to enact the priority reforms.

Support Government to review, draft and adopt new operational frameworks to deliver better services to businesses.

Build the capacity of Government to deliver services that are more transparent, cost-effective, accessible and equitable and inform businesses that these services are available and how to access them

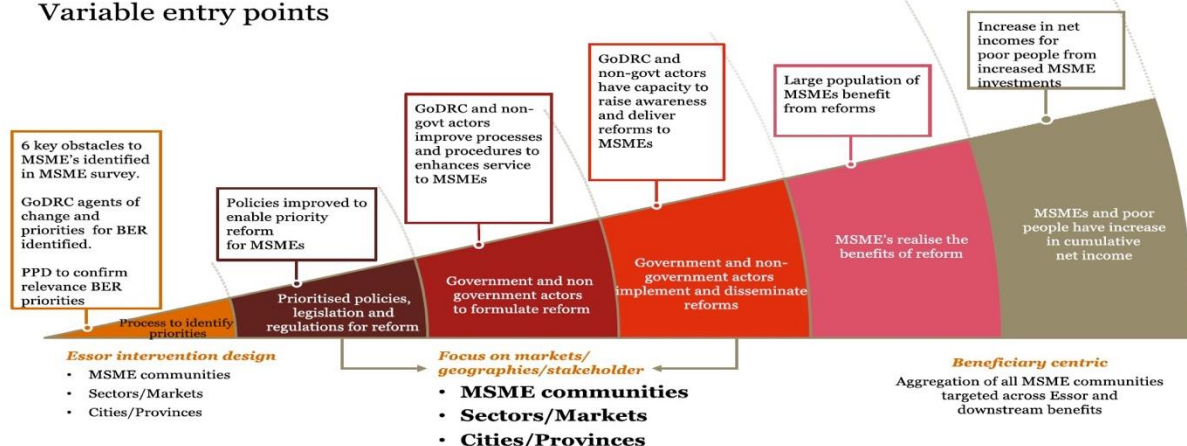
As a result of these changes, there is an improved business climate that fosters economic opportunities for poor people, with a focus on MSMEs and women. Demonstrated by:

- Savings in time and costs to businesses measured by selected indicators
- Perceptions of Eссор's target MSMEs on reduced obstacles and costs.
- Links to job creation, incomes, improved justice and poverty reduction

2

Source: adapted from PwC 'Eссор Theory of Change and Vision', draft, 17 April 2017.

A further statement of the envisaged steps in the intervention logic is set out in Figure 4, which again starts from a process of policy reform.

**Figure 4 Eссор's 'change journey'****Eссор change journey****Multiplier Effect****Variable entry points**

Source: PwC, 'Eссор Q1 2017 Quarterly Report', 2017, p. 4.

Eссор's 'Vision' document of April 2017 is again, however, not explicit about the assumptions behind this "Theory of Change". Eссор has therefore not succeeded in articulating an adequate Theory of Change that provides a basis for critically examining the plausibility of its intervention logic and the



risk underlying it. As discussed in the Technical Annex, while each intervention to varying degrees (most fully for OHADA) articulated steps in the intervention logic, it does appear that any of them systematically analysed the key assumptions underlying the intervention logic.

## 2.4.2 Underlying assumptions

In the absence of an adequate and complete articulation by Eссор of its Theory of Change, the MTE Inception Report (Table 8, p. 36) analysed the assumptions in the Eссор logframe (as it was set out before the subsequent revision in September 2017). These were classified as broadly falling into the following categories:

1. **There is sufficient and sustained political support for BER:** e.g. 'Buy-in to reform agenda can survive turnover in institutional leadership; Key actions are politically feasible to achieve; Eссор interventions do not become politically sensitive; Resistance to reforms by those with vested interests in maintaining the status quo or reversing reforms can be mitigated.'
2. **Effective public–private dialogue is feasible:** e.g. 'MDAs are open to receiving and incorporating dialogue from the private sector; The private sector is willing to engage with the public sector and believes it is worthwhile; Awareness of issues is sufficient to stimulate reform actions; Fear of reprisals does not limit sharing of critical inputs by MSMEs.'
3. **Institutional capacity for implementation is developed to, and maintained at, a sufficient level:** e.g. 'High rates of turnover at MDAs do not occur or, if they do, do not negate the benefits of capacity building for the target MDAs; Officials have interest and find value in developing skills in areas relevant to Eссор-supported reforms; The work environment allows trained officials to apply their skills for reform actions.'
4. **Economic and security environment is sufficiently favourable:** e.g. 'Local and global security and macroeconomic conditions do not undermine stability and economic growth.'
5. **Business environment reforms appropriately target and address key obstacles.**

In addition, the following core assumptions were identified as underlying the intervention logic linking business environment reforms to poverty reduction:

1. A poor legal and regulatory environment (including policies, laws, and regulations and their implementation and institutional setting) is the main obstacle to MSME development, poverty reduction, and improvement in livelihoods.
2. Business environment reforms will lead to improved economic performance and hence to poverty reduction.
3. MSMEs (many currently in the informal sector) will be beneficiaries of business environment reforms and the vehicle through which increased economic activity and higher household incomes will be achieved.
4. The World Bank Doing Business indicators are a reliable proxy for DRC's business environment, and advances in DRC's Doing Business ranking or distance to the frontier will reflect a meaningful improvement in the conditions in which MSMEs operate.



### 3 Summary of evaluation approach

This sector summarises the evaluation questions (EQs) that guided the MTE and the research activities undertaken to provide the evidence for answers to these EQs.

#### 3.1 The MTE Evaluation Questions

The MTE Inception Report sets out the EQs. The headline EQs for the MTE are:

1. How appropriately is Essor designed sustainably to improve the business environment?
2. Is Essor appropriately organised and managed to perform effectively?
3. Is Essor likely to deliver value for money?
4. To what extent is Essor likely to deliver an improved business environment?
5. Is Essor's measurement and reporting system appropriate to improve implementation?
6. How can Essor's impact on the business environment be measured in a final evaluation?

The full list of the EQs is presented in Annex B.

#### 3.2 Summary of research activities for the MTE

Nine research activities were employed to obtain sufficient evidence to answer the evaluation questions:

1. **A review of literature on business environment reform and its connection to economic performance, MSME development and poverty reduction:** The literature review examined evidence from peer-reviewed publications and research reports by donor agencies, through the lens of the evaluation questions. It included evidence from international experience in a wide range of developing countries, as well as more specific evidence from DRC, where available. The full literature review has been presented as an Annex to the ÉLAN MTE report.
2. **A political economy context assessment (PECA):** The PECA was based on a review of literature (academic studies and analyses as well as documents and reports from national and international organisations) addressing the key issues relevant for testing ÉLAN and Essor projects' theory of change assumptions, and the overall PSD programme-level assumptions. The key topics researched were governance at national and local levels, state–society relations, rule of law and corruption, business environment, livelihoods, poverty, and social capital. A review of documents was mainly based on research publications from international institutions (AfDB, UNDP, IMF and World Bank), international NGOs (ICG, Mo Ibrahim Foundation), and internationally recognised experts and academics, as well as on legislation and regulations adopted by the Congolese State. The analysis included documents published after 2010 with a focus on the most recent studies conducted the last two or three years. The PECA report is presented in Annex E.
3. **Six sector performance reviews** (of which three are included under the more comprehensive intervention case studies): As the MRM was only finalised for most workstreams in November 2017, it has not been possible to assess achievements of the different sectoral interventions. Instead, these performance reviews sought to assess the

validity of the intervention logic and the key underlying assumptions, with the aim of evaluating the potential of each workstream or intervention to achieve MSME development and poverty reduction through business environment reform. These are included in the Technical Annex.

4. **Three intervention case studies:** In consultation with Eссор's senior management team in Kinshasa, the MTE team identified specific interventions to serve as the focus of detailed case studies. Together with the Theory of Change assessment and the sector reviews, the case studies were instrumental in testing the validity of Eссор's intervention logic and implementation model. The case study subjects were selected based on their maturity (the extent to which implementation activities were well underway), and their expected impact. It is important to note that the expected impact of the selected interventions was not considered solely, or even mainly, in terms of aggregate net attributable income change (NAIC), but instead looked at their probable effect on business creation, employment, investment and GDP growth. Since Eссор's MRM system was not established in time for the MTE, the case studies were primarily based on the assessment on Eссор quarterly and annual reports, including reporting against logframe indicators. Intervention case studies are included in the Technical Annex.
5. **Interviews:** The Eссор MTE evaluation team conducted focus group discussions and one-on-one interviews with private and public-sector beneficiary and partner organisations involved in each of the workstreams. The MTE team also interviewed the senior Eссор staff, and key staff members of each of the Eссор workstreams – in most cases both during the inception mission in June and the evaluation mission in October – as well as the Eссор senior project management team.
6. **Results verification exercise:** The Eссор MRM was not in a position to be verified until November 2017 and so the full MRM was not available to inform the MTE process. The results verification was carried out by the DSU. It assessed all Eссор interventions, including the quality of results reporting and an assessment of the validity of modelled estimates of impact. A draft of the Eссор verification report was submitted to DFID on 1 December 2017 and approved on 11 December 2017.
7. **Management and organisation review:** The assessment sought to identify strengths and weaknesses of overall project management as well as: (a) the procedures by which interventions and partnerships have been identified and approved; (b) management of relationships and partnerships critical to successful implementation; (c) effectiveness of mobilisation of stakeholder support; (d) the extent and effectiveness of coordination between ÉLAN and Eссор; and (e) the appropriateness of the project reporting system. The assessment was based on discussions with DFID DRC and with Eссор senior management, technical leads and key public and private sector counterparts.
8. **A Value for Money assessment of Eссор:** The VFM assessment reviewed the Eссор VFM framework. This was complemented by interviews with the Eссор project team, and a further document review to assess the extent to which the framework influenced management decisions as well as allowing for a broader assessment of the project's VFM performance. The full assessment is presented in Annex D.

Annex B includes further description of the research activities undertaken during the MTE, while the MTE Inception Report sets out in full the methodology and data collection methods used for the MTE, including considering the ethical, cultural and gender-sensitivity aspects for research implementation.

### **3.3 Assessment of quality of evidence and evaluability issues**

The lack of an effective MRM system was a major constraint on the quality of evidence available for the MTE. No document repository existed so it was difficult and time consuming to compile full documentation on Eссор activities. At the time of the MTE a new logframe had been developed but there had been no reporting yet against this and the accuracy of available reporting information (in annual and quarterly reports) against earlier versions of the logframe was difficult to judge. While extensive, in-depth interviews were conducted with Eссор staff and external key informants to inform the sector performance reviews and the case studies, it was generally not possible to triangulate opinions from interviews with more objective sources of information – reflecting the limited progress with implementation. Consequently, the MTE has relied mainly on primary data collected by the evaluation team in the performance reviews and case studies, as well as the literature review and supplemental desk research.

An MRM system that involved establishing a repository of documents related to the justification of logframe results was established by November 2017. However, this did not systematically include any wider documentation – for instance regarding results chains, theory of change testing, intervention summaries, impact modelling, political economy analysis or studies of specific key issues such as gender. The MRM system even when established was thus of limited value for MTE purposes.

## 4 Summary of MTE Findings

This section summarises the findings from the MTE, presented as answers to the EQs. The full list of the MTE findings is presented in Annex C.

**Table 2 MTE Findings**

EQ #	EQ	Answer
1	<b>How well is Essor designed sustainably to improve the business environment?</b>	<p>Despite addressing to an extent seven out of the eleven Private Sector Traps identified in the DFID business case<sup>10</sup>, Essor is not well designed to improve the business environment because the project:</p> <ul style="list-style-type: none"> <li>• Lacks a systematic programmatic approach to private sector engagement and the identification of key challenges and obstacles to reform;</li> <li>• Lacks a robust and flexible system to adjust resourcing and planning based on traction of the interventions;</li> <li>• Failed adequately to articulate a theory of change (including most critically the key assumptions) and to use it to guide implementation;</li> <li>• Did not engage effectively with the challenges of instability, lack of political commitment to BER reform, lack of capacity and the lack of effective voice for MSMEs in policy processes; and</li> <li>• Did not develop a design approach that is specific enough about identifying and prioritising the BER issues which will most assist MSMEs.</li> </ul>
1.1	<b>To what extent is Essor's design based on a valid Theory of Change?</b>	<p>BER does directly address one of the four binding constraints to growth for DRC (government failures) described in the literature review and can impact two others by improving the environment for the private sector to invest in infrastructure and finance, as Essor is attempting to do in its A2F and A2E interventions.</p> <p>However, Essor did not fully articulate an adequate Theory of Change that highlighted and provided a basis for testing and reviewing critical assumptions. This was a fundamental implementation weakness. Essor's interventions have been implicitly based on assumptions about political commitment, capacity, the challenges of engaging with the private sector and fragility that have not been critically examined and that are highly problematic in the DRC context.</p>
1.2	<b>Has prioritising government as a key partner and beneficiary compromised the ability of the project to achieve its objectives?</b>	<p>Government is a key partner and beneficiary and should be prioritised, but this should not be at the exclusion of the private sector which needs significant support to properly engage in the identification and prioritisation of issues, which we have identified as key to the success of BER in FCAS. The risks of working with the Government were anticipated and mitigated in the original project design, which highlighted public–private dialogue as a key tool for the programme and proposed an adaptive design based on learning by doing, and the ability to adjust resourcing to programme traction and experience with government partners, supported by a comprehensive MRM and MSME survey process to support its decision making.</p> <p>However, a lack of systematic and effective engagement with the private sector has impacted the ability of the project to achieve its objectives. Interests of beneficiaries have been partially incorporated into intervention design. Several Essor workstreams have taken as their point of departure the binding</p>

<sup>10</sup> See Annex C.1 for a table of the Private Sector Development traps identified in the business case

constraints identified by business operators themselves. Only one, anti-corruption, has designed interventions that focus on the specific needs of women entrepreneurs. A2E has been engaged in discussions with potential investors, suppliers, and other private sector stakeholders. The political context is one in which the interests of MSMEs, the poor and women have little influence in the policy process and Essor is not working on strengthening their capacity to advocate and engage in policy reform and progress on gender has been slow and not well measured.

**1.3 To what extent are the assumptions informing project design proving valid in practice?**

It is too early to tell if the interventions are generating the targeted impacts because of the limited progress in implementation.

The political context of DRC does not favour BER and there are substantial obstacles to public–private dialogue with MSMEs as a means of building political consensus. This does not mean that political support for some reforms is impossible to achieve, but opportunities may be limited and dependent on alignment with the interests of the politically influential. Similarly, the political context is likely to militate against effective capacity development in public sector organisations.

**2 Is Essor appropriately organised and managed to perform effectively?**

Essor's poor performance is largely attributable to weak organisation and management.

- Effectively managing a £35 million BER project in DRC is one of the more challenging tasks in development.
- Essor does not have an effective senior management team (SMT) driving project delivery in Kinshasa. Team leadership has been part-time until February 2018 with little senior support and limited authority over the workstreams.
- Both DFID and PwC London have made interventions which have had the effect of further undermining in-country project team leadership.
- The lack of an effective SMT has resulted in weak strategic leadership and a lack of workstream accountability.

Placing a full-time, francophone Team Leader (TL) in the project is a necessary but insufficient condition to improve Essor. It also requires a powerful SMT to support the TL and for this team to have the autonomy to manage the project.

**2.1 Does Essor have the capacity and organisational arrangements to implement an adaptive project and its workstreams and interventions?**

From inception Essor has not been designed around the principles of an adaptive facility with overreaching objectives, and flexible interventions. The lack of an effective MRM system impeded learning and adaptation, as has the lack of stable local management.

**2.2 Does Essor have operational processes in place to ensure its portfolio is trimmed and/or expanded strategically over time to achieve its objectives?**

Essor does not have any such processes in place. Essor management did close the Construction Permits workstream once it became apparent that further progress was impossible, but that was an isolated case.

2.3	<b>How are partner and stakeholder relationship management processes affecting project performance?</b>
<p>Essor has not defined or applied standardised processes for the management of partner and stakeholder relationships. A proper set of such processes would start with the criteria for selection of public sector partners, which emphasise their willingness to effect change; the institutional context (i.e. can a potential partner make change happen largely on its own or does change depend on the cooperation of other bodies, some of which may resist reform?); the potential to achieve desired impacts by working with a given partner; and the operational, financial, and reputational risks of a failed relationship. The absence of any such processes has resulted, variously, in poor choice of partners, poor follow-through of Essor teams with partners; and inability of Essor teams to gain traction with chosen partners.</p>	
2.4	<b>How effectively is Essor coordinating with ÉLAN to enhance performance and achieve results?</b>
<p>Although it is understood that there is regular communication between the two projects there is little evidence that this has led to effective joint action, despite the substantial overlap in sectors and thematic areas in which the two projects operate. There have been some instances of effective cooperation such as on the coffee export tax. However, otherwise ÉLAN has launched market systems interventions without BER constraints having been addressed.</p>	
2.5	<b>Does Essor have the capacity and organisational arrangements to implement workstreams and their interventions?</b>
<p>At the time of the MTE, the project did not have the capacity and organisation arrangements to implement the project. The main problem for Essor has been the lack of a senior full-time project manager to help steer the project and adapt programming to opportunities and progress within a complex and fragile environment. Essor also lacked a functioning MRM system for most of the early years of the project, as well as an appropriate process for adapting resourcing and programming.</p>	
3	<b>Is Essor likely to deliver Value for Money?</b>
<p>Overall the project is unlikely to deliver Value for Money on its current trajectory. Only two workstreams (OHADA and A2E) have made reasonable progress, while all others have either already closed down or do not yet have compelling evidence to suggest they are on track to deliver any impact. There are major weaknesses with the management of the project despite this representing around one-third of the project's costs. For the OHADA and A2E workstreams, the nature of potential benefits needs to be more rigorously set out to allow a more evidence-based judgement of the extent to which these specific interventions might be achieving VFM.</p>	
3.1	<b>How appropriate is the Essor Value for Money framework?</b>
<p>Overall Essor's VFM framework requires some modifications to be more relevant to both guiding and holding to account project implementation. Most important at this stage of the project, however, is simply that data should be consistently reported against the indicators, so progress can be meaningfully assessed.</p>	
3.2	<b>How effectively is the Essor Value for Money framework used to inform project management?</b>
<p>Given that the project's VFM framework was not fully developed until early 2017 and reporting against it has been limited beyond the Economy level (i.e. cost of inputs), it has not been a key driver of project decision making. That is not to say that the principles of VFM have not been followed during project implementation,</p>	

but the lack of structure to monitor the adoption of these principles has restricted their potential influence in improving overall management decisions.

### 3.3 To what extent is Eссор on track to deliver Value for Money?

Overall the project appears to be substantially off track to deliver VFM. Eссор has made slow progress since it began in January 2015, as set out elsewhere in this evaluation. Although there has been some acceleration of activity in the last year, and the OHADA workstream has broadly met original expectations, the project overall remains clearly behind originally intended timelines.

## 4 To what extent is Eссор likely to deliver an improved business environment?

DRC advanced from 96<sup>th</sup> in the world in 2017 on the DB dimension 'Starting a Business' to 62<sup>nd</sup> in the 2018 DB report – a result of business registration reforms that were, in large part, designed and implemented by the OHADA team. Given the extremely fragile and challenging environment in which Eссор is operating, this is a significant achievement for the project. Overall, Eссор is likely to deliver some improvements in DRC's business environment but not to the extent envisaged in the MRM. Improvements include reduction in the time and cost of business registration and increased access to finance through creation of a collateral registry (OHADA); creation of a framework for public–private partnerships in renewable energy systems (A2E); reduction in the coffee export tax (AVC); and, potentially, reduction in corrupt practices at a key border crossing (AC) and reduction of the multiplicity of local government taxes and fees (MSME).

### 4.1 To what extent are Eссор workstreams and interventions effectively targeting the most relevant constraints?

The Eссор workstreams are broadly targeting the relevant constraints. An Eссор survey of 900 MSMEs found that access to finance and electricity were the most pressing concerns of enterprises.

However, selecting the appropriate strategies and interventions to make progress in these broad areas has been less effective (see Technical Annexes). The interventions could be more effectively targeted by (a) closer engagement with the private sector (only the AC workstream has involved the design of interventions in close consultation with intended private sector beneficiaries); and (b) closer collaboration with ÉLAN on addressing the market failures within the finance and agricultural sectors.

### 4.2 To what extent are the logic and assumptions linking interventions to intended results valid and being borne out in practice?

It is too early to tell if the interventions are likely to generate the targeted impacts. While progress against milestones was reported as over-achieved at the most recent Annual Review (output 3.2), the data verification exercise had low confidence in the validity of these indicators. The Annual Review gave poor marks to a number of interventions that technically met or exceeded their milestones, and found that only two out of the five workstreams had made significant progress (OHADA and A2E).

As the literature review and workstream case studies and performance reviews have discussed, the effects of BER on poverty reduction and increased MSME business activity (as measured by employment, output, investment, or other indicators) are unclear. Business environment reforms, including several of those supported by Eссор, are likely to benefit companies in the formal sector, especially larger ones, more than small and micro-enterprises, particularly those in the informal sector.

Both the A2E and OHADA workstreams have a fairly robust intervention logic and, if successful, are likely to lead to measurable impacts, even if those impacts are not fully captured in the MRM indicators. OHADA's streamlining of company registration, digitisation of company records and the accompanying creation of a collateral registry may facilitate increased formalisation and an expansion of business access to finance,



while the expansion of reliable, affordable electricity via solar PV mini-grids will have a direct positive effect on business creation, investment, and employment, and on household incomes in the areas served by these installations. To the extent that other Eссор interventions do lead to achievement of the intended results, their effects, as argued in the case studies and performance reviews, are likely to be modest.

#### 4.3 To what extent are interventions already prompting changes in the business environment?

The OHADA workstream has already achieved significant results with its work supporting a substantial improvement in the Doing Business ranking for DRC but the potential impact is unclear. For other workstreams, it is not yet possible to test the logic and assumptions of any Eссор interventions in terms of impacts, since none of the workstreams have progressed far enough to produce measurable impacts, which is to be expected at this stage of the project – BER can be a lengthy process, with results that may not be apparent within the life of a project. The evidence on whether other interventions are on track to achieve impact is more generally unclear or unconvincing.

#### 4.4 Are there any unintended consequences resulting from Eссор's interventions?

The MTE has not identified any unintended consequences.

#### 5 Is Eссор's measurement and reporting system appropriate to improve implementation?

The Eссор MRM system has not been appropriate or effective for improving implementation. A functional MRM system was not in place until the end of 2017.

#### 5.1 Does the logframe facilitate adaptive management of Eссор?

**The logframe facilitates adaptive management to a limited extent** as the impact and outcome indicators are mostly common to different interventions, with progress of the individual workstreams measured by the achievement of milestone results and delivery of interim impacts and outcomes.

**The logframe does not lend itself to comparison of achievements** across the different workstreams to enable readjustment of resources based on traction of the different workstreams. This is due to lack of attribution of results. NAIC cannot be attributed to specific Eссор interventions with reliability. The logframe/MRM is more accurate in its attribution of output and outcome indicators; however, the most recent Annual Review criticised the use of these indicators as a measure of success precisely because they do not provide any meaningful gauge of success and eventual impact, and therefore cannot facilitate adaptive management.

Typical characteristics of logframes in adaptive programmes like that envisioned for the Eссор Facility include: use of a high-level 'framework' logframe supplemented by more detailed 'nested' logframes; 'harvesting' results retrospectively; a portfolio or 'basket' approach to outputs; and the use of process-related outputs focused on learning and adaptive management. Logframes should be viewed as active management tools which are frequently changed and updated.<sup>11</sup>

#### Does the logframe allow for flexibility in adjusting implementation, closing-out or replacing interventions and workstreams?

There is potential to modify the logframe as the project develops, and add additional interventions and workstreams but no mechanism to support such decision making. The MRM does not measure the relative

<sup>11</sup> Donovan and Manuel (2017) Adaptive Programming and Business Environment Reform – Lessons for DFID Zimbabwe, ERF, April.

contributions of different workstream interventions to project results or impacts. This is partly a fault of the logframe itself and its reliance on NAIC and similar impact indicators, which cannot reliably be attributed to specific interventions, but also reflect the lack of attention to developing adequate specification of the Theory of Change underlying the project and its interventions.

**5.2 Is the way in which indicators are being measured and reported providing an accurate reflection of project performance?**

To date the measurement system is not providing an accurate reflection of project performance. The data verification exercise indicated low confidence in the accuracy of the data being collected by the monitoring and results management system. The system is new, having been approved by DFID in December 2017, and so therefore it may take some time to iron out data collection and quality issues.

**5.3 To what extent does the MRM system contribute to learning and improving project performance?**

The MRM has not contributed much to learning and improving project performance. There are embedded logframes which track performance of each workstream but at the time of the MTE these had not been implemented.

The MRM was adopted less than a month before the MTE was completed and it is too early to render an opinion on this. The MRM as demonstrated to the evaluators was based on Microsoft Excel, with supporting documentation (pdf and Word files, images, and spreadsheets) held separately in a shared Dropbox folder. The difficulty of navigation of this system limits its utility as a management tool. Essor is apparently in the process of migrating the MRM from Excel to an SQL database, which should make it easier to generate real-time reports that would facilitate adaptive management of the project.

## 5 Conclusions<sup>12</sup>

Essor's performance has been compromised by weak management and oversight, the failure to fully articulate an adequate theory of change, which ensured critical assumptions were confronted and reviewed, and the absence of an effective MRM system. Overall there is little sense that the different workstreams were conceived or have been executed as part of a single project with a common, coherent set of objectives.

### Design conclusions

1. **Essor, as it has been implemented, has departed substantially from the original concept, expressed in the terms of reference, of an adaptive, demand-driven, flexible facility.** It is not effectively demand-driven, in that, although some interventions have apparently been undertaken at the request of one or another public-sector entity, other interventions do not clearly respond to a genuine private sector need or a binding constraint to private sector growth. Essor has in practice locked itself into a small number of interventions whose scale and level of commitment limit the scope for flexibly exploring new opportunities. Essor has not instituted a clear process to evaluate interventions so that they can be scaled up or abandoned based on their performance or potential.
2. **Essor's theory of change has been unclear throughout its implementation, even in the version produced in Q2 2017.** As a result, the challenges of working with (in particular) a small-scale private sector with marginal political influence in a situation of limited government commitment to business environment reform and endemic capacity weakness have not been explicitly confronted.
3. **Design of workstreams: Essor has successfully initiated two key activities (A2E workstream and the leasing intervention within A2F) which could potentially have far-reaching effects on poverty reduction** and yet whose results do not fit well into the logframe. For example, access to reliable and low-cost power, for which A2E is helping to prepare the regulatory and institutional framework to attract private participation in development and operation of solar PV networks, will benefit both businesses and households, but not exactly in the way envisaged in the Essor TOC or the logframe indicators. Individual entrepreneurs and poor households will benefit, but indirectly, and mainly because of greater employment or subcontracting opportunities with larger firms. Households may benefit directly to the extent that they are now connected to the grid and consequently enjoy a better quality of life, but this cannot be measured in NAIC, which for A2E is calculated as the savings to consumers of using cheaper solar grid power as compared to much more costly use of diesel generators. The A2F leasing intervention could be instrumental in improving access to finance for businesses, especially now that it is supporting the legal and regulatory framework for leasing market interventions by ÉLAN, but the impacts may not be reflected in the logframe.
4. **The AVC workstream, though it succeeded, jointly with ÉLAN, in reducing the coffee export tax, was based on a flawed TOC,** which identified the difficulty and high cost of exporting as the binding constraint for the coffee sector in DRC. The business case then proposed a two-fold intervention, one part of which focused on restructuring and reinforcing ONC, and the other part of which focused on increasing the integration of DRC coffee producers and exporters into regional value chains, though this was never demonstrated to be a binding constraint. In addition, the main beneficiaries of the reduced coffee export tax are the 20 or so coffee traders that handle the bulk of official exports rather than coffee producers themselves. The capacity building and restructuring of ONC, though it is in its early phases, shows promise, especially given ONC's role

<sup>12</sup> The supporting arguments and evidence behind these conclusions can be found in the annexes.

as the main government coordinator and regulator not only of coffee but of 20 other cash crop value chains. Eссор research<sup>13</sup> has also contributed to ONC's understanding of the high potential of Robusta coffee, formerly the main coffee variety produced in DRC, which, although it commands a lower price, can be grown on a much larger scale and at a lower cost.

5. Lack of access to finance emerged from the MSME survey conducted by Eссор as the second most important constraint to MSME development, after lack of access to electricity. However, **the Theory of Change for A2F interventions lacks detail on how a virtuous circle of progress can be achieved, and does not indicate why the A2F interventions selected are the most appropriate ones.** The three A2F interventions do not flow logically from this theory of change, and have not been designed to address the main problems correctly identified in the theory of change. The inclusive insurance component addresses an issue of limited relevance to the private sector in general, and of less relevance to the MSMEs that are meant to be the targets of the workstream. For the MSMEs, **the potential for leasing may be limited, although such products have had a positive impact on low income groups elsewhere.**<sup>14</sup> The ÉLAN project plans to launch a leasing product in DRC in 2018, and may enlist Eссор's help in ensuring that the appropriate legal and regulatory dispositions are in place. **This would be a good collaborative intervention for Eссор and ÉLAN.**

## Management and Organisation

6. **Eссор has suffered from high management turnover.** It has failed to put in place a senior management team capable of knitting together the disparate workstreams into a coherent whole with a common strategic vision. Both at the senior management level and in the individual workstreams, too many key staff members have been part-time and/or non-resident. It is hard to bring about real change using a fly-in, fly-out model of delivering technical assistance and support.
7. In practice, although Eссор's performance indicators are meant to be disaggregated by sex, and although poor populations and, especially, women are meant to be the primary beneficiaries of its interventions, **there is little evidence that most of its interventions are designed explicitly or effectively to benefit women.** There is, furthermore, no gender indicator in the logframe. Indicator 5.1 should include a specific reference to gender inclusivity. Overall, Eссор's progress in the achieving gender and inclusion objectives has been (a) slow, even considering the challenges of working in the DRC context, and (b) not well measured. Notable too is the fact that at a workstream level, most of the Eссор gender-related activities focus on training and sensitisation, with less focus on the concrete and facilitative actions which are likely to produce more transformative change.
8. **Eссор did not put in place an MRM system until November 2017, nearly three years after project inception.** Since the system had yet to be populated with data at the time of this evaluation, it is impossible to judge its appropriateness and its ability to capture relevant data. The many iterations of Eссор's logframe have failed to put in place indicators that can accurately reflect genuine project achievements when they occur.

## Implementation Experience

9. **Eссор implementation has been slow.** The Eссор Annual Review conducted by the DSU in February 2017 observed that 'Overall the project has established a firm basis for action, but aside

<sup>13</sup> From discussion with the senior AVC and ONC staff. Discussed in the Technical Annex on AVC.

<sup>14</sup> PropCom (2011, 'Making tractor markets work for the poor in Nigeria', [https://www.enterprise-development.org/wp-content/uploads/tractor\\_case\\_study.pdf](https://www.enterprise-development.org/wp-content/uploads/tractor_case_study.pdf), Retrieved 17 April 2018.

from the strong progress made on the OHADA project, less has been achieved than we would have hoped for. The project has failed to meet any of its logframe targets. This is in large part due to a failure to update the logframe to set more realistic targets for the first full year of the programme.'

10. Eссор's relative lack of progress has been attributed, by DFID and the project team, to events and conditions outside the control of project management and staff, including: 'the changing and complex political environment in which Eссор has been operating – in particular issues with the signing of the agreement with the Government of DRC and the dissolution of the Comité de Pilotage pour du Climat des Affaires et des Investissements (CPCAI), the body under the Minister of Plan charged with coordinating and evaluating business environment reforms, and the programme's key interlocutor.' DFID also reduced its spending on the DRC programme during FY 2015/16, and instructed Eссор to 'go slowly' on the portfolio outside of the OHADA workstream. These events have certainly slowed implementation, but Eссор management has failed to craft effective responses to these challenges.
11. **After three years the OHADA workstream has shown significant progress in implementation, as has A2E** through its improvement of the legal, commercial and financial environment for the development of independent solar electricity generation and distribution grids.
12. **The anti-corruption (AC) workstream has established close cooperation with numerous BMOs and NGOs**, with an emphasis on those that focus on women in business. The AC workstream has been working collaboratively with many beneficiaries but it seems to have spread itself too thin, both geographically and thematically. It does not have sufficient resources to pursue all the reform opportunities that present themselves, and needs sharper focus.
13. **The MSME workstream shows promise in focusing on tax reform at a subnational level**, where political resistance and interference might be less than in central government bodies. It has done useful work in publishing local government tax guides which, by alerting both taxpayers and local government officials to the rights and obligations of taxpayers, can potentially reduce illicit payment demands by corrupt officials. Effective tax reform, however, requires reform of processes and procedures and training and capacity building for tax officials.

## 6 Lessons and Recommendations

### 6.1 Lessons

The findings, conclusions, and recommendations of the MTE, though specific to Eссор, may offer some lessons for DFID with respect to future projects in the DRC, both BER and other kinds of interventions, and to future BER projects in other challenging environments. The main broader lessons are:

1. A failure to adequately and explicitly articulate a Theory of Change and then to use it to guide and monitor implementation can be a fundamental flaw particularly in such challenging circumstances, as are provided by attempting to bring about BER in DRC.
2. BER projects that focus on policy and legislative reforms alone are not responsive to the main challenges businesses face in DRC, and are unlikely to produce any significant improvements in the business environment. Legislation and regulations in DRC are far from perfect, but they are not notably worse than in many other countries whose economies perform much better. Nor is the capacity of public institutions in DRC markedly worse than in many other countries in sub-Saharan Africa and elsewhere, which nevertheless perform better than DRC. This suggests that it is of fundamental importance to understand the political and institutional context in which the project is operating, and in particular to try to align the aims of the programme with political incentives.
3. Work on BER in DRC faces significant challenges from a dysfunctional political system and high-level, endemic corruption on a massive scale. Projects need to be designed in a way that is adaptive to emerging opportunities and is rooted within a realistic appraisal of the political economy.

### 6.2 Recommendations

For each recommendation we provide an indication of whether the recommendation is primarily addressed to DFID DRC (DFID) or the Eссор management team (Eссор).

#### 6.2.1 Overall Management of the Project

1. It is recommended that the project be given a period of four months (to end of April 2018) to substantially improve the central management and agree the composition of its workstreams on an informed basis. If project management has not adequately improved by this point, then we recommend the programme be pared down to the workstreams that show progress (OHADA and A2E with a refocused AC; see portfolio design below) with a much-reduced central management function. Key criteria to evaluate management improvements should include:
  - A competent, full-time, resident, Francophone, BER specialist Team Leader in post, with a functional SMT;
  - Strategic coherence, complementarity, and relevance of the workstreams and their interventions articulated; and
  - Each workstream having produced an assessment of:

- A plausible workstream theory of change, including assumptions;
  - What is likely to have been delivered in terms of results by project closure;
  - What resources are needed to achieve this goal; and
  - Progress against clearly defined performance targets (Eссор, DFID).
2. The workstreams need to have either resident French-speaking leads, or (if nonresident) senior members of the team who can interface with the client and support them in decisions related to the political economy. They need *not* be highly experienced technical experts: except for A2E, few Eссор interventions require highly developed technical expertise. Their principal tasks should be to build relationships with and coordinate support to designated counterparts and beneficiaries, often through relationships and in conjunction with other donors. The workstream leads, subject to approval by the Team Leader, should have the ability to bring in short-term technical specialists as needed, with a minimum of delay (Eссор).
  3. Wherever possible DFID needs to give accountability for project management to PwC and reduce its involvement with ongoing project management decisions to enable the project to be more rapid, flexible and responsive to ongoing implementation needs. DFID can advise and can also put in writing their suggestions but the accountability for implementation decision making should be with the implementing partner (DFID).
  4. The MRM system should be strengthened to more accurately reflect achievements and results appropriate to a BER project. This could include developing more intervention-specific impact indicators based on an exercise of clarifying the full range of expected benefits for each workstream. It should also incorporate a review of what the best indicators of progress towards such impact could be (Eссор). The timing of the project's final evaluation should be three to five years after project close-out, providing a more realistic time frame to assess the true impacts of the project (DFID).
  5. The project needs to implement its private sector engagement strategy, and engage in a systematic way with the private sector to better identify issues and develop solutions. Different techniques can be used:
    - a. Use of the planned regular MSME survey to gather feedback on issues and progress on reform;
    - b. A light-touch stakeholder mapping for each intervention to identify key potential champions and challengers for each reform. This can be used as the basis for establishing public–private dialogues to work on each issue;
    - c. If there is time at this stage of the programme, working alongside BMOs (and engaging other local stakeholders like think tanks and the media) to build their capacity to represent MSMEs and specifically to prepare issues for dialogue, and advocate and monitor reform; and
    - d. Implementation of the communications strategy to build support for the reform process (Eссор).
  6. An improved VFM framework should be implemented. Key changes include defining the qualitative analysis required, setting targets, breaking down the analysis to the workstream



level, and improving and integrating the impact modelling into the framework. Reporting against the framework should focus on what the analysis implies for adapting the project implementation strategy (Essor).

7. Essor should seek to place a long-term, resident expert within ANAPI to support the organisation and help set strategic reform priorities, most likely by working with one or more local staff to set and carry out a policy reform research agenda (Essor).
8. Essor should cooperate more closely with the ÉLAN project. DFID should develop an approach to sharing attribution that incentivises collaboration between the projects (DFID).

## 6.2.2 Overall Project Portfolio Strategy

9. Given most workstreams' slow progress to date, and the complexity of BER in the DRC, the project's remaining time frame is very short.<sup>15</sup> To inform the project's strategic choices, DFID should clarify whether it is willing to continue to engage in BER beyond 2019 (DFID). If DFID does not indicate a willingness to continue supporting BER in DRC, Essor should plan its project closure based on the expectation of no further engagement beyond the end of 2019. The expected end-point of all workstreams ahead of that date needs to be clear, including any required transition arrangements of activities to government or other donors. In such a context, there seems limited merit for any further diagnostic or early-stage reform activities (Essor).
10. Given the challenges the project has faced in trying to manage its activities in the highly complex area of BER in the DRC, a practical approach at this stage would be to reduce the range of activities being supported. This is relevant both within certain workstreams themselves (anti-corruption, which has engaged in far more interventions and activities than it has the management and technical capacity to support) as well as in reducing the breadth of the Essor portfolio of interventions. An optimal portfolio at this stage of the project would consist of a continuation of the OHADA and A2E workstreams as currently configured, together with an anti-corruption workstream reduced to a much smaller set of interventions, but with the possible incorporation of the MSME as a standalone intervention within the anti-corruption workstream (Essor).
11. Were DFID to indicate a willingness to continue to support BER in the DRC beyond 2019 then the project could adopt an approach closer to the originally intended flexible facility design. The sector performance reviews and case studies set out specific examples of potential new departures for workstreams that might prove effective but would require a longer period of support than could be achieved during what is left of the project's existing time frame (Essor).
12. The decision has already been taken to shut down the AVC workstream. It is recommended that the Essor AVC team be offered to ÉLAN to work on improving the business environment for the coffee value chain and others, notably by reforming the rules, regulations and procedures that ONC applies, and providing technical assistance and capacity building to continue to help the ONC become an organisation that provides valuable services to actors in coffee and other agriculture subsectors (ÉLAN).

<sup>15</sup> Essor's contract end date is January 2020. To allow for sufficient reporting as well as the wind-down of relevant activities, this implies most workstreams will need to largely complete their activities by the end of Q3 2019.

13. The project should develop a systematic engagement strategy with the private sector, to build the capacity to identify and advocate for reforms and to encourage transparency and accountability (Eссор).
14. To improve its gender focus, Eссор should collect specific gender-focused data for all its data collection and survey activities for 2018. This is not simply a question of disaggregating samples and responses by sex. Specific questions need to be asked about the gender outcomes and impacts for the workstreams under study. There is currently no mention of gender in the survey descriptions. Careful attention then needs to be paid to considering how this data practically informs the implementation of workstreams (Eссор).
15. In general, interventions going forward should be moving away from the current heavy focus on training and sensitisation, and towards more practical and facilitative actions with concrete and measurable outputs (Eссор).
16. Eссор should use political economy analysis in a systematic way to guide its understanding of partner and stakeholder relationships.

### 6.2.3 Recommendations by workstream<sup>16</sup>

17. **Access to electricity:** The A2E workstream should continue its activities with few changes. Better performance indicators should be developed.

Eссор's Senior Gender Specialist should ensure that access to the solar mini-grids is inclusive; currently (as with AF2), the main target population seems to be medium and large enterprises, which may indeed benefit women and poorer people, but not as a directly targeted population. Access should be facilitated by reviewing and reducing current barriers.

18. **OHADA:** should be continued and expanded as resources permit (more detailed recommendations are provided in the OHADA case study).

19. **AC:** future AC interventions should restrict themselves to Kinshasa and one other location.

Prioritise the focus on women and preventing sexual and other exploitation in the AC workstream at Kasembelesa Crossing in Katanga. Additionally, in the context of AC, strengthen WEE dimension via collaboration with La Pepinière, because greater WEE reduces women's vulnerability to corruption.

20. **AVC:** DFID have decided to close the AVC workstream in Eссор. It is proposed that the AVC team be offered to ÉLAN to assist with the enabling environment for agriculture and agribusiness.

21. **MSME:** Given the degree of convergence between AC and MSME, a merger of the two workstreams is proposed, with an expanded focus to include not only official payments but unofficial ones as well.

22. **A2F:** There are two choices for Eссор and DFID with respect to A2F:

<sup>16</sup> See discussion in the MTE Technical Annexes, which underpin these recommendations.

- i. maintain a reduced presence until ARCA and the Central Bank become more receptive to Eссор support in development of the regulatory framework for insurance and focus on leasing activities in collaboration with ÉLAN; or
- ii. seek other aspects of inclusive finance that it could support and in which it could produce results within the two remaining years of project life; specifically, consider interventions which address the needs of MSMEs, especially women-run ones. This should include a focus on improving access to, and terms of, credit or debt for business expansion (the current leasing and insurance interventions are less likely to benefit smaller businesses).

## Annex A Excerpts from the MTE Inception report

### A.1 Eссор MTE design

#### 4.1 Objectives and scope of the evaluation

Few specific issues were identified during Eссор's annual review for inclusion in the MTE, reflecting the limited implementation of the project at that stage. The priorities for the scope and objectives of the MTE were informed more substantially by discussions with DFID and the service provider during the inception process. The inception process and the issues prioritised are detailed in the section describing the development of the evaluation questions.

The purpose of the mid-term evaluation is two-fold: 1) to satisfy DFID requirements for mid-term evaluations of all its projects; and 2) to identify any constraints or risks to project results, and recommend corrective actions. The specific evaluation objectives are to:

1. Determine whether Eссор's theory of change supports adaptive project implementation that is likely to lead to sustainable changes in the business environment;
2. Assess whether Eссор's organisational capacity and arrangements support effective performance within a complex implementation context;
3. Review how effectively interventions within workstreams are being implemented, and whether intended results are likely to be achieved;
4. Propose changes to implementation that will improve project performance and the likelihood of achieving results; and
5. Gauge the accuracy and utility of project performance measurement, as well as any evaluability constraints anticipated for the project's final evaluation, and recommend improvements to address issues identified.

#### 4.2 Description of the Eссор project

Eссор is a £35 million, five-year project launched in May 2015 and managed by PwC. As part of its £100 million Private Sector Development Programme, DFID intended Eссор to be a Flexible Facility which will, on an as needed basis, design and implement interventions on:

- Business environment reform (commencing with support to the Government of DRC for OHADA implementation);
- Access to finance; and
- Anti-corruption.<sup>17</sup>

DFID's terms of reference for Eссор called for this flexible facility, 'on an as-needed basis [to] design and implement business environment, access to finance and anti-corruption interventions in order to contribute to private sector development and poverty alleviation in DRC. This work will commence with a programme of support to the Government of DRC for the implementation of OHADA law, practices and institutions ... [and] will contribute to outcome indicator 1 of the logframe for DFID DRC's Private Sector Development Programme: to support DRC to reduce its distance to the frontier of the World Bank Doing Business Indicators from 35 to 52.'<sup>18</sup>

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<sup>17</sup> DFID DRC TOR for Eссор (2013)

<sup>18</sup> Ibid.

The first Eссор Annual Review, conducted by the DSU in February 2017, gave the project a score of B for 2016 (subsequently revised to an A by DFID), observing that 'Overall the project has established a firm basis for action, but aside from the strong progress made on the OHADA project, less has been achieved than we would have hoped for. The project has failed to meet any of its logframe targets. This is in large part due to a failure to update the logframe to set more realistic targets for the first full year of the programme.'<sup>19</sup>

This relative lack of progress has been attributed by DFID and the project team to events and conditions outside the control of project management and staff, including: 'the changing and complex political environment in which Eссор has been operating – in particular issues with the signing of the agreement with the Government of DRC and the dissolution of the Comité de Pilotage pour l'Amélioration du Climat des Affaires et des Investissements (CPCAI), the body under the Minister of Plan charged with coordinating and evaluating business environment reforms, and the programme's key interlocutor.'<sup>20</sup> DFID also reduced its spending on the DRC programme during FY 2015/16, and instructed Eссор to 'go slowly' on the portfolio outside of the OHADA workstream.

The slow ramp-up of Eссор activities also stems from the key operating principle of designing its portfolio in partnership with government, which added an additional layer of approvals for the selection of workstreams and interventions. The development of Eссор's portfolio required detailed scoping of potential workstreams and business cases for each proposed intervention, to inform negotiations and meet the approval requirements of DFID and the DRC government.

### 4.3 Eссор's theory of change

Eссор's theory of change as articulated in April 2017 sees Eссор support to government resulting in businesses receiving better services from the government, which will result in improved incomes, job creation and poverty reduction. More specifically, Eссор's activities will be the following:

- Support Government to engage with private sector organisations through consultations and public–private dialogue;
- Support Government to review, draft and adopt improved legislation to enact the priority reforms;
- Support Government to review, draft and adopt new operational frameworks to deliver better services to businesses; and
- Build the capacity of Government to deliver services that are more transparent, cost-effective, accessible and equitable and inform businesses that these services are available and how to access them.

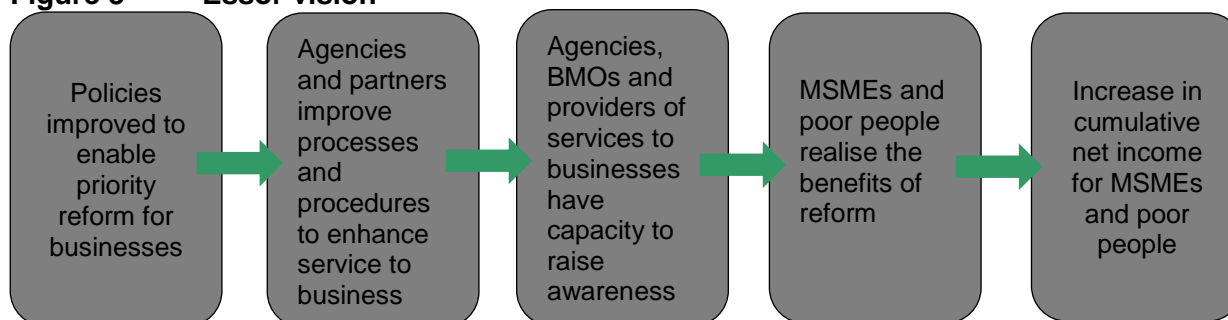
As a result of these activities, Eссор believes the Government will:

- Identify and prioritise relevant reform for MSMEs;
- Improve the legislative framework for those reforms;
- Improve processes and operating frameworks to enact the legislation; and
- Improve its capacity to deliver the services and inform businesses of their availability.

This action by government will mean that businesses receive more cost-effective, accessible, equitable and reliable services from Government which will remove obstacles to investors and decrease costs. Eссор envisages this happening through the following chain of actors and actions:

<sup>19</sup> PSD Annual Review Summary Sheet, March 2017

<sup>20</sup> ESSOR Annual Report, 2016

**Figure 3** Eссор vision

## 4.4 Rationale and key factors for success

**Table 2** Investment climate obstacles and Eссор workstreams

Investment climate obstacle	Workstream(s)	Workstream objective
Corruption	Anti-corruption	Reduce resources lost to corruption through improved fiscal burden and anti-corruption reforms
Customs procedures and commercial regulations	Agricultural value chains reform Anti-corruption	Traders face a reduced trade burden and experience a more credible, transparent and equitable regulatory system
Access to electricity	Access to electricity	Businesses benefit from improved public procurement process and increased access to electricity
Access to finance	Access to finance OHADA	Businesses can access financial services (credit, insurance, leasing, investor protection) that are more cost-effective, more equitable and more accessible
Taxes and fees	MSME support Anti-corruption	Tax policies and regulatory frameworks are streamlined and operate with more transparency, equity, reliability and accessibility
Heavy administrative burden	OHADA Construction permits Anti-corruption	Business registration services are more cost-effective, transparent, reliable and accessible

The rationale for intervention as described by Eссор is a series of obstacles to investment which they identified by conducting a survey<sup>21</sup> of micro, small and medium-sized enterprises. Eссор's work has been structured around these obstacles; there is at least one workstream targeted at addressing each obstacle, as shown in Table 6. Given that the overarching goal is reduction in poverty, we can understand Eссор's perception of the key underlying problem to address being that a poor business environment impedes the recovery and growth of the private sector, which in turn restricts the business opportunities for people and inhibits poor people's opportunities to improve their income.

Eссор believes it will achieve success through these workstreams, by focusing on a small number of reform objectives which will result in benefits for a large number of MSMEs and people. Eссор aims to work with government departments and agencies on 'demand-driven' policy, legal and regulatory reform that focuses on targeted MSMEs, sectors and provinces. They will focus on reform of specific policies, legislation and regulation that will have the highest impact, covering large populations.

<sup>21</sup> A survey of 920 MSMEs in Kinshasa, Bandaka, Lubumbashi and Goma.

Eссор expects to be informed by public–private dialogue. They will develop products and promotional materials with public and private intermediaries to raise awareness and disseminate reforms through relevant public and private sector intermediaries that will engage target groups, who will benefit from reforms.

Eссор's key activities are identified as 'what needs to happen to effect change' in their *Eссор Vision* document of April 2017. This is replicated in Table 7 below.

**Table 7 Eссор activities critical to success**

The change process	What needs to happen to effect change	The impact
Government strategy/plan to address priority reforms that are relevant to MSMEs	Eссор enables businesses to influence GoDRC policy/strategy at national level and in target cities and markets. Eссор works with Government to develop a plan/ strategy	National and provincial Government understands business obstacles that are important to MSMEs in target markets/cities
Government improves legislative and regulatory framework to enable reduction of costs, obstacles and corruption, and improve business services to MSMEs	Eссор supports Government reforms priority legislation and regulations resulting from PPD	X no of priority legislation and regulatory frameworks, at national level with focus on MSMEs specific markets and cities
Government has capacity to deliver reforms to MSMEs – removing obstacles and improving processes	Eссор supports improvement in Government capacity to deliver reformed legislation and regulation to enhance delivery of services to MSMEs	X no services or simplified business processes that specially target MSMEs in X cities and markets are implemented
MSMEs in target markets/cities are aware of reforms and realise benefits from the changes	Eссор works with intermediaries to raise MSMEs' awareness of reforms MSMEs learn how to work with reforms and Eссор works with intermediaries to monitor business improvements	X no of businesses have increased rights/access to improved services, reduced number of corruption payments leading to reduced X cost and time in target sectors and cities, and the potential to impact X businesses at national level

## 4.5 Assumptions

Eссор's *Vision* document of April 2017 is not explicit about the assumptions behind its theory of change. Table 8 shows what they identify as activities critical to the achievement of impact. Therefore, there is an implicit assumption that these activities will be carried out without impediment in order to achieve impact, but there is no identification of specific barriers to these or any influences outside of the project's control. Similarly, there was no identification of assumptions behind the logic expressed in Figure 3.

In the most recent version of its logframe, Eссор has identified key assumptions behind the achievement of its outputs, outcomes and impact and these are presented in **Table 8**.



**Table 8 Logframe assumptions**

Logframe target	Assumptions
<b>Impact:</b> Reduced poverty through (enabling) improved incomes of poor women and men	<p>Local and global security and macroeconomic conditions do not undermine stability and economic growth.</p> <p>Inflation does not cause the DRC currency to depreciate such that the GBP-denominated benefits significantly diminish.</p> <p>Savings on taxes and fees, cost of compliance and time spent on compliance is directly reflected as increase in profit and increase in income to business owners.</p>
<b>Intermediate impact:</b> Business environment reforms (BERs) transform targeted sectors	<p>An improved business environment</p> <ul style="list-style-type: none"> <li>• Increases business activity and output.</li> <li>• Stimulates business formation</li> <li>• Encourages formalisation of businesses to allow access to financial products and investment</li> <li>• Encourages investment</li> <li>• Encourages improved risk management.</li> </ul> <p>For the coffee sector it is assumed that the disincentives to trading legally are predominantly financial. It is further assumed that an increase in profit will drive an increase in demand from export agents, which in turn will raise prices to the producers. In this way a portion of savings in costs for export agents are passed on to producers.</p> <p>For the electrification workstream, it is assumed that installed capacity is a proxy for energy consumption.</p> <p>For the leasing and insurance interventions, it is assumed that enterprises will qualify financially to access leasing products, and that enterprises will demand insurance products as they become available.</p> <p>For OHADA, it is assumed that enterprises will maintain their registrations under the new RCCM system.</p>
<b>Outcome:</b> An improved business environment that fosters economic opportunities for poor people, with a particular focus on MSMEs and women	<p>Viable commercial opportunities exist for private investors.</p> <p>Resistance to reforms by those with vested interests in maintaining the status quo or reversing reforms can be mitigated.</p> <p>Official procedural changes are enforced.</p> <p>Increased earnings are passed on to MSMEs.</p> <p>Factors outside of Eссор's control do not overwhelm its contribution to business environment improvements.</p>
<b>Intermediate outcome:</b> Stakeholders and institutions have capacity to identify and undertake BER	<p>Government commitment to BER</p> <p>Continuation of functioning MDAs and legitimacy of government actions is maintained</p> <p>Awareness of issues is sufficient to stimulate reform actions</p> <p>The work environment allows trained officials to apply their skills for reform actions</p> <p>Changes adopted by institutions are maintained by successive managers and ministers.</p>
<b>Output 1:</b> The GoDRC and private sector identify issues for reform and lobby for change	<p>MDAs are open to receiving and incorporating dialogue from the private sector.</p> <p>The private sector is willing to engage with the public sector and believes it is worthwhile.</p> <p>Fear of reprisals do not limit sharing of critical inputs by MSMEs.</p> <p>Quality information on the business environment is of value to stakeholders in promoting, planning and managing reforms</p>

<b>Output 2:</b> Development of human capacity in target GoDRC ministries, departments and agencies (MDAs) and private sector organisations enables Essor-targeted reforms	High rates of turnover at MDAs do not occur or, if they do, do not negate the benefits of capacity building for the target MDAs. Officials have interest and find value in developing skills in areas relevant to Essor-supported reforms Appropriate officials participate in training
<b>Output 3:</b> Essor interventions are implemented in partnership with GoDRC.	Buy-in to reform agenda can survive turnover in institutional leadership. Key actions are politically feasible to achieve. There is sufficient stability in Essor areas to allow interventions to proceed Essor surveys can be undertaken without security risk to personnel Essor interventions do not become politically sensitive
<b>Output 4:</b> Systems and procedures in place to give force to embed OHADA Law in DRC legal Framework and commercial practices	There continues to be political support for implementing OHADA within DRC Capacity of partners is sufficient to contribute to the delivery of interventions. Security risk remains low enough to permit access to DRC and targeted provinces. Corruption and patronage networks do not undermine the programme or its workstreams. Changes in personnel in government institutions are manageable such that they do not have a negative impact on delivery. Essor interventions do not become politically sensitive
<b>Output 5:</b> Business environment stakeholders have information that allows them to respond to reforms	Awareness of BER reforms is sufficient to incentivise behaviour change.

The main assumptions or questions that inform this TOC and which need to be tested are:

1. Whether a poor legal and regulatory environment (including policies, laws, and regulations and their implementation and institutional setting) is indeed the binding constraint on micro, small and medium enterprise development;
2. Whether target beneficiaries (including the poor, vulnerable and women) are able to take advantage of opportunities created by successful business environment reform;
3. Whether the World Bank Doing Business (DB) indicators which have informed the design of the Essor workstreams and objectives appropriately reflect the major constraints that businesses in DRC face; and
4. Whether there is effective political commitment and capacity at different levels of government in DRC to implement reforms to improve the business environment.

## 4.6 Scope of operations

Essor's seven workstreams are:

6. OHADA implementation;
7. Access to finance (A2F);
8. MSME taxation;

9. Agricultural value chains;
10. Access to electricity (A2E);
11. Construction permits; and
12. Anti-corruption.

Eссор is unusual in relation to normal international practice in that it is a business environment improvement project that focuses less on national-level policies, laws and regulations (the OHADA and Access to Finance workstreams are partial exceptions to this) and more on practical, localised interventions likely to lead to bottom-up business environment reforms. This is illustrated in Table 9, below, which shows the principal interventions in each workstream.

**Table 9 Eссор's workstreams and interventions**

Workstream	Current Interventions	Main Counterparts/Partners
OHADA implementation	Reinforce Commission Nationale OHADA and its communications training capacity	Ministry of Justice, Ministry of Finance, Commission Nationale OHADA (CNO), GUCE (one-stop shop for business registration), Registry of Commerce and Property Credit (RCCM); Tribunal de Commerce in Kinshasa, Association des Amis de l'OHADA
	Re-engineer and digitise RCCM registration system and establish new GUCE/RCCM one-stop registration centres in Kinshasa and other provinces.	
	Establish Association des Amis de l'OHADA as training provider for CNO	
	Help Ministry of Finance and Institut National de Sécurité Sociale (INSS) to introduce a simplified version of social security and tax payment for MSEs*	
Access to finance	Leasing enabling environment (drafting a leasing law and regulations, and associated institutional development and training)	Central Bank, Ministry of Finance, Micro-finance institutions (MFIs), Savings cooperatives; MSME business associations; UN Capital Development Fund, GIZ
	Insurance enabling environment (drafting a new insurance law and regulations, and associated institutional development and training)	Central Bank, Ministry of Finance, ARCA (insurance regulator), SONAS (national insurance company)
MSME taxation	Rationalisation/simplification of fees and taxes paid by micro and small enterprises and reducing compliance burden	ANAPI
	Support tax optimisation and simplification in government, and reducing barriers to formalisation for MSEs	
	Support implementation of e-payment system for taxes.	

Agricultural value chains	Institutional reform of the Office National du Café (ONC)	ONC; ASSECAF (Coffee exporters' association)
	Reform of trade practices and fiscal regime for coffee production and export	Direction Générale des Douanes (Customs Service); Direction Générale des Impôts (Tax Authority)
Access to electricity	Solar power generation and mini-grid distribution through PPPs (includes site selection, regulatory reform, institutional strengthening, transaction advisory)	Ministry of Electricity and Hydraulics (CATE – Energy Technical Support Unit, CÉLANSER – Unit for Establishment of National Agency for Rural Electrification)
		COPIREP (Steering Committee for Public Enterprise Reform)
		Provincial authorities
Construction permits (currently suspended due to conflict between central and provincial governments over authority for building permits)	<ul style="list-style-type: none"> <li>Implementing a one-stop shop for permitting process</li> <li>Introducing e-government application within the Department of Land Affairs</li> <li>Updating the Urban Planning law</li> </ul>	World Bank, IFC, USAID
		Ministry of Urban Planning and Housing
Anti-corruption	Identification and development of a monitoring tool to track recurring corruption payments made by small traders, to identify the most burdensome practices and design awareness campaigns.	<ul style="list-style-type: none"> <li>World Bank (pilot project with the Ministry for a one-stop shop in Kinshasa);</li> <li>Agence Française de Développement (Preparation of zoning maps)</li> </ul>
	Set up a public-private anti-corruption platform in Haut-Katanga	
	Mapping of potential AC entry points throughout the Essor programme	MSME associations, ACIDH and RCN (human rights NGOs), ÉLAN, ANAPI, DGDA (Customs Service), municipal and provincial regulatory bodies, Governor's office

\* Future intervention still in planning stage.

Though it is a flexible facility, it is unlikely that Essor will add to these workstreams, given the complexity of relations with multiple Government counterparts at both national and provincial levels, and the time it would take to gain their support for a proposed new workstream. Essor has, however, suspended the Construction Permitting workstream due to conflicts between central and provincial governments, and it is not certain when or if it will resume.

It should be possible to phase out existing interventions once they are completed (especially in the case of pilot projects) and/or to add new ones within a given workstream. This could, for example, occur within the agricultural value chains workstream, which is working with the Office National du Café (ONC), restructuring the coffee export value chain. ONC claims authority over more than 20

other agricultural commodities, so Eссор could add one or more of these additional value chains to its portfolio of interventions.

## 4.7 Evaluation approach and questions

### 4.7.1 Approach for developing the evaluation questions

The Annual Review of Eссор's work in 2016, conducted by the DSU in February 2017, noted the limited progress in implementation of Eссор at that stage compared to what had originally been planned. It highlighted the weakness of the monitoring and evaluation framework for Eссор, including the lack of 'a complete set of baseline data or fully developed methodologies for capturing indicator data', significant weaknesses in the logframe and results framework (including in the treatment of gender) and lack of information against which to assess value for money, given the 'lack of data on performance at the effectiveness level'.<sup>22</sup> The Annual Review also identified collaboration between the two projects to 'promote greater synergies, joined-up thinking and strategies, greater value for money, as well as enhanced visibility for the PSD programme and for DFID alike'<sup>23</sup> as an imperative for the future.

Taking these concerns as a starting point, the evaluation objectives and questions were discussed during the MTE Inception Mission with DFID DRC. The MTE team also met Eссор staff on multiple occasions during the Inception Mission, familiarising itself with the technical aspects of the project, its organisational processes and systems. Observations made during these meetings also informed the identification of MTE priorities for Eссор. The priority issues for the MTE were ultimately articulated as:

- **The validity and strength of the theory of change supporting Eссор's conceptualisation as an adaptive project.** Whether this has been adequately articulated to inform the design of Eссор's portfolio of activities and to manage risks, especially the political risks associated with engaging the state as partner and beneficiary.
- **The management and organisational capacity for effective implementation.** The deployment of senior managerial and technical staff; as well as processes to manage risks in relationships with key stakeholders and to perform adaptively.
- **Measurement of performance and impact.** This covered the extent to which the logframe has been a useful management tool in particular for keeping track of intervention-level results; the need for comparative data credibly to measure the impact of the project on the business environment by project close, as well as the impact on the poor; and the relationships between the MRM system and the logframe.

The question of whether the timing is appropriate for an MTE of Eссор has been raised by EQUALS and by DFID's Results and Evaluation Manager, given the lack of monitoring information available. It is the view of the DSU that the key evaluation questions for Eссор do not revolve around the availability of this information. The project is slightly beyond the half-way point in duration and the priority issues need urgent resolution in order to accelerate the pace of implementation.

The DSU believe it is important to conduct the evaluation of Eссор now as it will produce findings which the project can feed into their planning for the subsequent years of implementation. Furthermore, Eссор staff have expressed a willingness to have the programme evaluated now, for the same reason.

<sup>22</sup> PSD Annual Review Summary Sheet, March 2017

<sup>23</sup> Ibid.

### 4.7.2 Evaluation questions

The MTE questions for Eссор address the priority issues described in the preceding section. DFID DRC's inputs were used to reformulate earlier drafts of the evaluation questions. The reformulated questions were then disseminated for Eссор's feedback. The evaluation questions are arranged in four categories, as presented in Box 3 below.

**Box 3:           Eссор evaluation questions**

## Project Design

### 1. How appropriately is Essor designed sustainably to improve the business environment? [Relevance]

- i. To what extent is Essor's design based on a valid theory of change?
  - a. Are the intervention logic and assumptions consistent with accepted theoretical frameworks?
  - b. Are the intervention logic and assumptions confirmed by evidence in the literature?
  - c. Are the intervention logic and assumptions consistent with evidence about the implementation context?
- ii. Has prioritising government as a key partner and beneficiary compromised the ability of the project to achieve its objectives?
  - a. Have the risks associated with government as a key partner and beneficiary in the current political environment been anticipated and adequately mitigated in the project design?
  - b. To what extent does the Essor portfolio address the key constraints identified in the ex-ante diagnoses?
  - c. To what extent have the interests of the private sector, poor and women producers, been correctly identified and incorporated into intervention design?
- iii. To what extent are the assumptions informing project design proving valid in practice?
- iv. Is there a better alternative to Essor's approach that is viable in the DRC context?
- v. To what extent are the assumptions informing project design proving valid in practice?

## Management and Organisation [Efficiency]

### 2. Is Essor appropriately organised and managed to perform effectively? [Efficiency]

- i. Does Essor have the capacity and organisational arrangements to implement an adaptive project?
- ii. Does Essor have operational processes in place to ensure its portfolio is trimmed and/or expanded strategically over time to achieve its objectives?
- iii. How are partner and stakeholder relationship management processes affecting project performance?
- iv. How effectively is Essor coordinating with ÉLAN to enhance performance and achieve results? [joint EQ with ÉLAN]
- v. Does Essor have the capacity and organisational arrangements to implement workstreams and their interventions?

## Value for Money [Efficiency]

### 3. Is Essor likely to deliver value for money?

- i. How appropriate is the Essor Value for Money framework?
- ii. How effectively is the Essor Value for Money framework used to inform project management?
- iii. To what extent is Essor on track to deliver value for money?
- iv. How can the Essor Value for Money framework be strengthened?
- v. How can the value for money that Essor delivers be enhanced?



**Progress Towards Results [Effectiveness]****4. To what extent is Eссор likely to deliver an improved business environment?**

- i. To what extent are Eссор workstreams and interventions effectively targeting the most relevant constraints? [Relevance]
- ii. To what extent are the logic and assumptions linking interventions to intended results valid and being borne out in practice? [Relevance]
- iii. To what extent are interventions within workstreams meeting implementation milestones and targets?
- iv. To what extent are interventions already prompting changes in the business environment?
  - a. Are public sector actors acting to address business environment constraints because of Eссор interventions?
  - b. Are new processes and procedures to address business environment constraints being implemented and enforced because of Eссор interventions?
  - c. Are poor producers and women accessing opportunities that arise from an improved business environment?
- v. Are there any unintended consequences resulting from Eссор's interventions? [Impact]

**Measurement and Reporting****5. Is Eссор's measurement and reporting system appropriate to improve implementation? [Efficiency]**

- a) Does the logframe facilitate adaptive management of Eссор?
  - a. Does the logframe allow for flexibility in adjusting implementation, closing-out or replacing interventions and workstreams?
  - b. Does the logframe function as a tool to signal which project adaptations are required and when?
- b) To what extent does the logframe provide Eссор with a framework for comprehensively tracking how workstream interventions contribute to project results?
- c) To what extent does the MRM system contribute to learning and improving project performance?
  - a. Does the MRM system provide Eссор with a management tool that supports the project as an adaptive facility?
  - b. Does the MRM system reflect intervention level performance and its contribution to project results?

**6. How can Eссор's impact on the business environment be measured in a final evaluation?**

- i. What form of evaluation design would be appropriate to assess Eссор's results?
- ii. How can evaluability constraints for the final evaluation best be overcome?

## 4.8 Eссор evaluation approach

Given Eссор's relatively slow pace of implementation, the critical issues for the MTE relate to understanding the extent to which implementation has been constrained by features of its design (in particular the need to engage with DRC government) and/or by management and organisational issues. The main focus of the Eссор MTE will therefore be on the analysis of the theory of change and the Management and Organisation Assessment. The weakness of the MRM system poses constraints for the assessing the performance of the project in terms of results achieved – however this is not the main focus of the MTE for Eссор. Instead, the project performance review and case studies will focus principally on seeking to determine what factors explain the observed implementation performance and how this performance can be improved.

Eссор verification – which will be run in parallel with the evaluation – will be less reliant on project data than ÉLAN, mainly because there has so far been less activity and so less data is available. Consequently, the Eссор MTE will place greater emphasis on primary data collected from case studies and from interviews with key non-government informants, such as professional associations and other stakeholders who will have more independent views on Eссор than those of Eссор staff and of partners receiving financing from the project.

## 4.9 Eссор Theory of Change analysis

The theory of change analysis for Eссор will focus principally on the following issues:

- The design and management requirements for a project to be effectively adaptive, and the extent to which Eссор has met these requirements;
- The design and management requirements for a development intervention to strengthen the business environment in a highly challenging environment such as DRC, and in particular how to engage most effectively with government and the private sector, and how far Eссор has met these requirements; and
- The plausibility of the intervention logic and key assumptions by which Eссор's interventions may reach target beneficiaries (in particular poor producers and women).

The approach will therefore initially involve a review of the literature on these issues in order to assess the *ex-ante* plausibility and appropriateness of the Eссор approach. The Management and Organisational Assessment and the Project Performance Review and the Case Studies will then examine how far critical assumptions have held in practice.

The political economy context assessment will also be an important source of evidence for the assessment of the validity of Eссор's theory of change since it will focus on government interest in and commitment to improving the environment for the private sector, and on the extent to which positive intentions on the part of the central government translate into concrete improvements in the business environment.

## 4.10 Eссор management and organisational assessment

The Eссор Management and Organisational Assessment will focus on the following issues:

- **Management capacity to implement an adaptive project.** This will involve comparison against best practice models from the literature through a review of documentation on Eссор's management and staffing arrangements and KIIs with Eссор staff and partners. A particular focus will be on examining how effectively key decisions have been made which have involved adaptation to the changing DRC context.
- **Processes to ensure portfolio is appropriate to achieve project objectives.** This will involve an examination of the key decisions that have been made about the portfolio structure, the evidence that has informed these decisions, and the results of the decisions taken. It will be based on a review of documentation and KIIs.
- **Partner and stakeholder relationship management processes.** The most important relationships are those with DRC government bodies (at both national and local level) and with the private sector (including private sector representative organisations). The assessment will examine the management processes and procedures for stakeholder engagement. It will include case studies of particular relationships and initiatives and how effectively Eссор has strategically engaged to build commitment to common objectives with partners and to address differences in priorities or weaknesses in capacity of partner organisations. This will also be based on a review of documentation and KIIs, including with partner organisations and key stakeholders.

- **Coordination with ÉLAN.** This aspect will examine the processes by which ÉLAN and Eссор have sought to coordinate their activities. It will include discussions with both ÉLAN and Eссор staff on what are seen as the key synergies between the programmes and how effectively information has been shared and how consideration of potential synergies has affected decision making.

## 4.11 Eссор project performance review

The Eссор project performance review will involve a review of data from the Eссор MRM system on the progress of workstream implementation and the results achieved to date.

Because of delays in the finalisation of the revised Eссор logframe (approved by DFID on 29 September 2017) the Eссор verification exercise is now expected to run concurrently with the MTE.

The MTE may encounter challenges in obtaining sufficient – and sufficiently reliable – data on which to base the project performance review. These challenges are likely to stem from two main causes:

1. Weaknesses in the existing Eссор MRM system; and
2. Possible flaws in the Eссор project design and the validity of the theory of change, as highlighted in Part 1 of the evaluation questions in Box 3, above; specifically:
  - a. To what extent is Eссор's design based on a valid theory of change?
  - b. Has prioritising government as a key partner and beneficiary compromised the ability of the project to achieve its objectives?

Except in specific, well-defined circumstances, the link between business environment reform and measurable impacts is often indirect, and also subject to a considerable time lag between the implementation of a given reform and the emergence of measurable impacts. These conditions are not a reason to not undertake business environment reform, but they can pose significant challenges for MRM.

The political economy of DRC also calls into question the reliance on government as a key partner and beneficiary, though each workstream and intervention has non-government beneficiaries that will serve as a principal object of evaluation. The PECA's findings will support the Eссор MTE by providing specific examples of how macro-level business environment reform does or does not translate into improved conditions for MSMEs. The PECA will help to test the validity of the centrepiece of Eссор's theory of change – that legislative reforms by central government improve conditions for MSMEs – and also whether reliance on government as a key partner and beneficiary is justified in the current political environment.

The verification exercise will identify the most useful sources of information available and contribute to an understanding of its strengths and weaknesses. The MTE will then seek to ascertain whether gaps in data mainly reflect the challenges inherent in measuring the effects of business environment reforms or rather result from flaws in the project design and theory of change.

There is likely to be adequate information available to assess progress in implementation (delivery of outputs), but, given the indirect links and time lags between implementation and impacts, it is likely to be more difficult to assess achievement of higher level results.

As a contingency plan we will explore the extent to which future impacts may be modelled in the absence of actual impact data. This may prove especially effective in the A2E workstream, where a

range of probable effects of solar mini-grids on MSME growth and household livelihoods can be calculated.

## 4.12 Eссор intervention case studies

The approach proposed for the Eссор case studies differs significantly from that proposed for the ÉLAN interventions, reflecting both the limited progress in Eссор implementation, and the much smaller number of Eссор workstreams compared to the number of ÉLAN pilot projects, as well as the generally greater geographical concentration of Eссор interventions. The intention will be to carry out some data collection related to each of the Eссор workstreams with a view to understanding the factors that have influenced the extent of progress achieved. This will focus principally on interviews with key project partners and a review of documentation. The case studies will, however, also include focus group discussions with intended beneficiaries. The selection of case studies will consider the expected magnitude of impact of the selected workstreams, and the extent to which expected impacts are both direct and measurable (e.g., changes in compliance procedures that produce measurable improvements in the time or cost of compliance with regulations, as opposed to the possible eventual effects of a new law or regulation). Case study selection will also consider the existence of non-government beneficiary organisations in the catchment areas for Eссор interventions, which can be mobilised for focus group discussions.

The data will be disaggregated by age, disability, geography and gender, and the interviews and focus group discussions will include women-only groups (which will be conducted, where possible, with the direction or participation of a woman interviewer or moderator). Our reporting will separately identify responses from women and will assess the different impacts of Eссор interventions on women and men.

An initial assessment of the status of the interventions in relation to the rationale for selection and the form that case studies will take is the following:

- Preliminary estimates by Eссор of projected NAIC suggests that the bulk of impact (approximately 95% of the total) is expected to come from A2E, anti-corruption, and OHADA (though no estimate has yet been made for A2F).
- Both MSME and Construction Permits have made limited progress. It is understood that the reasons for the lack of progress with Construction Permits are well documented. Some interviews to understand the constraints will be carried out but not detailed case studies.
- A2E has also been Kinshasa-focused, with the main activity being supporting government towards the launch of a fund for A2E grants (however none are yet disbursed).
- OHADA is the workstream that appears to have made the greatest progress in implementation, operating in both Kinshasa and Lubumbashi.
- Anti-Corruption has implemented some 'rapid impact' activities in North Kivu and Katanga.
- A2F has been focused in Kinshasa. An important activity where progress has been made is the support towards the privatisation of the insurance sector which has the potential for bringing about a significant change in the functioning of insurance markets in DRC.
- The Agricultural Value Chains workstream has been focused on coffee in North Kivu. The projected impact is, however, understood to be small.

It is therefore provisionally suggested that the case study approach may involve the following:

- Case study of OHADA, potentially including a visit to Lubumbashi. This will be focused on understanding the factors that have influenced the relative success achieved, and the likely sustainability and impact of the initiative;

- Review of the other Kinshasa-based initiatives to understand the factors that have influenced the different levels of progress achieved, based on document reviews and KIIs, including with the main partners; and
- A case study of selected anti-corruption rapid impact activities. This may potentially be more similar in structure to the ÉLAN case studies and include some data collection from intended beneficiaries. It is proposed to include a case study, including using focus group discussions to obtain diverse views from end beneficiaries, in Goma.

The case study selection and approach will be finalised during the MTE Preparation Phase.

## 4.13 Essor value for money assessment

The starting point for the Essor VFM assessment (to be carried out in line with the methodology described in Section 2.5.5) will be the current VFM framework. This is set out in Table 10 below.

**Table 10 Essor Value for Money framework indicators**

Economy	
<b>Category 1</b>	<ul style="list-style-type: none"> <li>• Average daily fees of personnel (national, international);</li> <li>• Average daily expenses of personnel (national, international);</li> <li>• Expenses as a percentage of total personnel costs;</li> <li>• Programme Management costs as a percentage of total project costs.</li> </ul>
<b>Category 2:</b>	<ul style="list-style-type: none"> <li>• No-cost value added services (number of days of services at no cost to DFID);</li> <li>• Direct savings (fees and expenses reduced from what would ordinarily have been incurred);</li> <li>• Cost-sharing with other DFID or donor workstreams (savings achieved through joint procurement of assets, shared services or joint activities).</li> </ul>
Efficiency	
	<ul style="list-style-type: none"> <li>• Cost per registered business on RCCM (Output 1);</li> <li>• Cost per policy, law or regulation reviewed, drafted or adopted with a demonstrable contribution from Essor (Outputs 1 and 2);</li> <li>• Cost per process or procedure reviewed, drafted or adopted with a demonstrable contribution from Essor (Output 3);</li> <li>• Cost per person benefiting from capacity building (Output 4);</li> <li>• Cost per person amongst target audiences reached through communication activities (Output 5).</li> <li>• Proportion of processes, procedures, policies, laws or regulations that have been adopted after support to review or drafting;</li> <li>• Total estimated savings in time and cost to businesses for selected processes relative to workstream costs.</li> </ul>
Effectiveness	
	<ul style="list-style-type: none"> <li>• Proportion of processes, procedures, policies, laws or regulations adopted with a demonstrable contribution from Essor that are actually properly implemented in practice;</li> <li>• Proportion of people supported with capacity building that have applied this knowledge in practice;</li> <li>• Proportion of increased business confidence attributable to Essor communications activities;</li> <li>• Reported average decrease in business costs resulting from business environment reform;</li> <li>• Spend by government or private sector into supporting project interventions relative to project's own spend.</li> </ul>

### **Cost-effectiveness**

- Cost per pound of increased net attributable income change.

### **Equity**

- Proportion of women participating in meetings, trainings and workshops;
- Proportion of women on stakeholder panel;
- Number of significant policies, laws and regulations discriminating against women, that have been reviewed, drafted or adopted with a demonstrable contribution from Essor;
- Proportion of MSMEs that report an increase in business confidence/decrease in business environment obstacles / decrease in business costs which are low-income or female.
- Proportion of new business registrations that are low-income or female.

## A.2 Eссор Evaluation Matrix

Evidence Sources	Research Activities	Judgement Criteria and Indicators	Evaluability Issues
<b>1. How appropriately is Eссор designed sustainably to improve the business environment?</b>			
<b>1.i To what extent is Eссор's design based on a valid Theory of Change?</b>			
<ul style="list-style-type: none"> <li>Literature review on business environment strengthening theoretical frameworks</li> <li>Literature review on 'what works' in interventions to improve the business environment</li> <li>DSU articulation of EссорTOC</li> <li>Eссор's current version of TOC</li> <li>Eссор intervention concept notes, <i>ex-ante</i> diagnoses and results chains</li> <li>Key informant interviews with Eссор staff</li> <li>Results information from Verification Exercise</li> <li>Analysis of Case Study findings</li> <li>Literature review and primary data collection on political and institutional context in DRC</li> </ul>	<ul style="list-style-type: none"> <li>Theory of Change Analysis</li> <li>Project Performance Review</li> <li>Case Studies</li> <li>Political Economy Context Assessment</li> </ul>	<ul style="list-style-type: none"> <li>The intervention logic is consistent with accepted theoretical frameworks OR innovations are justified plausibly by <i>ex-ante</i> diagnoses of DRC context</li> <li>Assumptions explicitly justified against available evidence (<i>ex-ante</i>)</li> <li>Assumptions consistent with findings from literature (<i>ex-ante</i>)</li> </ul>	<p>Limited by the fact that the TOC was not developed <i>ex-ante</i>, and current version has not yet been finalised by service provider.</p> <p>Evidence may be insufficient to assess how far either intervention logic is holding, or (ex-post) validity of key assumptions.</p> <p>Delay in Eссор Verification Exercise means that there will not be a comprehensive assessment of the quality of results information available</p> <p>Case studies will only cover a small number of interventions which may not be representative of conditions in all interventions.</p>
<b>1.ii Has prioritising government as a key partner and beneficiary compromised the ability of the project to achieve its objectives?</b>			
<ul style="list-style-type: none"> <li>DSU articulation of Eссор TOC</li> <li>Eссор's current version of TOC</li> <li>Eссор workstream and intervention concept notes</li> <li>Kills with DRC government and other stakeholders</li> <li>Kills with Eссор staff</li> <li>Analysis of case studies</li> </ul>	<ul style="list-style-type: none"> <li>Theory of Change Analysis</li> <li>Project Performance Review</li> <li>Case studies</li> </ul>	<ul style="list-style-type: none"> <li>Extent of contribution of role of government to explaining Eссор performance</li> <li>Validity of key Theory of Change assumptions related to role of government</li> <li>Identification of alternative plausible approaches not based on depending on government</li> </ul>	



Evidence Sources	Research Activities	Judgement Criteria and Indicators	Evaluability Issues
<b>1.iii To what extent are the assumptions informing project design proving valid in practice?</b>			
<ul style="list-style-type: none"> <li>Secondary data on results achievement from Essor's MRM system</li> <li>Key informant interviews with partners for workstream interventions</li> <li>Fieldwork observations</li> <li>Findings from Political Economy Context Assessment (evidence from literature and interviews)</li> </ul>	<ul style="list-style-type: none"> <li>Project performance review</li> <li>Case studies</li> <li>Political Economy Context Assessment</li> </ul>	<p>Assumptions holding during implementation</p> <p>Intervention logic is holding (i.e. outputs leading to outcomes/impact)</p>	<p>Potentially limited by quality of data in the MRM system.</p> <p>There may be insufficient fieldwork data to reliably test all the assumptions informing project design.</p>

Evidence Sources	Research Activities & Analysis	Judgement Criteria	Evaluability Issues
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<b>2. Is Essor appropriately organised and managed to perform effectively?</b>			
<b>2.i Does Essor have the capacity and organisational arrangements to implement an adaptive project?</b>			
<ul style="list-style-type: none"> <li>Documentation on Essor's management staff and capacity</li> <li>Documentation on Essor's management arrangements and management specific standard operating procedures</li> <li>Analysis of explanation of performance of different workstreams, focusing on how project has responded to changes in context</li> <li>Key informant interviews with Essor staff – <i>perspectives on whether project management capacity and experience allows for efficient adaptive management; preserves strategic value of portfolio</i></li> </ul>	<p>Theory of Change Analysis</p> <p>Management and Organisational Assessment</p> <p>Project Performance Review</p> <p>Case Studies</p>	<ul style="list-style-type: none"> <li>Definition of requirements for adaptive project management to be defined in Management and Organisational Assessment</li> <li>Findings from analysis of how Essor has responded to changes in context</li> <li>Management staff capacity and availability, project leadership, and SOPs consistent with requirements for efficient adaptive management</li> </ul>	
<b>2.ii Does Essor have operational processes in place to ensure its portfolio is trimmed and/or expanded strategically over time to achieve its objectives?</b>			
<ul style="list-style-type: none"> <li>Essor's standard operating procedures for project proposals, approvals and designs</li> </ul>	<p>Theory of Change Analysis</p>	<ul style="list-style-type: none"> <li>Portfolio decisions clearly and explicitly justified</li> </ul>	

Evidence Sources	Research Activities & Analysis	Judgement Criteria	Evaluability Issues
<ul style="list-style-type: none"> <li>Analysis of portfolio decisions</li> <li>Key informant interviews with Essor staff – <i>perspectives on whether operational processes allow for an adaptive approach to intervention approval and close-out process; whether an adaptive approach allows for constituting a portfolio with long-term strategic value</i></li> </ul>	Management and Organisational Assessment  Project Performance Review  Case Studies	<ul style="list-style-type: none"> <li>Justifications of decisions consistent with available evidence and intervention logic in relation to facilitating achievement of results</li> </ul>	
<b>2.iii How are partner and stakeholder relationship management processes affecting project performance?</b>			
<ul style="list-style-type: none"> <li>Key informant interviews with stakeholders</li> <li>Essor's standard operating procedures for managing relationships with other stakeholders</li> <li>Essor reporting on stakeholder engagement</li> <li>Case study and Project Performance Review analysis of role of stakeholder relationships in explaining performance</li> </ul>	Management and Organisation Assessment  Project Performance Review  Case Studies	<ul style="list-style-type: none"> <li>Evidence on the extent to which stakeholder relationships explain project performance</li> <li>Satisfaction of stakeholders (particularly DRC government, other development partners, private sector) with Essor engagement and performance</li> <li>Evidence of understanding of, and commitment to, Essor programme from stakeholders</li> <li>Essor has coherent stakeholder engagement strategy that is being effectively implemented.</li> </ul>	
<b>2.iv How effectively is Essor coordinating with ÉLAN to enhance performance and achieve results? [ÉLAN EQ 5.v]</b>			
<ul style="list-style-type: none"> <li>Key informant interviews with ÉLAN and Essor staff – <i>perspectives on and examples of communication, coordination/collaboration between programme components</i></li> <li>Theory of Change documentation</li> </ul>	Theory of Change Analysis [ÉLAN, Essor, PSD]  Project Performance Review [ÉLAN, Essor]  Management and Organisation Assessment	<ul style="list-style-type: none"> <li>Coherence and validity of PSD, ÉLAN and Essor Theories of Change demonstrating effective synergies between projects</li> <li>Examples of how improvements in</li> </ul>	None anticipated

Evidence Sources	Research Activities & Analysis	Judgement Criteria	Evaluability Issues
<ul style="list-style-type: none"> <li>Documentation on interactions between projects</li> </ul>	Case Studies	business environment have facilitated strengthening of market system <ul style="list-style-type: none"> <li>Examples of benefits for each project resulting from coordination efforts between projects</li> </ul>	
<b>2.v Does Eссор have the capacity and organisational arrangements to implement workstreams and their interventions?</b>			
<ul style="list-style-type: none"> <li>Documentation on Eссор's technical staff and capacity</li> <li>Key informant interviews with Eссор staff – <i>perspectives on adequacy of staffing in relation to implementation demands</i></li> <li>Workstream planning documentation</li> </ul>	Theory of Change Analysis  Management and Organisational Assessment  Project Performance Review  Case Studies	<ul style="list-style-type: none"> <li>Definition of requirements for technical capacity to implement workstreams to be defined in Management and Organisational Assessment</li> <li>Findings from analysis of how Eссор has responded to changes in context</li> <li>Management staff capacity and availability, project leadership, and SOPs consistent with requirements for efficient adaptive management</li> <li>Evidence on the extent to which technical capacity explains workstream and intervention performance</li> </ul>	

Evidence Sources	Research Activities	Judgement Criteria and Indicators	Evaluability Issues
<b>3. Is Essor likely to deliver value for money?</b>			
<b>3.i How appropriate is the Essor VFM framework?</b>			
<ul style="list-style-type: none"> <li>Essor's VFM framework and related documentation</li> <li>Key informant interviews</li> </ul>	<p>VFM Analysis:</p> <ul style="list-style-type: none"> <li>Criteria-based review of VFM framework and related documentation</li> <li>Content analysis of key informant interviews</li> </ul>	<ul style="list-style-type: none"> <li>VFM framework complies with appropriateness and utility criteria of review protocol</li> <li>Key informant interview data consistently confirms the appropriateness and utility of the VFM framework</li> </ul>	None anticipated
<b>3.ii How effectively is the Essor VFM framework used to inform project management?</b>			
<ul style="list-style-type: none"> <li>Essor's VFM framework and related documentation</li> <li>Essor's standard operating procedures</li> <li>Key informant interviews</li> </ul>	<p>VFM Analysis:</p> <ul style="list-style-type: none"> <li>Criteria-based review of VFM framework, related documentation and SOPs</li> <li>Content analysis of key informant interviews</li> </ul>	<ul style="list-style-type: none"> <li>Examples of decisions</li> <li>Procedures to include VFM results integrated into project management, and consistently utilised implemented</li> <li>Key informant interview data consistently confirms that VFM results are utilised in project management</li> </ul>	None anticipated
<b>3.iii To what extent is Essor on track to deliver value for money?</b>			
<ul style="list-style-type: none"> <li>Essor's expenditure data</li> <li>Secondary data on results achievement from Essor's MRM system</li> </ul>	<p>VFM Analysis:</p> <ul style="list-style-type: none"> <li>Cost per results achieved (valid units to be determined, in accordance with VFM guidelines)</li> </ul>	<ul style="list-style-type: none"> <li>Costs incurred justified by magnitude of results achieved</li> <li>Performance against VFM targets for selected indicators</li> </ul>	Potentially limited by quality of data in the MRM system, and the extent to which expenditure data is captured at sufficiently granular level, and by extent to which current VFM framework is judged to be appropriate.

Evidence Sources	Research Activities	Judgement Criteria and Indicators	Evaluability Issues
<b>4. To what extent is Essor likely to deliver an improved business environment?</b>			
<b>4.i To what extent are Essor workstreams and interventions effectively targeting the most relevant constraints?</b>			
<ul style="list-style-type: none"> <li>Data on results achievement from Essor's MRM system</li> <li>Key informant interviews with private sector representatives and government stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Theory of Change Analysis</li> <li>Project Performance Review</li> <li>Case studies</li> </ul>	<ul style="list-style-type: none"> <li>Evidence of improvements in business environment associated with Essor interventions</li> <li>Evidence that targeted improvements in business environment are of priority concern to private sector and government and that have potential for significant and widespread impact on poverty</li> </ul>	Potentially limited by availability of data and analysis on business environment in the DRC, and quality of MRM data (particularly in the absence of an agreed logframe).
<b>4.ii To what extent are the logic and assumptions linking interventions to intended results valid and being borne out in practice?</b>			
<ul style="list-style-type: none"> <li>Secondary data on results achievement from Essor's MRM system</li> <li>Key informant interviews</li> <li>Findings from Political Economy Context Assessment (evidence from literature and interviews)</li> </ul>	<ul style="list-style-type: none"> <li>Theory of Change Analysis</li> <li>Project Performance Review</li> <li>Case studies</li> <li>Political Economy Context Assessment</li> </ul>	<ul style="list-style-type: none"> <li>Intervention logic holding: i.e. delivery of planned activities is leading to intended results</li> <li>Specific assumptions supported by evidence from implementation process</li> </ul>	<p>Potentially limited by quality of data in the MRM system.</p> <p>There will be insufficient fieldwork data from case studies to test all the assumptions informing project design.</p>
<b>4.iii To what extent are interventions within workstreams meeting implementation milestones and targets</b>			
<ul style="list-style-type: none"> <li>Comparison of targets with performance</li> </ul>	Project Performance Review	<ul style="list-style-type: none"> <li>Proportion of targets met</li> </ul>	Lack of finalised and agreed logframe constrains results reporting and means targets may not be well-defined
<b>4.iv To what extent are interventions already prompting changes in the business environment?</b>			
<ul style="list-style-type: none"> <li>Results achieved by Essor</li> <li>Sources of measures of features of the</li> </ul>	<ul style="list-style-type: none"> <li>Theory of Change Analysis</li> <li>Project Performance Review</li> <li>Case Studies</li> </ul>	<ul style="list-style-type: none"> <li>Evidence of changes in appropriately selected indicators</li> </ul>	Does not appear that baseline indicators of business environment were defined or are being tracked

Evidence Sources	Research Activities	Judgement Criteria and Indicators	Evaluability Issues
business environment over time (e.g. World Bank)		for business environment <ul style="list-style-type: none"> <li>Evidence of plausible contribution to any observed changes of Essor activities</li> </ul>	MTE will examine scope for constructing such measures
<b>4.v Are there any unintended consequences resulting from Essor's interventions?</b>			
<ul style="list-style-type: none"> <li>Key informant interviews with private sector representatives and government stakeholders</li> <li>Findings from case studies</li> </ul>	<ul style="list-style-type: none"> <li>Case studies</li> <li>Project performance review</li> </ul>	<ul style="list-style-type: none"> <li>Examples of consequences not anticipated in design documentation identified</li> </ul>	MRM system may not be effectively identifying unintended consequences  Potentially limited by absence of corroborating data to substantiate respondent observations.  Examples likely to be limited to any associated with case studies

Evidence Sources	Research Activities	Judgement Criteria and Indicators	Evaluability Issues
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## 5. Is Essor's measurement and reporting system appropriate to improve implementation?

<b>5.i To what extent does the logframe facilitate adaptive management of Essor?</b>			
Essor logframe  Evidence on results achieved  KIs with DFID and Essor management	Management and Organisational Assessment  Project Performance Review	<ul style="list-style-type: none"> <li>Definition of requirements for adaptive project management to be defined in Management and Organisational Assessment</li> <li>Findings from analysis of how Essor has responded to changes in context and role of logframe in constraining/facilitating response</li> </ul>	
<b>5.ii To what extent does the logframe provide Essor with a framework for comprehensively tracking how workstream interventions contribute to project results?</b>			
<ul style="list-style-type: none"> <li>MRM system design and contents</li> <li>Essor logframe</li> </ul>	Management and Organisational Assessment (including MRM system review)	<ul style="list-style-type: none"> <li>Findings from analysis of how Essor has responded to changes in context</li> </ul>	

Evidence Sources	Research Activities	Judgement Criteria and Indicators	Evaluability Issues
<ul style="list-style-type: none"> <li>Evidence on results achieved</li> <li>KIs with DFID and Essor management</li> </ul>	Project Performance Review	and role of logframe in constraining/facilitating response	
<b>5.iii To what extent does the Essor MRM system contribute to learning and improving project performance?</b>			
<ul style="list-style-type: none"> <li>MRM system design and contents</li> <li>Essor logframe</li> <li>Evidence on results achieved</li> <li>KIs with DFID and Essor management</li> </ul>	Management and Organisational Assessment  Project Performance Review	<ul style="list-style-type: none"> <li>Examples of how information from the Essor MRM system has been used to identify lessons that have been used to improve project performance</li> </ul>	



## Annex B Review of Research Methodology

### B.1 Research activities for the MTE

#### B.1.1 BER literature review

The literature review carried out for Eссор sought to examine the evidence, both international and from DRC, for the links between business environment reform initiatives and economic performance, MSME creation and growth and poverty reduction. A single review was conducted for the ÉLAN and Eссор projects, and although the research and findings pertinent to each project were presented separately, there was, naturally, some overlap, given the connections between BER and M4P and the common goals and intended beneficiaries of the two projects.

With respect to Eссор, the literature review sought to answer the following three questions:

- What is the evidence that business environment strengthening can reduce poverty and reach the poor and vulnerable in very poor, conflict-affected areas with weak institutions such as DRC? To what extent (and how) can the binding constraints to economic activity that perpetuate poverty in contexts like DRC be addressed by business environment reforms?
- What does evidence from DRC suggest about the extent to which targeted beneficiaries of the PSD programme (including poor people and women) have access to the incentives, resources and skills to benefit from opportunities created by business environment strengthening (both as producers and consumers)? How does this vary in relation to gender, age, ethnicity, location and other factors?
- To what extent do the World Bank Doing Business Indicators adequately reflect the main constraints businesses face in developing countries such as DRC, and to what extent do they provide an adequate framework for measuring progress?

The review obtained documentation from a wide range of databases, journals and websites, together with information from other sources, which included programme team leads and other individuals intimately familiar with the BER literature. Documentation was also found by following up on links and reference lists in the identified literature searching for material outside the orthodox peer review channels. The review searched 12 academic databases – including the British Library for Development Studies (BLDS); C2 SPECTR; Cambridge journals online; ChildData; EconLit; ERIC; Sage full-text collections; ScienceDirect; Social sciences citation index (SSCI); Social sciences database; Social Science Research Network (SSRN); and Web of Science – and eight institutional websites. Published or unpublished studies were also identified by 'snowballing'. Finally, general purpose search engines, such as Google and Google Scholar, were used to identify studies located outside the standard peer review channels (e.g., policy documents and briefings, donor reports, concept notes, working papers, etc.). These efforts resulted in the identification of 490 documents.

These documents were further screened for relevance, quality of research, robustness of conceptual framework, rigour of analysis, and consistency of evidence. This screening yielded 135 documents judged appropriate for the review.

#### B.1.2 The Political Economy Context Analysis (PECA)

The purpose of the Political Economy Context Assessment (PECA) was to examine the main political and institutional factors in DRC that were relevant to understanding progress in implementation and the achievement of results of the PSD programme and the ÉLAN and Eссор projects through which it is principally being implemented. The PECA was based on a review of literature (academic studies and analyses as well as documents and reports from national and international organisations), which

address the key issues relevant for testing the PSD programme and ÉLAN and Eссор projects' theory of change assumptions. The key topics researched were governance at national and local level, state–society relations, rule of law and corruption, business environment, livelihoods, poverty, and social capital. The review was mainly based on analyses published by international institutions (AfDB, UNDP, IMF and World Bank), international NGOs (ICG, Mo Ibrahim Foundation), and internationally recognised experts and academics, as well as on legislation and regulations adopted by the Congolese State. The analysis focused on documents published after 2010, emphasising more recent studies completed in the last two or three years.

### **B.1.3 Sector performance reviews**

Sector performance reviews were completed for each of Eссор's six sectors of operation; three sector performance reviews are separate documents, and the remaining three are included in more detailed case studies (all six are presented in the Technical Annex). The sector performance reviews complemented the ToC assessment, examining in more detail the content of each sector's intervention portfolio, exploring the main achievements in bringing about business environment reforms, and exploring the relationships between the targeted business environment reforms and the expected impacts. Normally, sector performance reviews would assess evidence on what the various sectoral interventions have achieved; however, given the very recent adoption of the Eссор MRM and the very early stage of implementation of most interventions, this evidence has been largely unavailable. Consequently, these reviews have focused on the relevance of the logic and validity of the key assumptions underpinning their results chain, and the extent to which they are likely to deliver poverty reduction through business environment reform.

### **B.1.4 Intervention case studies**

Based on information contained in the early sector reviews and discussions with Eссор's management in Kinshasa, specific interventions were identified to serve as the focus of detailed case studies. Together with the theory of change assessment and the performance reviews, these case studies form the basis on which to test the validity of Eссор's implementation model. Although Eссор is currently active in six sectors, the relative lack of progress in implementation of several of them made it difficult to carry out a case study in each one.

Three case studies were selected, based on their maturity (mainly, length of time since inception and progress from the diagnostic to the implementation phase) and their expected impact. It is important to note that probable or potential impact was gauged less in terms of aggregate NAIC and more in terms of overall effects on economic performance, such as direct investment flows. Potential impact was also assessed on the basis of the demonstrated commitment by key public and private sector partners and the complementarity of the specific interventions with other donor initiatives. Selection criteria also included the relevance of the case studies to the MTE's aim of testing key assumptions underpinning the theory of change.

Based on these selection criteria, the OHADA, Anti-corruption (AC) and Access to Electricity (A2E) workstreams were selected as the objects of case studies. The application of the selection criteria to these workstreams (and to workstreams not selected) is discussed in greater detail in the Technical Annex.

### **B.1.5 Key Informant Interviews**

The Eссор MTE evaluation team conducted interviews with private and public-sector beneficiary and partner organisations involved in each of the workstreams. The sector lead also interviewed the senior Eссор staff and key staff members of each of the Eссор workstreams – in most cases both

during the inception mission in June and the evaluation mission in October – as well as with the Eссор senior project management team.

### **B.1.6 Results verification exercise**

The results verification was carried out independently by the DSU. It assessed all Eссор interventions, including the quality of results reporting and an assessment of the validity of modelled estimates of impact. A draft of the Eссор verification report was submitted to DFID on 1 December and approved on 11 December 2017.

Normally, the sector performance reviews would draw extensively on the findings of the results verification. However, the Eссор MRM was not approved until late November 2017 with a full set of data not available until extremely late in the evaluation process. Consequently, the MTE has relied mainly on empirical data from the performance reviews and case studies, as well as the literature review and supplemental desk research, to evaluate the validity of the theory of change assumptions and the likelihood that each workstream will produce the expected results.

### **B.1.7 Eссор management and organisation review**

The management and organisational assessment of Eссор was based on discussions with DFID DRC and with Eссор senior management, technical leads, and key public and private sector counterparts. The main issues, which are reflected in the evaluation questions, include:

- The extent to which Eссор operates as an adaptive, flexible facility and the reasons for any failure to follow this model;
- The effectiveness of operational processes for approving pilot partnerships, managing relationships critical to implementation (with pilot partners and regional office staff) and mobilising support from stakeholders;
- The quality and effectiveness of coordination between Eссор and ÉLAN; and
- The extent to which the overall project reporting system has provided an appropriate measurement incentive framework for the project.

### **B.1.8 Eссор's measurement and results management (MRM) framework**

As discussed above, Eссор's MRM system only became operational after the MTE analysis was largely completed, making it difficult to assess the degree to which it will provide useful and actionable information. Instead, this section will evaluate the utility of the Eссор logframe and the performance indicators in Eссор's annual and quarterly reports. One important evaluation question that this section will seek to answer is whether Eссор or any other BER project can be evaluated in terms of net attributable income change (NAIC), and MSME performance.

### **B.1.9 Review of Eссор's VFM framework**

The VFM assessment reviewed the Eссор VFM framework. This was complemented by interviews with the Eссор project team, and a further document review to assess the extent to which the framework influenced management decisions as well as allowing for a broader assessment of the project's VFM performance. The findings from the other parts of the MTE, particularly the sector performance reviews and case studies, provided the final key contribution to answering the VFM EQs, particularly regarding the overall cost-effectiveness of Eссор, which is ultimately determined by the likelihood of it achieving a sustained impact.

## **B.2 Observations on MTE Process**

### **B.2.1 Independence of evaluation**

The evaluation has been carried out by the DSU, which is managed by OPM, a member and co-lead of the ePact Consortium. ePact is a consortium of organisations specialising in evaluations, which is managed by OPM and co-managed by Itad. ePact is a supplier on DFID's Global Evaluation Framework Agreement (GEFA) under which the DSU project was procured. Other than at the procurement stage, ePact has not been involved in the DSU management and implementation; OPM is a sole DSU contract holder.

The DSU proposed establishing an Independent Evaluation Group, which would oversee the implementation of the evaluation, as well as review and sign off on the final outputs. However, the Group was not set up in time for the MTE. The evaluation methodology followed the approach which was approved by DFID and DFID's independent evaluation advisers. The evaluation team received full cooperation from all stakeholders and did not encounter any interference with its work.

In the DSU, the evaluation has been overseen by Stephen Jones, DSU Mid-Term Evaluation Director, who is an evaluation specialist and Principal Consultant in OPM. His role has been to ensure that the evaluation methodology and methods are robust, and the evaluation process is implemented thoroughly. Evaluation of each PSD Programme Component has been led by an independent evaluator who is not an OPM staff member or permanent member of the DSU. Charles Krakoff has been leading on the Essor evaluation, Paul Zille on the ÉLAN evaluation, and Terence Beney on the overall PSD evaluation. As none of the lead evaluators have had any prior involvement in the PSD programme, there have been no actual or perceived conflicts of interest.

The DSU is a project component of the PSD programme. Therefore, to reduce any potential conflict of interest the evaluation of the overall PSD programme (which included the DSU assessment) included further safeguards. In addition to contracting an independent lead evaluator, the evaluation process distinguished the DSU assessment, which was carried out independently, with no oversight or view of the DSU and OPM. It was only shared with the DSU after submitting a final draft to DFID.

### **B.2.2 Evaluation uses and target audience**

The primary target audience for the mid-term evaluation report is DFID DRC, as the contractor of this deliverable. The evaluation report serves an accountability purpose, but also provides evidence-based recommendations for corrective actions that address any constraints or risks to project results, in alignment with the overarching purpose of the exercise. As such, the report contributes to DFID's service provider and programme oversight. Lessons on the successes and failures of the project components will therefore inform strategic and funding decisions, for the current and successive private sector development interventions.

The report's secondary audiences are the two project components, ÉLAN and Essor. The service providers' perspectives on the utility of the evaluation process for their projects were considered when the evaluation was designed, and it is anticipated that the report will thus be of value for learning. This aligns with the overarching purpose of the MTE – to make recommendations for corrective actions to improve project results. Importantly, the use of the MTE for service providers is enhanced by the function of the DSU within the PSD programme. The evaluation report will not just be disseminated to service providers, but the DSU, under workstream 3 activities, will actively engage with them on the findings, and provide technical support to facilitate learning, and course corrections, if and as necessary.

Additional audiences that may benefit from the evaluation findings include service provider private sector partners and government counterparts, other donors and service providers implementing private sector development initiatives, and the development community more broadly. While the MTE is not executed expressly for these additional audiences, they are considered in the reporting and dissemination plan.

The DSU was responsible for producing a report of the evaluation activities and findings. This was shared in draft form in December 2017 with DFID DRC and the Evaluation Advisers and the relevant projects to seek feedback. The DSU received a full EQUALS report and grading (74% for ÉLAN and 71% for Eссор and PSD), plus separate comments from DFID for all three reports, plus some 30 pages of written feedback from each of the two projects. This written feedback was augmented with face-to-face discussions with DFID, ÉLAN and Eссор in February 2018. This Final Report has given due consideration to all the comments received and the final version, which will then be submitted for EQUALS review. The final version will be a public document.

The DSU's Learning and Adaptation Support Workstream will then engage with service providers, and deploy an augmented dissemination and communication strategy, to enhance evaluation utility, and meet its three objectives:

- To share DSU findings, recommendations and lessons learned with DFID DRC, ÉLAN and Eссор in an easily digestible, useful way;
- To provide technical assistance to support the projects' implementation of recommendations; and
- To help the DSU deliver its objectives and reflect on lessons learned to ensure continual performance improvements.

### **B.2.3 Internal dissemination**

To accomplish this the DSU will implement three activities committed to in its Inception Report, namely:

1. **Establish the PSD Learning and Communications Working Group.** The working group – consisting of the DSU Learning and Communications Lead, DSU Communications Manager and ÉLAN and Eссор communications staff – will use the MTE as the means to consolidate intended procedures for a 'harmonised approach to communications and stakeholder engagement'. This includes instituting regular meetings to discuss learning and opportunities for collaboration. The evaluation will have made findings regarding inter-project collaboration to improve performance and achieve results, which will provide material for discussions.
2. **Facilitate the Learning and Adaptation Workshops.** The first L&A workshop is scheduled for September 2018. By this point the DSU will have generated a body of analysis and recommendations following completion of the 2018 Annual Reviews, the MTE (including verification and TOC testing) and some bespoke advisory inputs for the projects and DFID DRC.
3. **Provide technical assistance to support the implementation of recommendations.** As stipulated in the DSU Inception Report, this is a demand-led activity, and will depend on the service providers indicating their need for such support. In terms of the MTE, this support would initially entail a structured interaction with the service provider, which will include the preparation of a plan to respond to the recommendations and make implementation changes if required.

## **B.2.4 External dissemination**

The DSU has a mandate to collate lessons learned and some best practice examples for wider dissemination. 'This learning function will serve both DFID (DRC and more widely) as well as the broader development community working in the field of economic development.'<sup>24</sup> In terms of the MTE, this mandate will be implemented in collaboration with the service providers and DFID. The DSU will facilitate a process by which the parties together:

- Identify the immediate stakeholders amongst their private sector partners and government counterparts that would take an interest in selected findings from the MTE;
- Propose evaluation products best suited to these audiences, for development and dissemination; and
- Identify existing platforms, or propose a tailored platform or event, at which the DSU could communicate the relevant findings to the identified audiences.

This will include dissemination in French as well as English.

Finally, the DSU will prepare an information product based on findings it judges most material to the development community, and disseminate via existing platforms, such as the BEAM Exchange.

In line with the terms of the GEFA contract under which OPM is providing its services as the DSU, the intellectual property rights of all material produced by OPM as the supplier, such as the evaluation report, shall be the property of OPM. Under the terms of the contract, OPM has granted DFID a world-wide, non-exclusive, irrevocable, royalty-free licence to use all the material. The DSU is currently doing so, and will continue to store all material related to the evaluation on a Dropbox which is only accessible by personnel working under the DSU.

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<sup>24</sup> DSU TOR.



## Annex C MTE Findings

### C.1 How well is Eссор designed sustainably to improve the business environment?

Despite addressing to an extent seven out of the 11 Private Sector Traps identified in the DFID business case<sup>25</sup>, Eссор is not well designed to improve the business environment because the programme:

- Lacks a systematic programmatic approach to private sector engagement and the identification and prioritisation of business environment reform opportunities;
- Lacks a robust and flexible system to adjust resourcing and planning based on traction of the interventions; and
- Is based on a weak theory of change, which itself is based on unproven assumptions namely:
  - Lack of evidence of a direct link between BER and poverty reduction – BER is normally more effective when part of a broader package of support to businesses;
  - The ToC is not specific enough about the types of issues it will tackle. Improving BER in general may have little or no impact on MSMEs. An important missing piece is how Eссор will identify and prioritise the BER issues, which will provide a benefit for their target group;
  - Sufficiently favourable stability and security is one of the assumptions of the theory of change, yet as the PECA points out fragility and instability are endemic features of DRC. The failure of the ToC to define what would constitute a sufficiently favourable environment should be rectified; and
  - Institutional capacity is assumed, and yet the PECA highlights issues with management and incentive systems within government, which seem to undermine this.

#### C.1.1 To what extent is Eссор's design based on a valid theory of change?

**Are the intervention logic and assumptions consistent with accepted theoretical frameworks?**

The intervention logic and assumptions are broadly consistent with accepted theoretical frameworks but do not appropriately address the challenges of working in a fragile and conflict-affected state (FCAS).

**Business environment reform (BER) aims to reduce the costs and risks of business activity by improving poor government policies, laws and regulations, and by stimulating competition through new market entrants.**<sup>26</sup> Burdensome business regulations have a proportionally greater impact on MSMEs – by reducing the time and cost of complying with business regulation, MSMEs will benefit from reduced overhead leading to increased profit, and potentially increasing competition as more MSMEs enter the market.

According to DCED, 'the business environment is a complex of policy, legal, institutional and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government

<sup>25</sup> See full list in response to question C.2.2 b below.

<sup>26</sup> DCED <https://www.enterprise-development.org/implementing-psd/business-environment-reform/> accessed May 2018.



policy as well as the institutional arrangements that influence the way key actors operate (e.g. government agencies, regulatory authorities, business associations, etc.).<sup>27</sup>

The Business Environment Working Group of the Donor Committee for Enterprise Development (DCED) has defined *ten functional areas of business environment reform*:

- simplifying business registration and licensing procedures;
- improving tax policies and administration in ways that minimise unnecessary costs to business and optimise public benefits (e.g. simplifying processes for paying taxes, avoiding excessive taxation, enhancing tax compliance)
- enabling better access to finance;
- improving labour laws and administration;
- improving the overall quality of regulatory governance and frameworks;
- improving land titles, registers and administration;
- simplifying and speeding up access to commercial courts and alternative dispute-resolution;
- broadening public–private dialogue processes, with a particular focus on including informal operators;
- improving access to market information; and
- developing appropriate quality standards.<sup>28</sup>

Evidence from the research literature shows a strong positive correlation between quality of business environment and per capita GDP, economic growth, and score on the Human Development Index. The World Economic Forum's Global Competitiveness Report traces a strong correlation, and strongly suggests a causal relationship, between the business environment and competitiveness, which it defines as 'the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be reached by an economy. The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that is likely to grow faster over time', and will in turn benefit MSMEs.<sup>29</sup>

However, the theoretical framework breaks down somewhat when applied to an FCS context. Often fragile countries are characterised by no regulation or inappropriate regulation – appropriate BER activities (e.g. developing appropriate quality standards) may increase the costs of compliance rather than reducing it.<sup>30</sup> The intervention logic here should focus on formalising markets which will enable investment (e.g. financial regulation, creating a licensing system for fisheries – as is needed in Somalia), or protecting the formal market from unfair competition from the informal sector (e.g. Rwanda coffee mark, trademark/ copyright laws).<sup>31</sup> BER which focuses on transaction costs may therefore not result in improved competition, and this is borne out by the evidence.<sup>32</sup>

Frameworks on PSD development in an FCS also highlight the difficulties of tackling multiple important challenges in an environment of extreme institutional weakness, reflecting a lack of both public and private sector capacity and of trust, which can derail development programmes. The

<sup>27</sup> DCED, Supporting Business Environment Reforms: Practical Advice for Development Agencies, DCED, 2008, p. 3. DCED is a multi-donor group whose members include the World Bank Group, UNDP, UNIDO, USAID, DFID, GIZ, NORAD, DANIDA, SIDA, and the Netherlands Ministry of Foreign Affairs. Its Business Environment Working Group (BEWG) has authored and sponsored extensive research on BER.

<sup>28</sup> DCED BE Working Group, How to Create an Enabling Environment for Inclusive Business, DCED, October 2016

<sup>29</sup> WEF (2014) *The Global Competitiveness Report 2014–2015*, p. 4.

<sup>30</sup> Koh, Hegde and Karamchandani, who surveyed 37 businesses serving the poor in Asia, Africa and Latin America, found that 63% felt constrained by absent/ ineffective standards: *Beyond the Pioneer: Getting Inclusive Industries to Scale*, 2014

<sup>31</sup> DCED BE Working Group, How to Create an Enabling Environment for Inclusive Business, DCED, October 2016

<sup>32</sup> See Wennmann, Ganson, & Luiz (2017) Operational Experience of Business Environment Reform Programming in Fragile and Conflict-Affected States, Business Environment Reform Facility (BERF), July 2017, p. 7

literature emphasises sequencing and prioritisation as critical elements of programme design and donor collaboration is encouraged to ensure that development partners are working on a small number of critical issues.<sup>33</sup> While BER is seen as an important tool in unlocking PSD, the identification and sequencing of the BER priorities are as important.

However, these aspects of prioritisation and sequencing are not explicitly addressed in the Essor's Theory of Change (ToC).

**Two other assumptions can also be said to be killer assumptions for DRC** and should be built into the intervention logic:

- Sufficiently favourable stability and security is one of the assumptions of the theory of change, and yet fragility and instability are endemic (defining) features of FCAS. It is not clear from the ToC what constitutes a sufficiently favourable environment, and this should be defined.
- Sufficient institutional capacity is assumed, yet the PECA highlights issues with management and incentive systems which seem to undermine this (low legitimacy and capacity of institutions (and low trust between stakeholders) is one of the core characteristics of an FCAS.<sup>34</sup>).

The ToC and intervention logic should take account of these risks with a view to:

- designing interventions less susceptible to such risks; and
- maintaining sufficient flexibility to reduce exposure to institutions and regions where risk appears to be growing and shift resources to less risky regions and partners.

**Are the intervention logic and assumptions confirmed by evidence in the literature?**

**Essor's intervention logic and TOC assumptions are partially supported by evidence from international experience**, which indicates that BER is not sufficient to achieve poverty reduction particularly in relation to conflict affected environments like DRC. **The ToC does not take into account the importance of targeting BER on the right interventions and partners to yield the targeted impact benefits.**

The literature review concluded the following regarding the links between BER and poverty reduction:

- **This review did not find any evidence in the literature confirming that BERs directly lead to poverty reduction.** A direct causal link may or may not exist – to be sure, it is difficult to establish causation between BERs and poverty reduction because of the wide range of other potentially influencing factors (both observable and unobservable). Indeed, as the World Bank (2015a) notes, there is some evidence tying BERs to faster economic growth, but the evidence is far from concrete. Evidence of causation is likely to require greater focus at the country level, and more emphasis on the outcome of small and medium-sized enterprises (SMEs) since that is where BERs have their greatest impact (World Bank, 2015a).
- In their systematic review assessing the evidence of the impact of BERs on poverty, White and Fortune (2015) corroborate the finding in this review that the link between BER and poverty reduction is not direct. The authors examine 89 BER studies and find no direct evidence linking BERs to poverty reduction. However, they conclude that **there is evidence attesting to the indirect effect BER has on poverty reduction through its impact on firm behaviour and investment.**
- **BERs often help contribute to poverty reduction, but they may not always be effective on their own.** Thus, BERs have a crucial role to play in helping development programmes to be

<sup>33</sup> See Ibid, p. 7, and Peschka, The Role of the Private Sector in FCS, World Bank, 2012, p. 25 and others.

<sup>34</sup> MTE Literature Review and also World Bank Development Report, Conflict, Security & Development, IBRD, 2011.

effective. Poverty reduction may not be the direct result of BERs, but such interventions are still critical in establishing an environment where pro-poor growth and poverty reduction can take place. Indeed, the World Economic Forum's Global Competition Report shows that the impacts of direct interventions like M4P programmes are often short-lived without an enabling environment where businesses can prosper (World Economic Forum, 2016). **This suggests that BERs may often be needed for market systems initiatives to succeed.**

- On the adequacy of using the DB indicator as a measure of progress in BER, the review concluded **that while the DB Indicators have their advantages, they may not be sufficient by themselves** as a tool for measuring progress in the DRC.

### **Are the intervention logic and assumptions consistent with evidence about the implementation context?**

The intervention logic and assumptions do not sufficiently take into account the fragility and lack of capacity, which are overwhelming features of the DRC implementation context. *Inter alia*, the intervention logic is silent on the challenges of engaging with the private sector and the need to improve the demand side of the dialogue. BER does directly address one of the four binding constraints to growth for DRC (government failures) described in the literature review and can impact two others by improving the environment for private sector to invest in Infrastructure and Finance as Essor is attempting to do in its A2F and A2E interventions.

The conclusions of the literature review are that **BER is not sufficient in itself to impact poverty reduction particularly in relation to conflict-affected environments like DRC**; however, **the intervention may be important when it is used to apply to the binding constraints to growth** which were found to be relevant for DRC.<sup>35</sup>

- *Government failures* (absence of rule of law, particularly uncertainty of legal and regulatory frameworks and low enforceability of contracts);
- *Lack of finance* (particularly damaging for the agriculture sector);
- *Lack of infrastructure* (availability and distribution of electricity; weaknesses in transport infrastructure, particularly those areas where river transportation is not available); and
- *Conflict and insecurity* (in Orientale and South Kivu).

The review found that there was strong evidence that BER can be used to address government failures, but the evidence was weaker for its effectiveness in tackling issues regarding access to finance and infrastructure. In these areas, BER is likely to be effective only when combined with other broader sector interventions, as Essor is seeking to do in collaboration with ÉLAN through the A2E and A2F programmes.

The **World Bank Doing Business Rankings may not be an appropriate measure of the impact of changes on MSMEs**. DB has a bias towards measuring the impact of changes on larger companies and it is therefore not necessarily the case that MSMEs would experience the same benefits.

<sup>35</sup> The PSD literature review defines 'binding constraints' as those determined by the growth diagnostic framework developed by Hausmann *et al.* (2004). When Ulloa *et al.* (2009) applied the growth diagnostic framework to the DRC, they found the following binding constraints, all of which overlap with the constraints identified by World Bank (2008b) and ADB (2013): Government failures; Lack of finance; Lack of infrastructure (availability and distribution of electricity; Conflict and insecurity

### Bias towards larger enterprises within Doing Business indicators

To ensure comparability of data across countries, the DB indicators employ several assumptions about the characteristics of the businesses affected by the business environment. The standard or model enterprise for the Starting a Business indicator<sup>36</sup>:

1. is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen;
2. operates in the economy's largest business city;
3. occupies an office space of approximately 929 square metres (10,000 square feet);
4. is 100% domestically owned and has five owners, none of whom is a legal entity;
5. has start-up capital of 10 times *per capita* income (US\$4,300, using nominal *per capita* GNI);
6. performs general industrial or commercial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime – for example, liquor or tobacco. It is not using heavily polluting production processes;
7. leases the commercial plant or offices and is not a proprietor of real estate;
8. pays an annual lease for its office space equivalent to the country's annual income *per capita*;
9. does not qualify for investment incentives or any special benefits;
10. has at least 10, and up to 50, employees one month after the commencement of operations, all of them domestic nationals;
11. has a turnover of at least 100 times annual income *per capita* (US\$43,000 in DRC, using nominal *per capita* GNI); and
12. has a company deed 10 pages long.

**The assumption that instability and a lack of security in DRC will not impinge on project implementation is implausible.** The country is in the midst of a profound political, economic and financial crisis and has suffered an estimated five million violent deaths in the past 20 years. Therefore, instability and violence are not only ever-present but also, as the PECA outlines, is integral to the strategy used for governance of the country.

The PECA completed for the MTE found that 'the interests of poor producers, poor consumers and women have little influence on political decision making and government action' and also that the interests of MSMEs (as opposed to those of large private sector firms) are not effectively represented although government is increasingly under pressure to respond to private sector needs. Addressing the low capacity of MSMEs to raise their voice in the dialogue process is an important factor in a successful PPD process which is not mentioned in the ToC or assumptions. Don Hetherington highlights the problem of unbalanced dialogue, and the common mistake of programmes only focusing on the government side of the dialogue, concluding: 'Both sides need significant simultaneous support in order for PPD to break the previous equilibrium and lead to positive outcomes.'<sup>37</sup> Appropriate techniques to address this challenge include surveys (which is within the Essor intervention), research and advocacy support and/or BMO strengthening programmes.<sup>38</sup>

<sup>36</sup> Hetherington, Don, What works in BER in SSA, DFID 2017, p. 31.

<sup>37</sup> Ibid.

<sup>38</sup> See among others Hetherington, Don, What works in BER in SSA, DFID 2017, p. 31, and DCED BE Working Group, How to Create an Enabling Environment for Inclusive Business, DCED, October 2016, p. 28

### C.1.2 Has prioritising government as a key partner and beneficiary compromised the ability of the project to achieve its objectives?

Lack of systematic engagement with the private sector has impacted the ability of the project to achieve its objectives. Government is a key partner and beneficiary and should be prioritised, but this should not be to the exclusion of the private sector which needs significant support to properly engage in the identification and prioritisation of issues, which we have previously identified is key to the success of BER in FCAS.

#### a) Have the risks associated with government as a key partner and beneficiary in the current political environment been anticipated and adequately mitigated in the project design?

To a large extent the risks were anticipated and mitigated in the original project design, which highlighted PPD as a key tool for the programme and proposed an adaptive design (based on learning by doing, and the ability to adjust resourcing to programme traction and experience with government partners), supported by a comprehensive MRM and MSME survey process to support its decision making.

The MTE PECA characterises the DRC political environment as one dominated by the 'kleptocratic nature of governance' organised and channelled through patronage practices, which uses 'governance by confusion' (a continual failure to implement adopted policies or laws). **The risks of working with government as a key partner in such an environment are numerous and profound.**

**The PECA notes that the political environment is actively hostile to coherent and structured policy implementation and the interests of MSMEs:**

'The key features of the political economy of the DRC determine the relationships between the government, politicians and the private sector and the business environment. Those were summarised by Englebert (2016) as governance by confusion, dithering, delegation, theft, patronage and violence. While all those features are important and interlinked governance by theft and patronage are key to understand the implications of the current political economy context for the private sector and business environment.

Beyond the weakness of formal institutions, the relationships between government, politicians and the private sector are mainly based on informal and personal relationships (family and economic interests) at the highest level (corrupt elites). The frontiers between government (and, more broadly, military and police actors), politicians, and the private sector are porous. The proximity and relations between political actors and large enterprises induces a conflict of interests that influence negatively the policies regarding the promotion and the development of SMEs and poor producers and consumers.'

In such an environment for the programme, given the weak capacity of MSMEs, the programme should also include consideration of the need to strengthen the private sector side of the dialogue, and yet this aspect is silent.

**The experience of Essor so far illustrates less the risk of working with government partners than the risk of selecting a small number of interventions** that depend on a small group of central government partners and beneficiaries:

- The selection of CPCAI as the principal central government interlocutor was a logical choice, but the risk exposure became apparent when CPCAI was dissolved.



- For A2F, the insurance regulator and the Central Bank are the main partners and beneficiaries, and neither one has been overly receptive to Eссор support. Consequently, A2F interventions have achieved little.
- At the same time, the OHADA, MSME and AC workstreams have a richer mix of partners and have achieved more (see the discussion of workstream performance in Technical Annexes). MSME and AC workstreams have focused on sub-national taxes and fees, and their emphasis has been as much on reducing the number of fees and levies through consolidation and simplification – thus increasing transparency and reducing opportunities for officials to extract bribes – as on reducing the overall fiscal burden.

The question then becomes whether problems such as access to finance and access to electricity can be addressed without wholesale legal, regulatory and institutional reform. Evidence from several Eссор interventions indicates, however, that some important constraints can be resolved with more local and/or specialised interventions, especially when they do not threaten powerful vested interests.

- **The A2E workstream has met with considerable success** putting in place a set of regulations and processes for private investment in solar energy projects involving both a national agency (the UCM in the Ministry of Energy and Water Resources) and provincial governments. There is a possibility that the process could fall apart once the system starts to deal with real investment proposals and transactions, but it may also prove sufficiently robust to facilitate successful investments. Based on interviews with the A2E workstream leads and counterparts, and on international experience of PPPs in infrastructure, the success to date is most likely due to several factors:
  - Separation between the interim regulatory agency, UCM, and the authorities responsible for awarding contracts to private developers (separation between the regulator and the implementing authority is recognised best practice in infrastructure development through PPPs);
  - Provincial and local governments rather than the central government, as the key counterparts in the development of the pilot projects;
  - The provincial authorities, which will be awarding the contracts, may see that they have more to gain from successful development of solar energy systems than from trying to hijack the procurement process for personal gain; provincial and local governments tend to be more accountable to their constituents than the national government and may more accurately see the benefits these projects will bring. For example, expanded availability of affordable electricity is likely to stimulate private sector investment, production, and employment, which in turn can increase public revenues for provincial and municipal governments; and
  - Complementarity in the participation of donors, including DFID, the World Bank, USAID and the AfDB in establishing the regulatory and institutional framework and supporting the recruitment of private developers, and of various donor-supported financial institutions in financing the projects, will limit, if not entirely prevent, corruption of the process.
- **Another example of relative success in working with government is OHADA.** The OHADA workstream has succeeded in creating a largely automated system for business registration, which substantially reduces the time and cost to create a company. The features of the system include a simpler and cheaper registration process for a new category of business, the 'entreprenant', or sole proprietor. The system has also digitised all company records held by the RCCM (the Commercial and Movable Property Registry) and has obliged financial institutions to submit electronic records of assets pledged as collateral, which can be searched for a fee by

potential lenders and investors, and which constitutes an embryonic form of a credit bureau. OHADA has so far set up two registration centres employing the new system, with a third one to be opened shortly in Lubumbashi and others to be established in most of the main urban centres in DRC over the next two years. The database and communications backbones for the system have already been developed by OHADA and are operational, in large part because its interventions focus more on practical implementation than on high-level policies.

Based on discussions with the Workstream leads and counterparts, the keys to the relative success of this intervention are:

- o DRC's obligation under the OHADA Treaty, to adopt such a system;
- o Working with a system based on principles of subsidiarity and decentralisation. Company registration is done at the commune level, at the local branches of the RCCM, each of which is governed by the local commercial court. The court comprises magistrates as well as 'judges consulaires', who are not legal professionals but are elected by local businesspeople, and the courts are administered by the 'greffier du tribunal', the clerk of the court, who is a public official. A national registry maintained by the Centre National OHADA (CNO) in the Ministry of Justice consolidates all the records from the local branches, but it has no operational or regulatory authority over the commune branches. Finally, there is a regional registry in Abidjan that consolidates registry records from all OHADA member countries in a central database, which can be accessed by businesses in all OHADA countries; and
- o Alignment of incentives. OHADA has worked with CNO on the national-level registry to digitise records and to develop the database and backbone for the registration system, but because the national RCCM does not interact directly with businesspeople but is rather a central repository of data, it has no ability to extract rents from the process. In addition, OHADA has supported CNO to become largely autonomous, both operationally and financially. Since CNO's future revenues will derive largely from selling information from the national registry, it has every incentive to cooperate with Essor to make the system work as well as possible.

**b) To what extent does the Essor Portfolio address the key constraints identified in the ex-ante diagnosis?**

***The Essor Portfolio is working to address 7 out of 11 key traps for private sector development identified in the DFID Business Case as shown in the table below.***

**Table 3 Private Sector Development 'Traps' in DRC from DFID Business Case**

	Private Sector Development 'traps' in DRC	Essor response
<b>Credit Constraints</b>		
1	The private sector needs credit to grow; but without a sufficiently developed private sector, financial institutions themselves struggle to obtain sufficient funds to on-lend to the private sector to facilitate its growth.	Not addressed within the Essor Portfolio as development of the formal banking sector is not within the interventions of the current project.
2	Firms need credit to establish and grow; but to secure credit they need to have already grown large enough to have generated sufficient collateral and existed long enough to demonstrate the profitability of their business model and their creditworthiness.	Tangentially addressed through the Leasing intervention of A2E.



3	The banking sector needs a sufficiently large formal MSME sector in order to provide access to credit; but without the opportunity to access credit, firms currently face little incentive to formalise.	Reducing barriers to formalisation is being addressed through the OHADA business registration intervention. Improving access to credit for MSMEs (except through leasing) is not being addressed.
Corruption		
4	The private sector needs reduced corruption to grow and develop; but without a well-developed, diversified private sector, there are insufficient broad-based economic interest groups to fight corruption.	No intervention to strengthen the capacity of the private sector to advocate against corruption e.g. through chamber strengthening programmes. Cost of Corruption intervention does provide for advocacy and so helps to address this trap.
5	The private sector needs reduced corruption to grow and develop. In turn, the state needs resources to develop the capacity to tackle corruption. However, existing corruption impedes the development of the private sector (and hence the tax base) and captures revenues before they can be received by the state. SEE COMMENT ON 4.	
6	The private sector needs an absence of corruption to grow and develop; but existing private operators (and their public official counterparts) are resistant to anti-corruption efforts which would make them worse off.	
Complexity and Costs of Compliance		
7	The private sector needs simple, inexpensive regulation and taxes to grow and develop. In turn, the state needs resources to develop the capacity to develop such regulation. However, existing regulation and taxes impede the development of the private sector (and hence the tax base).	OHADA is working on reducing the cost of compliance with regulation.
Infrastructure, logistics and access to land		
8	To develop, the private sector needs access to land and infrastructure. In turn, the state needs resources to provide infrastructural public goods and manage land use. However, existing infrastructure and land management impede the development of the private sector (and hence the tax base).	The A2E intervention is working on expanding access to energy. There is no Essor intervention addressing land access.
Conflict and Confidence		
9	The private sector needs an absence of conflict to grow and develop. However, the absence of a developed and diversified private sector is itself one of the drivers of conflict as it means there is a low opportunity cost, and significant benefits, of taking up arms. GENERAL Essor (IF SUCCESSFUL) WILL ADDRESS THIS TRAP.	The results of Essor and ÉLAN will together address this trap.
Coordination Failures		
10	Private sector development requires the development of firms. To develop, firms require markets for both their inputs and outputs. Without a sufficiently developed private sector, these markets do not exist and firms cannot develop.	ÉLAN is working on market development and Essor is working to an extent on BER interventions to support ÉLAN but this could be strengthened.
Capacity		
11	Private sector development requires the development of firms. For firms to develop they require capabilities acquired through formal training as well as learning-by-doing. Without a sufficiently developed private sector, firms lack opportunities for learning-by-doing.	Essor is not working on skills development for private sector firms.

### **c) To what extent have the interests of the private sector, poor and women producers been correctly identified and incorporated into intervention design?**

Interests have been partially incorporated into intervention design. Several Eссор workstreams have taken as their point of departure the binding constraints identified by business operators themselves. Only one, Anti-corruption, has designed interventions that focus on the unique needs of women entrepreneurs.

The political context is one in which the interests of MSMEs, the poor and women have little influence in the policy process and Eссор is not working on strengthening their capacity to advocate and engage in policy reform. For the market interventions of A2E and A2F, there is no evidence that Eссор has been systematically engaging with the suppliers or potential investors in these sectors.

Overall, Eссор's progress in the gender and inclusion space has been (a) slow, even taking into account the challenges of working in the DRC context, and (b) not well measured (see point below about disaggregated data). Notable too is the fact that at a workstream level, most of the Eссор gender-related activities focus on training and sensitisation, with less focus on the concrete and facilitative actions which are likely to produce more transformative change.

The PECA found that 'the interests of poor producers, poor consumers and women have little influence on political decision making and government action' and also that the interests of MSMEs (as opposed to those of large private sector firms) are not effectively represented although government is increasingly under pressure to respond to private sector needs. By working more systemically with the private sector, either through the use of publicised surveys, or through a structured public-private dialogue process, Eссор could help bring MSMEs' voices into the BER process, and increase pressure on the government for reform. Eссор's intervention designs have been based on two main sources of information about the interests of the target beneficiaries. Eссор carried out an initial survey of more than 900 MSMEs in Kinshasa, Lubumbashi and Goma, and the interests and preoccupations of the survey subjects were taken into account in the design of some of the interventions. The survey finding that access to electricity and access to finance were the two leading business environment constraints led to establishment of the A2E, AC and A2F workstreams. Other Eссор interventions, including MSME taxation, A2F, OHADA business registration, and construction permits (now cancelled), were based in whole or in part on the Doing Business indicators. The DB indicators are not based on direct interviews with private sector operators, but their methodology looks at the regulatory processes faced by domestic small and medium-size companies.

#### **In the case of A2F, it is not obvious that the two main interventions follow from the Eссор survey findings or accurately reflect the interests of the private sector, especially MSMEs.**

Access to finance is a broad area, but typically when businesspeople complain about lack of access to finance they are not talking about insurance and leasing but rather about their inability to obtain debt or equity capital from financial institutions to fund business expansion, or about the onerous conditions financial institutions place on business borrowers that may make the cost of available finance prohibitive.<sup>39</sup> Expanded insurance offerings and leasing products, and easier access to them,

<sup>39</sup> World Bank (2016), 'Governments around the world have introduced reforms to attempt to make it easier for informal firms to formalize. However, most informal firms have not gone on to become formal... Firms that are larger, and that look more like formal firms to begin with, are more likely to formalize, providing guidance for better targeting of such policies. However, formalization appears to offer limited benefits to the firms, and the costs of personalized assistance are high, suggesting that such enhanced formalization efforts are unlikely to pass cost-benefit tests.' N. Benhassine, *et.al.*, 'Can Enhancing the Benefits of Formalization Induce Informal Firms to Become Formal?', World Bank Working Paper 7900, November 2016, <http://documents.worldbank.org/curated/en/579081480451260134/pdf/WPS7900.pdf>, Retrieved 23 April 2018.

may improve conditions for the companies that use them, but there is no sense in which the lack of these instruments is a binding constraint.

In practice, although Essor's performance indicators are meant to be disaggregated by sex, and although poor populations and, especially, women are meant to be the primary beneficiaries of its interventions, there is little evidence that its interventions benefit women. There is, furthermore, no gender indicator in the logframe: indicator 5.1 should include a specific reference to gender inclusivity.

**The AC workstream is largely designed around women and poor entrepreneurs, and many of the beneficiary organisations are woman-focused or businesswomen's associations.** The North Kivu cross-border trade intervention will focus on low-income traders, and the beneficiaries include the Plateforme de l'Entrepreneuriat Féminin (PEF/RDC) and the Association des Mamans Commerçants du Congo pour le Développement (AMACCOD). AC is also considering a similar intervention in Katanga at the Kasembelesha border crossing between DRC and Zambia, where women traders are victimised by sexual extortion – demands for sexual favours as the price of getting their goods through the border. The evaluation team has recommended that this be prioritised. A further recommendation emerging from a meeting with DFID on 7 February suggests that Essor should collaborate more actively with La Pépinière, on the grounds that women's economic empowerment could help women to resist corruption with improved entrepreneurial and negotiating skills.

In the near to medium term, business environment reforms, including several of those supported by Essor, will benefit large and medium enterprises more than micro and small enterprises. Examples include:

- **Access to Finance:** Development of a market and a legal and regulatory framework for private insurance and leasing will almost certainly benefit medium and large enterprises already operating in the formal sector more than micro and small enterprises, many of which remain informal.
- **Access to Electricity:** The development of solar-powered mini-grids will probably stimulate substantial productive investment flows and enterprise creation in the areas they serve, but the direct beneficiaries will tend to be medium and larger enterprises: both newly established firms attracted by a reliable supply of affordable electricity, and existing firms that become able to expand. Introduction of easy prepayment options may, however, increase access for smaller enterprises and poorer households.
- **OHADA:** Incorporation of OHADA acts into Congolese law and the OHADA workstream's support to the GUCE and RCCM will, by definition, mainly benefit companies operating in the formal sector. Establishment of the GUCE branches, with their streamlined and transparent procedures, will make it easier and less time-consuming for investors to navigate the process of setting up their companies but it is unlikely to incentivise a large number of businesses to migrate from the informal to the formal sector.<sup>40</sup> The introduction of standardised registration fees, including a lower fee of \$40 for sole proprietorships and entrepreneurs, will benefit many companies, but almost all of them will be companies that would have registered in any case. A fee of \$40 is still prohibitive for an informal business whose monthly profit may not approach that amount. The AC workstream has supported the Ministry of the Family and Gender to disseminate information about the new Family code, which facilitates women's engagement in commercial transactions (registering a business, opening a bank account) without needing their husband's signature.

<sup>40</sup> Ibid.

Interventions that seek to improve the business environment for larger and more sophisticated enterprises can lead to greater increases in economic performance and household incomes via direct and indirect multiplier effects on employment and wages<sup>41</sup> than interventions that focus mainly or exclusively on micro- and small enterprises and sole entrepreneurs. A larger company, thanks to reforms that increase its access to finance and/or electricity, may be more likely to invest in expanded capacity or new projects than very small firms that may use any additional surpluses for consumption spending. Business environment reforms that lead to new investments by those larger firms may create more new jobs and lead to greater increases in household incomes than BER targeting smaller firms.

Interventions that benefit larger enterprises may also serve to create or strengthen competitive value chains in productive sectors through the transfer of technology and know-how, and by introducing more efficient systems and organisation to large segments of a value chain (e.g., through distribution of inputs and know-how to subcontractors, by improving the quality and uniformity of goods produced by MSME subcontractors, and by rationalising purchase and pricing of those inputs).<sup>42</sup> These benefits, however, are unlikely to manifest themselves within the life of the project, so it will be difficult to capture them in the current MRM system. This difficulty is further compounded by the priority given in the existing results framework and logframe to near-term increases in household income among poor populations. This is discussed further in the section of this report which addresses MRM challenges.

### **C.1.3 To what extent are the assumptions informing project design proving valid in practice?**

**It is too early to tell whether or not the interventions are generating or are likely to generate the targeted impacts.**

**The political context of DRC does not favour BER and there are substantial obstacles to PPD with MSMEs as a means of building political consensus. This does not mean that political support for some reforms is impossible to achieve, but opportunities may be limited and dependent on alignment with the interests of the politically influential. Similarly, the political context is likely to militate against effective capacity development in public sector organisations.**

**Assumption 1: There is sufficient and sustained political support for BER** e.g. 'Buy-in to reform agenda can survive turnover in institutional leadership; Key actions are politically feasible to achieve; Essor interventions do not become politically sensitive; Resistance to reforms by those with vested interests in maintaining the status quo or reversing reforms can be mitigated.'<sup>43</sup>

<sup>41</sup> Direct multiplier effects are increases in employment and income of firms or individuals that become upstream suppliers or downstream distributors for the larger firms that directly benefit from a given intervention. Indirect multiplier effects are increases in small business activity and individual incomes from the expenditures by employees of the direct beneficiaries on food, housing, entertainment, transport, clothing. These multiplier effects vary by location and by industry – construction, for example, has a higher direct multiplier effect than many other industries because of its need for building materials, many of which are procured locally. Other industries, like export-oriented cut-and-sew garment manufacturing, tend to have lower direct multiplier effects, since most inputs are imported.

<sup>42</sup> 'FDI can be particularly beneficial for export sectors, as foreign companies help integrate developing countries into the global economy by easing access to foreign markets and including local enterprises in global production chains. Experiences from other world regions also suggest that FDI can help facilitate export diversification'. World Economic Forum (2011), *Africa Competitiveness Report*, p. 3, <http://www3.weforum.org/tools/aucr2011/pdf/>, Retrieved 23 April 2018.

<sup>43</sup> Definition of business environment reform: the DCED defines the business environment as a complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities,

The findings from the PECA strongly suggest that elite capture and a system of patronage will make achievement of the outcomes of the results chain very challenging. The PECA notes that the political environment is actively hostile to coherent and structured policy implementation and the interests of MSMEs:

'The key features of the political economy of the DRC determine the relationships between the government, politicians and the private sector and the business environment. Those were summarised by Englebert (2016) as governance by confusion, dithering, delegation, theft, patronage and violence. While all those features are important and interlinked, governance by theft and patronage is key to understand the implications of the current political economy context for the private sector and business environment.

Beyond the weakness of formal institutions, the relationships between government, politicians and the private sector are mainly based on informal and personal relationships (family and economic interests) at the highest level (corrupt elites). The frontiers between government (and, more broadly, military and police actors), politicians, and the private sector are porous. The proximity and relations between political actors and large enterprises induces a conflict of interests that influence negatively the policies regarding the promotion and the development of SMEs and poor producers and consumers.'

The PECA also noted that there has been progress in the development of policies and regulation for improving the business environment especially where there is donor support, but very limited commitment to the implementation of policies and regulation.

The success of the OHADA intervention demonstrates the impact of political support on the success of a particular intervention but other interventions (A2F) have been challenged by lack of political support. This assumption could be written as a risk that can be mitigated through a good analysis of the political economy of the specific intervention and will be a critical success factor in the selection of interventions and partners.

**Assumption 2: Effective public-private dialogue is feasible:** e.g. 'MDAs are open to receiving and incorporating dialogue from the private sector; The private sector is willing to engage with the public sector and believes it is worthwhile; Awareness of issues is sufficient to stimulate reform actions; Fear of reprisals does not limit sharing of critical inputs by MSMEs.'

Whilst the PECA confirms the assumptions of the PSD that BER are needed to address the constraints to growth, it casts doubt on the commitment of government to reform and the strength of the private sector to effectively advocate for reform. The PECA notes (as in the quote in the previous section) that the political environment is actively hostile to coherent and structured policy implementation and the interests of MSMEs. The PECA also noted that there has been progress in the development of policies and regulation for improving the business environment especially where there is donor support, but very limited commitment to the implementation of policies and regulation.

Given these findings, it is clear that the BER process envisaged in the Eссор intervention logic, which assumes constructive public-private dialogue and which also assumes government's willingness to undertake the legal, regulatory, and institutional reforms that stem from that dialogue, can only succeed in the short term where there is alignment between MSME and elite interests. In the long term, for meaningful dialogue to occur the Private Sector half of the dialogue needs to be

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and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.)." <https://www.enterprise-development.org/implementing-psd/business-environment-reform/>



strengthened to give MSME's a stronger voice in the advocacy process, which has not to date been attempted by Eссор.<sup>44</sup>

**Assumption 3: Institutional capacity for implementation is developed to, and maintained at, a sufficient level:** e.g. 'High rates of turnover at MDAs do not occur or, if they do, do not negate the benefits of capacity building for the target MDAs; Officials have interest and find value in developing skills in areas relevant to Eссор-supported reforms; The work environment allows trained officials to apply their skills for reform actions.'

The PECA found that: '*While technical assistance can improve the ability of public actors (institutions and civil servants)... [in] the formulation of reform programmes, it [has] largely proved to be ineffective as far as implementation is concerned when political commitment is lacking*'. This implies that any support for BER needs to be selective and based on areas where there is political commitment. Sometimes this involves reform at a local rather than central government level for example Workstreams like A2E, OHADA, MSME, which work with provincial and local/communal administrations as well as (or in the case of MSME, to the exclusion of) central government.

**Economic and security environment is sufficiently favourable:** e.g. 'Local and global security and macroeconomic conditions do not undermine stability and economic growth.'

The assumption that instability and a lack of security in DRC will not impinge on project implementation is implausible. The country is in the midst of a profound political, economic and financial crisis. Though the civil war ended in 2003, armed conflict persists, mainly in the eastern part of the country and the Kasais. The conflict has caused an estimated five million violent deaths in the past 20 years.<sup>45</sup> Therefore, instability and violence are not only ever-present but also, as the PECA outlines, is integral to the strategy used for governance of the country.

Therefore, any meaningful intervention needs to be designed to operate in an unfavourable environment. The ToC assumption, if valid, needs to clarify what circumstances constitute sufficiently favourable.

#### **C.1.4 Is there a better alternative to Eссор's approach that is viable in the DRC context?**

Based on the evidence presented above, a more systematic and strategic engagement with the private sector may support improved outcomes, particularly in the A2E and A2F programmes. Additionally, a more adaptive and scalable approach closer to the original design may also help to mitigate against the high risk of instability and government failure.

### **C.2 Is Eссор appropriately organised and managed to perform effectively? [Efficiency]**

Eссор's poor performance is largely attributable to weak organisation and management.

- Effectively managing a £35 million BER project in DRC is one of the more challenging tasks in development.

<sup>44</sup> For example, Zimbisa is one example of a DFID-supported facility which has engaged in systematic support to civil society, research houses and business associations to strengthen the effectiveness and legitimacy of the dialogue. See Hetherington, PPD Interventions in SSA, Business Environment Reform Facility October 2016

<sup>45</sup> The history and consequences of civil war and armed conflict in DRC over the past 20 years have been extensively documented and reported. The BBC (2017) provides a concise synopsis of these events; <http://www.bbc.com/news/world-africa-13283212>, retrieved 22 April 2018.

- Eссор does not have an effective SMT driving project delivery in Kinshasa. Team leadership has been part-time until Feb 2018 with little senior support and limited authority over the workstreams.
- Into this void of managerial authority for Eссор in Kinshasa, both DFID and PwC corporate have made interventions which, whilst well-intentioned and often seeking to address important weaknesses, have had the effect of further undermining team leadership. During the MTE and AR process, PwC cited DFID interventions as justification for some of the poor decisions made by the programme (e.g. the design of the logframe and theory of change).
- The lack of an effective SMT has resulted in weak strategic leadership and a lack of workstream accountability.
- Placing a full-time, francophone Team Leader in the project is a necessary but insufficient condition to improve Eссор. It also requires a powerful SMT to support the TL and this team to have the autonomy to manage the project.

### **C.2.1 Does Eссор have the capacity and organisational arrangements to implement an adaptive project and its workstreams and interventions?**

From inception Eссор has not been designed around the principles of an adaptive facility with overreaching objectives, and flexible interventions. Lack of an effective MRM system impeded learning and adaption, as has the lack of stable local management.

The TOR on which Eссор is based were entitled 'Management of the Flexible Facility for the Private Sector Development programme in DRC'. The assumption embedded in the TOR was that 'The multiple interconnected constraints to private sector development in DRC create a complex context for this programme. Accordingly, DFID DRC will use a programming approach consisting of a flexible portfolio of interventions.'

DFID has compiled a wealth of knowledge of the effectiveness of the flexible facility approach, especially in conflict-affected countries. A recent brief describes Adaptive Programming as 'an approach which enables the design, delivery, management and oversight of a project where there is a conscious and systemic effort to, at all levels and on an ongoing basis for the life of the project, learn about what works (and what doesn't), about changes in the political environment, and about the needs of local actors – and to adapt, in real time, strategic aspects (including theories of change, results frameworks, approaches) and operational details (e.g. systems, tools, resources, budgets) with the aim of achieving systemic and sustainable change and increased impact.'<sup>46</sup>

A review of DFID flexible facilities in sub-Saharan Africa and South Asia (Heatherington, 2017)<sup>47</sup> extracts several lessons from 20 DFID BER programmes in 15 countries, including DRC. These lessons include:

- 'One of the most ... important lessons ... is to be opportunistic. The large majority of programmes encounter exogenous shifts in programme conditions, and successful programming depends on implementers to:
  - recognise how new conditions compromise the original theory of change;
  - identify new opportunities to achieve programme objectives;
  - discover or create links between existing programmes and new opportunities — the challenge is not to scrap previous work and start again but to find ways to adapt current

<sup>46</sup> Donovan and Manuel (2017) Adaptive Programming and Business Environment Reform – Lessons for DFID Zimbabwe, ERF, April.

<sup>47</sup> Heatherington, Don, What works in BER in SSA, DFID 2017, p. 31, and DCED BE Working Group, How to Create an Enabling Environment for Inclusive Business, DCED, October 2016.



programmes so that they can still be successful, perhaps using different partners or structures, or by highlighting different objectives; and

- o abandon, pause, restructure or scale up workstreams depending on new analysis.
- 'While it may be possible to identify a set of desirable BER outcomes, achieving a specific outcome requires that relevant actors have the capability, opportunity and motivation to drive reform. The business environment is perceived to be too complex a system to reliably anticipate this in advance, so a number of 'small bets' are created, where a potential opportunity for reform is tested. Based on the early results of these experiments, programmes are abandoned, restructured or scaled up.
- 'Maintaining flexibility in the choice of partner organisations (MDAs, BMOs, etc.) ensures that partners are capable and motivated to achieve real reform. Programmes often suffer when they are locked in early to a single or small number of partners.
- 'Government counterparts often change, whether through a change to the party in power or simply the movement of ministers, permanent secretaries and other civil servants. This can be managed by actively engaging...with government at a range of levels...[and] with a wide range of staff at different levels in order to make the programme more robust to staff movements (especially changes to minister or permanent secretary).
- 'BER covers a spectrum from technocratic to political reform, although where a specific intervention lies will depend on context. With a government that does not support BER as a political agenda, it may be helpful to focus on reforms that are perceived as apolitical process improvements.'

We have used many of the principles from the Business Case, integrated with a set of guidelines from the literature to describe features of an adaptive facility. It is our assertion that from the outset the project deviated from this vision, which has undermined the successful implementation of the project. We have outlined our perspective in the table below.

**Table 4 Features of Adaptive Facility and Eссор Implementation**

Core features of DFID's design of Eссор as an Adaptive Facility	Eссор's approach in implementation
<p><b>Guiding outcome and impact targets:</b> The TORs called for the project to be adaptive and opportunistic as the context changes, requiring a programme design with minimum specification in the opening phase.</p> <p>Clear programme-level impact and outcome statements should guide exploratory interventions. These will act as a 'compass' during the life of the project – not as quantified targets for delivery and performance.</p>	<p>From its inception, the project's design had become more specific and less adaptive than the TORs envisaged. Rather than setting out high-level impact and outcome statements and then designing interventions likely to achieve the desired results, Eссор, from the beginning, conceived of discrete sets of activities for which it then specified impacts and outcomes with a detailed design that offered little potential to be guided by and to respond to emerging needs and opportunities.</p> <p>The lack of a full-time local senior project manager impeded Eссор's ability to adjust programming based on programme traction and respond to emerging needs and opportunities.</p>
<p><b>Learning by doing with local actors:</b> Work in an exploratory way, addressing problems local actors care about, rather than setting out to introduce international best practice, or to address pre-determined issues identified through technical analysis (often by external experts).</p> <p>Learning at the tactical and strategic levels should be continuous, involving frequent re-assessments of: the context; current interventions; interpretations of results; and, brainstorming new intervention options.</p> <p>Support local actors to identify and implement local solutions in consultation with key decision makers, instead of simply 'engaging' with stakeholders with the aim of securing 'buy-in' to predetermined solutions.</p>	<p>A detailed business case, including detailed work plans, budgets, VfM calculations, and impact projections, was drafted for each of the workstreams and presented to DFID for approval in January 2016, based on TORs finalised in July 2015. These took an average of six months to complete and ranged in length from 60 to 80 pages. The business cases were followed by concise intervention summaries of 5 to 10 pages, submitted to DFID in March 2017. The time and resources invested in preparing the business cases and intervention summaries and gaining approval for them may have caused some reluctance on the part of Eссор management to re-assess and adapt some interventions to changes in context.</p> <p>The complex initial design described above impeded a learning by doing approach. Instead, the programme should have employed an approach where initiatives which potentially supported the overall objectives of the projects, started small and based on the traction and engagement of the partner were resourced appropriately.</p> <p>Few of the workstreams have shown evidence of learning at the tactical and strategic levels and adapting activities accordingly.<sup>48</sup></p> <p>The AC workstream invested in capacity building and solution development with partners and was overwhelmed with the number and scope of partners. For this to be effective, the programme needs to be able</p>

<sup>48</sup> For example, the AC workstream has continued to work with counterparts that have shown little willingness to pursue reforms and which AC staff have recognised as 'low-capacity'.

Core features of DFID's design of Eссор as an Adaptive Facility	Eссор's approach in implementation
	<p>to select and filter its partners based on experience, and the political economy of the intervention.</p> <p>To be effective, an adaptive, flexible facility must have reliable real-time information that will permit management to see what is working and what is not, and to adapt accordingly; Eссор had delays in establishing its MRM which weakened its decision-making ability.</p>
<p><b>Short time horizons:</b></p> <p>No linear progression from start to end should be prescribed. Intervention planning horizons will be shorter than for stable contexts because of greater inherent uncertainty.</p>	<p>Given the political and policy uncertainty in DRC, intervention planning horizons should have been shorter than for projects undertaken in more stable environments, at least at the inception of a given intervention. This would have afforded Eссор the ability to scale up activities that showed greater promise, and to scale back or eliminate those with less potential to deliver results. Such an approach would have permitted Eссор to adopt longer planning horizons for, and devote greater resources to, some interventions, without sacrificing the flexibility and adaptiveness inherent in the initial project design.</p>
<p><b>Involve a range of actors</b> to ensure relevance, legitimacy and support for reforms, and address both supply and demand aspects, increasing capacity of government to bring about change while simultaneously supporting local stakeholders to become more effective and active players in reform.</p>	<p>There has been substantial investment in capacity building for the government and investment in consultation processes.</p> <p>Investment in development of the demand for reforms has not been as visible, except perhaps for the AC project, and there has been little engagement with the MSME BMOs in a systematic way to improve their capacity for reform advocacy. For this to work meaningfully we would expect to see a private sector engagement strategy to support selection of private sector partners.</p>

### C.2.2 Does Eссор have operational processes in place to ensure its portfolio is trimmed and/or expanded strategically over time to achieve its objectives?

Eссор does not have any such processes in place. Eссор management did close the Construction Permits workstream once it became apparent that further progress was impossible, but that was an isolated case.

#### Change Management processes

The inception report stresses the importance of a 'well-defined change control process' to ensure good programme governance and management. 'The change control process ensures that each change proposed during a project is properly defined, considered and approved before being implemented. This makes sure no unnecessary changes are made, they are implemented as

smoothly as possible and that DFID resources are spent effectively.' The inception report outlined a bi-level system of change control:

- 'Programme level: change control will follow the normal DFID procedures. We will consult DFID on proposed changes and ensure that we have agreement from the SRO. We will then seek to formalise these changes as a contract amendment, providing written justification and proposed updates to DFID's pro formas.
- 'Project level: changes to projects will largely be managed internally by the PMU in consultation with the project team and the programme lead, escalating to DFID and other relevant stakeholders as necessary. Any significant changes will be agreed with DFID and will be reflected in revised statements of work for the individuals involved. Records of all changes made will be stored on our knowledge management system'.

The inception report stated that 'The PMU will create templates for capturing lessons learned. Once completed, these will be stored on box.com where the team will have access to them'. Eссор does, in fact, have a knowledge management system, and if these templates were ever created, used and shared, this information was never shared with the MTE consultants.

### **Ability to adapt to changing conditions**

In most of its workstreams, Eссор has been slow or unable to adapt to changing conditions in beneficiary organisations, either by modifying its interventions or changing its focus from one counterpart organisation to another. Eссор did shut down its Construction Permitting workstream when it became apparent that conflicts between national and provincial governments over jurisdiction would make any progress unlikely.<sup>49</sup> In several other workstreams, even this level of flexibility has been absent.

For example, the MSME workstream initially sought to work on e-payments of taxes and fees, and engaged in discussions with COREF, the Ministry of Finance committee charged with fiscal reform and strengthening tax administration, at both the national and the provincial levels. COREF, however, intended to focus initially on national-level taxation and on larger enterprises, so the MSME workstream, focusing on provincial and local government taxation and on MSMEs, abandoned these discussions.<sup>50</sup>

This decision reflected an unfortunate lack of flexibility. E-payments in other countries, such as Nigeria, have reduced the incidence of bribery and misappropriation of revenues. Nigeria introduced electronic payment of Federal company taxes in 2007, as part of a set of reforms that included issuance of a single taxpayer identification number for each registered company, applicable for both Federal and state/local taxes. The e-payments system has since expanded to include state and local-level taxes, as well as most payments to and by Government.<sup>51</sup> If Eссор had chosen to adapt its approach to work more closely with COREF, it could have had a far more transformative impact, even if the full effects of its interventions might take several years to become apparent.

<sup>49</sup> See Eссор 2017 Annual Report, p. 15.

<sup>50</sup> Interview with an MSME Project staff.

<sup>51</sup> The Central Bank of Nigeria in 2014 promulgated its 'Guidelines on Electronic Payment of Salaries, Pensions, Suppliers and Taxes in Nigeria', which stated, 'The objective of the end-to-end electronic payment of salaries, pensions, suppliers and taxes initiative is fully aligned with the core objectives of the National Payment Systems Vision 2020 (NPSV), which is to ensure the availability of safe and effective mechanisms for conveniently making and receiving all types of payments from any location and at any time, through multiple channels. This will reduce the time and costs of transactions, minimise leakages in Government revenue receipts and at the same time provide reliable audit trails, thereby making the Nigerian payments system comply with global payment standards.'

We have not been made aware of any systematic process to review and scale up / trim down activities either through a regular performance review (noting that the MRM was only operational in December) or any other process.

### **C.2.3 How are partner and stakeholder relationship management processes affecting project performance?**

Eссор has not defined or applied standardised processes for the management of partner and stakeholder relationships. A proper set of such processes would start with criteria for selection of public sector partners, which emphasise their willingness to effect change; the institutional context (i.e. can a potential partner make change happen largely on its own or does change depend on the cooperation of other bodies, some of which may resist reform?); the potential to achieve desired impacts by working with a given partner; and the operational, financial, and reputational risks of a failed relationship. The absence of any such processes has resulted, variously, in poor choice of partners, poor follow-through of Eссор teams with partners; and inability of Eссор teams to gain traction with chosen partners.

Similarly, the 2017 AR recommended a holistic communications strategy and programmatic approach to private sector engagement, but these recommendations have yet to be implemented. Studies of investment climate projects flag public–private dialogue as an early entry tool for engagement in FCS, as a way of building trust between government and private sector, prioritising reforms and building momentum.<sup>52</sup>

Case studies and many key informant interviews detailed in the Technical Annexes and the Interview summary yielded a common complaint that Eссор staff have engaged with beneficiaries with the best of intentions, but that follow-up has been lacking. In some cases, beneficiaries' and counterparts' expectations have been unrealistic, since the main constraint that many of them, especially BMOs and NGOs, face is a lack of funds, and often they do not understand that DFID M4P programmes, unlike those of some other donors, cannot provide general subsidies to such organisations, though they can fund specific activities.

Nevertheless, many beneficiary organisations report disappointment with the lack of follow-up from Eссор and, especially, their perception that Eссор prefers to conduct diagnostic studies rather than practical implementation of reforms. In Goma, for example, the A2C workstream initially made contact with COPEMECO (the Confédération des Petites et Moyennes Entreprises du Congo) in May 2016, but the partnership with the organisation has not yet been finalised. The A2C workstream has been working with FENAPEC (Fédération Nationale des Artisans et Petites Entreprises du Congo) in Goma for the past year, but FENAPEC has expressed frustration that Eссор has not accepted any of the activities/projects they have proposed, in part because Eссор insists that any new activity must be preceded by a diagnostic study.

With the exception of the AC workstream, which has pursued a deliberate bottom-up approach, working with a wide range of private sector and civil society groups, there is little evidence that the other workstreams have selected and designed their interventions in close consultation with the intended private sector beneficiaries. If they are not anchored in deep and broad-based private sector participation, any reforms that Eссор does produce may not be sustainable beyond the life of the project.

<sup>52</sup> Discussion of Goldberg Study cited in Speakman, John and Rysova, Annoula. 2015. The Small Entrepreneur in Fragile and Conflict-Affected Situations. Directions in Development – Private Sector Development;. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/>

**It is striking that Eссор has had none of its technical staff working in counterpart organisations**, though this may be changing in the A2E workstream, where UCM, the counterpart organisation has demanded this as a sign of serious engagement and where the project manager has begun to spend an increasing portion of his time working from the UCM offices.<sup>53</sup> The original intention, as mentioned above, was to deploy experts to work in the Central Bank and CPCAI. CPCAI, of course, was dissolved, and no Eссор expert was ever placed in the Central Bank, possibly because of a year-long delay in securing a signed MOU.

In an environment like DRC, it can be exceptionally difficult to effect sustainable change, which in general requires far more than changes in laws or regulations, but must also entail adoption of new procedures, changes in behaviour, and development of capacity. It is hard enough to accomplish this with a full-time presence in a counterpart organisation, and nearly impossible to do so through part-time, temporary interventions.

GIZ, for example, which is working with the Central Bank on financial inclusion and financial education, has an office in the Central Bank, staffed by several international and local employees. This is a common pattern not only for GIZ and not only for DRC, but for donor-funded programmes in most countries, where long-term expert advisers are placed within government organisations.

The lack of appropriate processes for partner relationship management made it hard for Eссор to adapt to the absorption of CPCAI by ANAPI by establishing a stronger working relationship with the latter (or, alternatively, choosing to work with a different partner if an evaluation called into question ANAPI's suitability as a partner).

#### **C.2.4 How effectively is Eссор coordinating with ÉLAN to enhance performance and achieve results? [joint EQ with ÉLAN]**

**Although it is understood that there is regular communication between the two projects there is little evidence that this has led to effective joint action in spite of the substantial overlap in sectors and thematic areas in which the two projects operate. There have been some instances of effective cooperation, such as on the coffee export tax. However, otherwise ÉLAN has launched market systems interventions without BER constraints having been addressed.**

Eссор management have spoken of regular communication and coordination with the ÉLAN project, with substantial overlap in the sectors and thematic areas in which the two projects operate. Both projects are active in access to finance, agricultural value chains, and access to electricity. There have been some isolated instances of cooperation, for example on the coffee export tax, and there has been discussion between the two workstreams on their leasing initiatives. Given the observations of the ÉLAN MTE Evaluation ('it is clear that a number of interventions would have very much broader and more sustainable – and possibly deeper – impact if enterprise behaviour change was supported by broader regulatory change'), closer collaboration and joint design efforts would yield improved benefits.

#### **C.2.5 Does Eссор have the capacity and organisational arrangements to implement workstreams and their interventions?**

At the time of the MTE Eссор did not have adequate capacity and organisational arrangements to implement the project. The main problem for Eссор has been the lack of a senior full-time project manager to steer the project, adapt programming to evolving opportunities and challenges within a complex and fragile environment and ensure strategic and operational coordination amongst project

<sup>53</sup> Interview with a key informant in UCM.



workstreams. Eссор also lacked a functioning MRM system for the first half of the project and had no systematic procedures and processes to adapt programming and apply resources.

#### **a. Management capacity**

The first Annual Review of Eссор, completed in February 2016, noted that, apart from the OHADA workstream, which was 'making strong progress', the remainder of the programme 'has been too slow to launch concrete action'. Having given it a grade of C, DFID put Eссор on a performance improvement plan (PIP). The following year the programme received an A and last year the programme went back to a B and is back on a PIP. The 2017 Annual Review for Eссор found that there has been a lack of substantive progress on key outputs and outcomes, as well as limited implementation of the strategic recommendations of the 2017 Annual Review.

As a project working on BER in a country with endemic corruption and a central government that in many instances lacks the political will to undertake reforms, Eссор faces many challenges and yet Eссор has achieved substantial delivery by OHADA and promising results in the A2E workstream (see Technical Annexes). In our opinion, however, Eссор has made less progress towards achievement of concrete results than would be expected of a project of this size 2½ years since inception.

We believe that Eссор has suffered from inconsistent management since its inception. There has been a high turnover of senior management personnel and of technical leads and project managers in individual workstreams. Management and organisational systems and processes are described at length in the Eссор inception report, but weak implementation has impeded the project team's ability to design and implement effective interventions.

With the exception of the OHADA workstream, Eссор interventions have been slow to launch and are underperforming (see Technical Annexes and Annual Review). The February 2016 Annual Review, covering the first year of the project, attributed some of this to unforeseen changes in the political environment. The CPCAI (Comité de Pilotage pour l'amélioration du Climat des Affaires et des Investissements), which was to be Eссор's main central government interlocutor, was dissolved during 2015. DFID DRC spending during FY 2015/16 was also reduced, and Eссор was given instructions to 'go slowly' on the portfolio outside of the OHADA project. It took far longer than expected for some workstreams to obtain signed memoranda of understanding (conventions d'assistance technique) with their government counterparts. As a result, many of the workstreams were not approved until the mid- to late 2016, and intervention teams were not recruited and mobilised until the workstreams had been approved. As the Annual Review observed, 'The business case process did not deliver an opening portfolio of fundable projects. Particularly disappointing was that rapid impact activities have been insufficiently utilised and where they have been launched have been too slow and with limited impact.'

It is no accident that OHADA and Anti-corruption, the two workstreams that have made the most progress, are those whose technical leads were already resident in DRC and who were involved in Eссор since inception. Other workstreams have suffered from turnover in technical leads or project managers or from personnel who are not resident in DRC and who do not work full-time on the project.

Overall project management has been beset by similar problems. There have been three Team Leads since inception, two of whom have been part-time and one of whom has not been resident in-country (and who also does not speak French).



## b. Organisational arrangements

Adaptive Management facilities require management which can adjust programming midstream in response to emerging opportunities and challenges. A recent brief on Adaptive Facilities found that management and oversight of such programmes are labour intensive, and require adequate investment, appropriate skills and a mix of technical, political and operational skills to facilitate reallocation of resources amongst interventions when required.<sup>54</sup> The MTE evaluators contend that PwC made substantial investment in the management and technical capacities of workstream and intervention teams, but not in overarching project management, and this inhibited Eссор's ability to respond to emerging challenges and opportunities in an adaptive fashion.

In its inception report, PwC outlined project organisation as follows:

- 'The project level: each project team will have its own governance structure. Typically, there will be a team leader or project manager who will be held to account by more senior colleagues providing a layer of quality assurance. Key risks or issues at a project level will be escalated to the PMU (Programme Management Unit); and
- 'The Eссор Programme Management Unit (PMU) level: the PMU will monitor progress, deal with escalated issues and risks and escalate these further to DFID where appropriate. It will also be responsible for managing the broader alliance brought together to implement Eссор.'

In the event, the decision to endow each project team with its own governance structure appears to have led to creation of silos, with little in the way of collaboration or coordination among the different workstreams. This is compounded by the lack of effective project-wide management. The Eссор PMU exists but participation in its deliberations, according to Eссор senior management, is limited to senior management of the project and the M&E team, and does not include the workstream technical and project leaders.

In mid-2017, PwC, in the wake of numerous personnel changes, sought to clarify Eссор leadership roles and responsibilities, dividing them between a Strategic Lead (a Partner in PwC DRC) and a Team Lead. The document in which these were outlined also referred to a Project Lead, but there was no indication what that role consisted of or who was meant to fill it. The Strategic Lead and Team Lead both were, and remain, part-time positions, and the Team Lead is not resident in Kinshasa. The following table illustrates the planned division of responsibility and accountability between these two positions.

**Table 5 Eссор Senior Management Team Roles, Responsibilities, and Accountability**

Role	Accountability	Responsibility	
		TL	Strategic Director
Team Management	GD	TJT	
Programme Reporting to DFID	TJT		
Review of deliverables (Workstreams)	GD	TJT	GD
Monitoring and Evaluation	TJT	TJT	GD
Stakeholder Engagement	GD	TJT	GD
External Communications	GD	TJT	GD
Internal communications	TJT	TJT	GD
DFID KSM	JL	TJT	GD
DFID Contract Management	JL		

Source: 'Eссор Team Leadership Roles', 25.07.17.

<sup>54</sup> Donovan and Manuel (2017) Adaptive Programming and Business Environment Reform – Lessons for DFID Zimbabwe, ERF, April.

It is hard to imagine how this could work even under ideal circumstances, given that senior staff members in different roles may have responsibility without accountability or accountability without responsibility, and that there is considerable overlap between the two sets of roles and responsibilities. Also, the TL is given primary responsibility for M&E and reporting, even though Market Share Associates, a member of the PwC-led consortium, possesses the expertise in this field.

### **C.3 Value for Money (Efficiency): Is Eссор likely to deliver value for money?**

Overall the project is unlikely to deliver value for money on its current trajectory. Only two workstreams (OHADA and A2E) have made reasonable progress, while all others have either already closed down or do not yet have compelling evidence to suggest they are on track to deliver any impact. There are major weaknesses with the management of the project despite this representing around one third of the project's costs. For the OHADA and A2E workstreams, the nature of potential benefits needs to be more rigorously set out to allow a more evidence-based judgement of the extent to which these specific interventions might be achieving VFM.

#### **C.3.1 How appropriate is the Eссор VFM framework?**

**Overall Eссор's VFM framework requires some modifications to be more relevant to both guiding and holding to account project implementation. Most important at this stage of the project, however, is simply that data is consistently reported against the indicators, so progress can be meaningfully assessed.**

Eссор's VFM framework was first developed in full in December 2016, and was reported on for the first time in February 2017. An updated draft of the VFM framework was developed in September 2017 following significant changes to the Eссор logframe finalised in August 2017.

To date there has been no reporting on the current VFM framework and only limited reporting (focused at the Economy level) on the previous framework. This is linked to both the late development of the initial framework (two years after project start) and the lack of availability of data at the efficiency and effectiveness level, despite the February 2017 framework committing to reporting on various indicators on a quarterly basis. Given this, it is only possible at this point to assess the framework in theoretical terms – a better assessment can be made once it is first reported against in full, which should be possible as part of the 2018 Annual Review.

The VFM framework has the following strengths:

- The Economy indicators are (in theory<sup>55</sup>) equivalent to those reported on by ÉLAN and the DSU, which should allow for simple cross-project comparisons;
- The framework is consistent with the logframe which should reduce the data reporting burden;<sup>56</sup> and
- The framework covers all categories of Economy, Efficiency, Effectiveness and Equity.

However, the framework has the following potential weaknesses:

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<sup>55</sup> In practice reporting to date has not been consistent.

<sup>56</sup> Although equally tracking the logframe too closely can be a weakness too. With the update of the logframe in August 2017 a couple of good VFM indicators were taken out of the framework as they no longer directly linked to logframe indicators. This is despite the fact that these indicators still give critical and useful information relative to assessing VFM (notably the indicator for the proportion of reviewed/drafted policies/procedures that are adopted and in turn the proportion of those that are adopted that are implemented).

- Lack of reporting on indicators to date could suggest that the reporting burden is too high relative to other priorities within the project. A more focused framework might enable more regular reporting. Notably, reporting of the most important indicators should be quarterly rather than annual, to allow for implementation to more quickly adapt.
- No information is provided in terms of what level of achievement should be expected for each indicator (i.e. how to determine if performance is weak or strong).
- The previously included indicator for leverage of government resources has been dropped, apparently because the project is not targeting this (and indeed the last VFM report stated achievement as £0). This seems perverse given that government commitment is critical for continued progress on reform efforts and targeting government contribution to such reform efforts is surely part of this.<sup>57</sup> The OHADA workstream provides a good example, where the ongoing costs of running the GUCE will at some point have to be funded by the GUCE itself. Even a qualitative assessment of government investment into a reform area would provide highly valuable information. This could include in-kind investment such as staff time (not including time effectively remunerated by the project through per diems or other motivation payments), or indeed progress of agencies in raising their own revenues for running costs.
  - The previously included indicator for the proportion of reviewed or drafted policies/procedures that are actually adopted in practice has been dropped, despite the weak performance against this indicator in 2016 and the clear relevance of the information for assessing whether Essor's activities are efficiently targeted.
  - The Equity indicators are direct duplications of what is already reported in the logframe. Likewise, the second Effectiveness indicator is a direct replication of what is already reported in the logframe. They do not provide any additional information.
  - A new category called 'Sustainability' has been added. Separating this category from the previous structure of the VFM framework is not logically consistent as achieving sustained results is part of Effectiveness.
  - There is no information about what qualitative analysis will complement the indicator reporting.<sup>58</sup> Given the nature of the project with many hard-to-capture results, the qualitative analysis will be particularly important.
  - The only previous reporting there has been on the framework did not focus sufficiently on what the implications of the analysis might be, i.e. how should implementation adapt as a result of the findings?

### C.3.2 How effectively is the Essor VFM framework used to inform project management?

**Given that the project's VFM framework was not fully developed until early 2017 and reporting against it has been limited beyond the Economy level (i.e. cost of inputs), it is clear that it has not been a key driver of project decision making. That is not to say that the principles of VFM have not been followed during project implementation, but the lack of structure to monitor the adoption of these principles has restricted their potential influence in improving overall management decisions.**

At the Economy level VFM indicators have been reported on regularly, which has provided a clear basis for managing performance against them. However, achieving good Economy does not necessarily mean a project is achieving good VFM. There is a risk that this lack of balance in VFM reporting could have adversely affected overall VFM performance if implementation choices were

<sup>57</sup> The new logframe indicator which counts the number of government stakeholders that have 'demonstrated commitment to reform' is a relevant complement to this. However, on its own it is unlikely to provide sufficiently detailed information about what concrete commitment has been made.

<sup>58</sup> Although there is a statement that there will be qualitative analysis.

excessively focused on reducing the costs of inputs rather than a consideration of the costs required to achieve a strong overall impact. The extent to which this distortion may have happened is not clear, but the project's challenges with ensuring high quality strategic management as set out elsewhere in this evaluation suggest it might be a relevant concern.

The nature of Eссор is that key decision making is made both at the workstream level and the centralised Senior Management Team. There is considerable scope for improving the ownership and understanding of VFM issues specifically at the workstream levels. The lack of workstream-specific VFM reporting has contributed to this.<sup>59</sup> Monitoring and reporting on VFM has also been highly centralised, with what seems to have been a mixture of remote and Kinshasa-based involvement from only the project's finance team and more recently the MRM team. There is not obviously a VFM champion for the project, i.e. someone whose role is to drive VFM performance across the project in the same way that a gender lead might do for gender issues.

### **C.3.3 To what extent is Eссор on track to deliver value for money?**

**Overall the project appears to be substantially off track to deliver VFM. Eссор has made slow progress since it began in January 2015, as set out elsewhere in this evaluation. Although there has been some acceleration of activity in the last year, and the OHADA workstream has broadly met original expectations, the project overall remains clearly behind originally intended timelines.**

Until the very recent work on impact modelling (started in Q3 of 2017), there had been very limited articulation as to what tangible impact specific activities were trying to achieve. Modelling of potential impact has now been established but remains under development at the time of this evaluation and has been heavily focused on what can be quantitatively measured. The underlying assumptions used to monetise projected impact are sometimes highly questionable. There is insufficient consideration of the more difficult-to-quantify aspects of impact that may well provide the core VFM justification for the project.

Compelling justifications for why specific workstreams will be effective are often absent from project documentation and the present evaluation has highlighted concerns about the realism of critical project theory of change assumptions. The lack of quality of existing project data further undermines confidence that sufficient progress has been made to this point. Nevertheless, it is to the project's credit that considerable effort has been made in the second half of 2017 to resolve this data issue, potentially allowing for a clearer picture of progress towards impact in 2018.

## **C.4 Progress Towards Results (Effectiveness): To what extent is Eссор likely to deliver an improved business environment?**

Eссор is likely to deliver some improvements in DRC's business environment. These include reduction in the time and cost of business registration and increased access to finance through creation of a collateral registry (OHADA); creation of a framework for public–private partnerships in renewable energy systems (A2E); reduction in the coffee export tax (AVC); and, potentially, reduction in corrupt practices at a key border crossing (AC), and reduction of the multiplicity of local government taxes and fees (MSME).

<sup>59</sup> Although there are now efforts to address this with the July–September 2017 quarterly report annex adding a section on VFM for each workstream (in the draft that was made available information was only entered for OHADA, however).

### C.4.1 To what extent are Eссор workstreams and interventions effectively targeting the most relevant constraints? [Relevance]

**The Eссор workstreams are broadly targeting the relevant constraints. An Eссор survey of 900 MSMEs found that access to finance and electricity were the most pressing concerns of enterprises.**

However, the interventions could be more effectively targeted by (a) closer engagement with the private sector (only the AC workstream has involved the design of interventions in close consultation with intended private sector beneficiaries); and (b) closer collaboration with ÉLAN on addressing the market failures within the finance and electricity sectors.

The A2F workstream illustrates the point. Access to finance was mentioned by respondents to the Eссор MSME survey as the second-most serious constraint they face, after access to electricity. The financial education intervention can potentially be very useful to MSMEs in that it teaches basic financial concepts which, correctly applied, can help small businesses access capital. Leasing shows promise – the new Leasing Law was passed in 2015 and accompanying regulations have yet to be drafted in and approved. Inclusive insurance (as discussed in the Technical Annexes) is likely to be of limited success.

The OHADA workstream, which is supporting the RCCM in the creation of a register of assets pledged as collateral, may actually respond more than A2F to businesses' need for better access to financial services, as could, potentially, the MSME taxation workstream, which seeks to support an electronic payment system for MSMEs' transactions with government.

The A2E workstream could have been more effective had it put more of its resources into financial education for MSMEs, which would increase their ability to approach financial institutions, and collaborate with ÉLAN, whose A2F workstream focused on delivering branchless mobile banking services to consumers.<sup>60</sup> These issues are discussed in detail in the Technical Annex.

**The selection of Eссор workstreams and interventions was based to a large extent on the World Bank Doing Business (DB) indicators.** DFID's business case for the Eссор 'flexible facility' specified that success would be measured using the DB 'Distance to Frontier' indicator, which is meant to assess the level of regulatory performance in a country over time. Specifically, it measures a country's business regulations relative to the globally most efficient regulatory regime (known as the frontier) in the DB sample since 2005. The indicator covers all ten DB measures and provides a given country with a number between 0 and 100 (100 being the frontier). The Eссор business case stated that the project's success would be judged by its 'ability to move the DRC's "Distance to Frontier" score from 35 to 52.'

However, using DB alone has been shown to be a poor measure of identifying key constraints; for example, as noted elsewhere in this document, DB issues are rarely flagged as key constraints in Enterprise Surveys (Heatherington, 2017). This is problematic for three reasons:

1. The 2008 independent review of the World Bank doing business indicators observed that 'DB is not intended to, and cannot, capture country nuances. Firms' investment decisions also depend on variables not measured by the DB Indicators, such as the cost and access to finance and infrastructure, labour skills, and corruption.'

<sup>60</sup> Interviews with UNCDF, GiZ and Central Bank of Congo.



DFID's own analysis supports this: 'Although the use of DB indicators to advertise a country as a destination for FDI is perfectly legitimate ... the DB indicators are poorly suited to prioritising reform or measuring the outcome of a donor programme' (Heatherington, 2017).

2. The indicators were developed based on the notion that a country's business environment is related to firm performance. However, the relationship between firm performance and macroeconomic outcomes (and thus, the relationship between the Indicators and macroeconomic performance) is a controversial topic in the literature. In the DRC, some indicators, such as protection of minority investors and closing a business are largely irrelevant, while other important elements of the business environment, such as corruption, are not covered.
3. This gap between the indicators and the genuine obstacles that businesses face in DRC is compounded by Eссор's focus on MSMEs. Construction permits, for example, an Eссор workstream that was abandoned when it was confronted by an irreconcilable conflict between national and subnational authority, are of minimal concern to most MSMEs, which lack the motivation and means to build their own business premises and instead operate from rented facilities or on the roadside.

#### **C.4.2 To what extent are the logic and assumptions linking interventions to intended results valid and being borne out in practice? [Relevance]**

It is too early to tell whether or not the interventions are generating the targeted impacts. Whilst progress against milestones was reported as over-achieved at Annual Review (output 3.2), the data verification exercise found low confidence in the results of this indicator. This evaluation has found that only two out of the five evaluations have made significant progress (OHADA and A2E).

#### **C.4.3 To what extent are interventions within workstreams meeting implementation milestones and targets?**

While progress against milestones was reported as over-achieved at Annual Review (output 3.2), the data verification exercise found low confidence in the results of this indicator.

At Annual Review, six out of 14 interventions were reported as achieving more than 70% of their milestone targets: Leasing Reform, Reduction in taxation for MSMEs, Improvement in public Sector Support to the Coffee Industry; Improvement in A2E for MSMEs all achieved 100% of their milestone targets; reducing the financial and admin burden of MSMEs achieved 90% of their targets; Support to development of an Inclusive financial policy received 72%. The other eight interventions achieved less than 8%.

When averaged, the overall score was 75% vs a target of 70% but the data verification exercise found low confidence in this indicator.

#### **C.4.4 To what extent are interventions already prompting changes in the business environment? [Relevance]**

The OHADA workstream has contributed to an improvement in DRC's Doing Business ranking for establishing a business, but the potential impact, if any, that might result from this is not yet clear.

None of the workstreams have yet produced measurable impacts. This is not unusual for a BER programme at the beginning of its fourth year of operation, since reforms, even if successfully implemented, can take a long time to generate measurable improvements in economic performance, increased household incomes, or similar impact indicators. It is therefore essential for BER

programmes like Eссор to present a compelling logic for their interventions and to chart a plausible route towards achievement of their expected impacts. Eссор has not done either of these.

'Be cautious in projecting results: results will be backloaded – an 8-year programme should deliver a large majority of its reforms in the final 3 years – so be careful not to overpromise at mid-point. Other factors will change the business environment during the project, sometimes for the worse. In addition, 'attributing impact and outcomes proves to be more difficult than often anticipated in [business cases]'.<sup>61</sup>

**a) Are public sector actors acting to address business environment constraints because of Eссор interventions?**

There is substantial evidence of this in several workstreams, including A2E, OHADA, and AVC, and some evidence in other workstreams. Overall, however, the achievements have not attained the levels targeted in the MRM.

Eссор has an indicator which measures the commitment of institutions to implement activities as a result of Eссор interventions, but the report data were assessed as being of low confidence. This indicator 3.1 is defined as demonstrated commitment by government institutions: evidenced by (a) a written agreement or MOU to collaborate with Eссор, (b) establishment of a working group with a mandate to investigate and reform, (c) a reform roadmap / action plan / work plan outlining activities that will permit reforms, or (d) allocation of resources to support the reform process. In the Annual Review insufficient evidence was provided of the comparison of budget/action plans before and after Eссор interventions. Ten achievements were reported (which exceed the Eссор target), even though none actually met all the logframe criteria.

**b) Are new processes and procedures to address business environment constraints being implemented and enforced because of Eссор interventions?**

**There are many new processes and procedures, which address business environment constraints, being implemented with Eссор support.** These include:

- Outcomes such as simplified business registration, digitization of business records, and improvements in the functioning of commercial courts (OHADA);
- Reduction in the coffee export tax (AVC);
- Some improvements in the regulatory environment for insurance and leasing (A2F); and
- Selection of sites for solar mini-grids and progress on establishing the legal, commercial, and financial basis for their development.

**c) Are poor producers and women accessing opportunities that arise from an improved business environment?**

***There is no evidence that poor producers and women are accessing these opportunities.***

Eссор has three outcome indicators that measure this result:

**Indicator 3 (Eссор):** Cumulative number of procedural changes, additions, or removals that reduce time and/or costs for MSMEs and that are supported by Eссор.

<sup>61</sup> Heatherington (2017) 'Business Environment Reform Facility: What Works in Business Environment Reform in Sub-Saharan Africa and South Asia', DFID Business Environment Reform Facility, February.



**Indicator 4 (Essor):** Cumulative number of BER policy / regulatory / legislative / administrative changes made or prevented that directly benefit businesses and that are supported by Eссор.

**Indicator 5 (Essor):** Percentage of businesses in areas and sectors targeted by Eссор reporting an improvement in the business environment.

Indicator 5 is an annual survey (starting in 2017) of MSMEs to measure their perception of the improvement in the business environment, but Eссор has yet to complete. For the other two indicators the most recent Annual Review determined that Eссор is not achieving these outcomes since their reported results did not meet the standards of the logframe definitions.

#### **C.4.5 Are there any unintended consequences resulting from Eссор's interventions?**

*The MTE has not identified any unintended consequences.*

### **C.5 Is Eссор's measurement and reporting system appropriate to improve implementation?**

The Eссор MRM system has not been appropriate or effective for improving implementation. A functional MRM system was not in place until the end of 2017. The verification exercise found serious weaknesses with the initial quality of the system such that there was low confidence that reported results reflect reality for the majority of indicators.<sup>62</sup>

#### **C.5.1 Does the logframe facilitate adaptive management of Eссор?**

*The logframe facilitates adaptive management to a limited extent as the impact and outcome indicators are mostly common to different interventions, with progress of the individual workstreams measured by the achievement of milestone results and delivery of interim impacts and outcomes.*

**Where the logframe has weaknesses** is comparing achievement across the different workstreams to enable readjustment of resources based on traction of the different workstreams. NAIC cannot be attributed to specific Eссор interventions with reliability. The logframe/ MRM is more accurate in its attribution of output and outcome indicators; however, the most recent Annual Review criticised the use of these indicators as a measure of success precisely because they do not provide any meaningful gauge of success and eventual impact, and therefore cannot facilitate adaptive management.

Typical characteristics of logframes in adaptive programmes like that envisioned for the Eссор Facility include: use of a high-level 'framework' logframe supplemented by more detailed 'nested' logframes; 'harvesting' results retrospectively; a portfolio or 'basket' approach to outputs; and the use of process-related outputs focused on learning and adaptive management. Logframes should be viewed as active management tools which are frequently changed and updated.<sup>63</sup>

#### **Does the logframe allow for flexibility in adjusting implementation, closing-out or replacing interventions and workstreams?**

<sup>62</sup> The verification exercise conducted on the recently adopted MRM system rated over two-thirds of its indicators 'red' (i.e. low confidence that reported results accurately reflect reality) and the remainder 'amber' (i.e. medium confidence) which indicates that the quality of the results needs to be strengthened before the MRM can be used as an effective monitoring tool.

<sup>63</sup> Donovan and Manuel (2017) Adaptive Programming and Business Environment Reform – Lessons for DFID Zimbabwe, ERF, April.

**Yes – as far as we are aware there is potential to modify the logframe as the project develops, and add additional interventions and workstreams.**

The theory of change identifies the following intervention logic for the programme:

### Theory of change



PwC

### What Essor will do:

Support Government to engage with private sector organisations through consultations and PPD (Project Level and Workstream Level)

Support Government to review, draft and adopt improved legislation to enact the priority reforms.

Support Government to review, draft and adopt new operational frameworks to deliver better services to businesses.

Build the capacity of Government to deliver services that are more transparent, cost-effective, accessible and equitable and inform businesses that these services are available and how to access them

As a result of these changes, there is an improved business climate that fosters economic opportunities for poor people, with a focus on MSMEs and women. Demonstrated by:

- Savings in time and costs to businesses measured by selected indicators
- Perceptions of Essor's target MSMEs on reduced obstacles and costs.
- Links to job creation, incomes, improved justice and poverty reduction

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To function as this type of tool the logframe would need to identify at what point of the theory of change the intervention was at, i.e. problem identification, solution design, development of laws/regulations, development of G2B capacity, implementation of laws or regulations, change felt by MSMEs. The logframe could then be used to track the appropriate adaptation needed for each state of the intervention.

This is time-consuming but is possible to develop. It is difficult to see why it is needed, as the workstream leader should be capable of identifying the right adaptation for the specific intervention and their skill will be judged on the achievement of project results.

### C.5.2 To what extent does the logframe provide Essor with a framework for comprehensively tracking how workstream interventions contribute to project results?

**The logframe does not track how workstream interventions contribute to project results and there is no system that the MTE team could identify to compare achievement across the workstreams and monitor intervention progress.**

There are shared impacts, and a number of learning outcomes and outputs which are aggregated across the different programmes. However, this approach may make it difficult to monitor the progress of the interventions and their contribution to the success of outputs and outcomes, which are also important to an adaptive facility.

The output 3.3 which measures achievement of targets for each intervention in the last quarter is a reasonable measure of short-term planning but does not really measure the traction of the interventions.

The programme needs to be able to compare and track progress for each workstream. One option is for the team to develop nested logframes, using similar outcomes and impact indicators, which can be aggregated, as now, to track outputs and outcomes across the programme and within the workstreams.

### **C.5.3 To what extent does the MRM system contribute to learning and improving project performance?**

The MRM system does not contribute much to learning and improving project performance. There are embedded logframes which track performance of each workstream but at the time of the MTE these had not been implemented.

#### **Does the MRM system provide Essor with a management tool that supports the project as an adaptive facility?**

The MRM was adopted less than a month before the MTE was completed, so it is too early to assess this. The MRM as demonstrated to the evaluators was based on Microsoft Excel, with supporting documentation (pdf and Word files, images, and spreadsheets) held separately in a shared Dropbox folder. The difficulty of navigation of this system limits its utility as a management tool. Essor is apparently in the process of migrating the MRM from Excel to an SQL database, which should make it easier to generate real-time reports that would facilitate adaptive management of the project.

#### **Does the MRM system reflect intervention level performance and its contribution to project results?**

The Data Verification exercise indicated low confidence in the accuracy of the data being collected by the monitoring and results management system. The system is new, having been approved by DFID in December 2017, and so therefore it may take some time to iron out data collection and quality issues. Currently the MRM as it stands is not accurately measuring project performance.

The Data Verification Exercise completed in December 2017 showed:

'confidence ratings for Essor's 16 assessed indicators (from a total of 25 indicators, of which 16 have reported results) were as follows: five were rated with amber 'medium' ratings, and eleven with red 'low' ratings. The share of these ratings is spread fairly evenly across the assessed logframe levels, where outcomes include one amber and one red, intermediate outcomes include one amber and one red, and outputs include three ambers and nine reds. The low 'red' ratings tended to stem from low ratings on criteria relating to the clear and transparent calculation of results (see criteria C.1 and C.6), documented consistency of data collection approaches applied across workstreams (see criterion B.6 and B.7), as well as the general comprehensiveness of substantiating evidence for all reported results (criterion C.3). The results themselves that Essor reports are not particularly complex (indicated by the fact that they required the *directly measured results* criteria, rather than those of *modelled results*), and it is therefore the verification team's view that many of the low rated indicators can be fairly readily improved by ensuring that the aggregation calculations (C.6) are more explicit and that each reported result is substantiated with clear evidence.'

'The nascent level of development of the MRM system has implications for the credibility of the results and the system as a whole in its current form. Essor is reporting results from three years of implementation against a recently approved logframe (September 2017) with an MRM system that has just been established. We believe that the result of this shows in the form of the frequent low confidence ratings given to Essor's indicators in this assessment, where there remain gaps in the provision of evidence for results, the way that reported results

are linked to supporting evidence within the MRM system, plus the likely challenge of *ex-post* compilation of evidence and results against a recently approved logframe.'

## The indicators and their rationale

It is not yet possible to assess the effectiveness of Eссор's new MRM in capturing, measuring and reporting results. It is, however, possible to evaluate the indicators in the Eссор logframe, which went through several iterations before being finalised in September 2017. The logframe has based its impact assessment on two indicators: 1) NAIC; and 2) Cumulative number of companies experiencing net positive income change, as a result of Eссор-supported business environment reforms, disaggregated to show cumulative number of MSMEs

### a. NAIC

The use of NAIC as a primary impact indicator is attractive to DFID partly because of the ability of this indicator to compare the impacts of different projects.

The use of NAIC seems to represent an improvement over the traditional time and cost savings indicator used for many BER programmes; in theory it also measures benefits that flow to wage earners as a result of any improvements. However, the logframe defines the indicator narrowly to represent time and cost savings related to compliance with regulation, and so this will only measure the impact of interventions related to administrative streamlining or anti-corruption and not (for example) measure improved enforcement of regulation or the provision of new regulation, which enables market investment and growth (which may increase the administrative burden).<sup>64</sup>

In addition, there are many factors that influence the relationship between BER and increased pro-poor incomes, and it would be useful to triangulate the interventions to see if one had led to the other. The NAIC is likely to be of limited use, by itself, in measuring the true impact of Eссор on poverty and MSME growth.

### b. Cumulative number of companies experiencing positive net income change

This impact indicator is calculated by summing up, across all workstreams, the cumulative number of companies whose income increases as a result of business environment reforms that Eссор has supported. It is a complement to the NAIC calculation, which itself is an extrapolation, from survey data, of both the number of companies whose income increases and the average scale of the increase.

### c. Attribution

The Eссор team have recognised the challenges of attribution – that is, how to establish the extent to which an observable change in an indicator can be attributed to a specific intervention. Eссор has, consequently, adopted different approaches for each workstream or intervention. The explanatory notes to the logframe describe them as follows:

- **A2E:** Attribution to be assessed using a matching approach that compares businesses located in the three sites selected for electricity development with others located in up to three of the potential sites evaluated but not selected. Beneficiary businesses to be matched with similar non-beneficiary businesses. The respondents will be compared in terms of their comparative change

<sup>64</sup> As discussed in the A2E case study, for example, the NAIC indicator is based on the businesses' savings from a switch from costly diesel fuel to less expensive solar energy, but this fails to capture the benefits from attraction of investment that would not occur if the solar PV installations were not built, together with the jobs creation, income growth and distribution, and productivity increases that reliable and cost-effective electricity supply would promote.

in income to generate impact indicators 1 and 2. The approach described in intermediate impact indicator 2<sup>65</sup> will ensure that the electricity development in the three sites that are developed is attributable to Eссор.

- **A2F:** A rigorous, methodologically defensible approach to estimating the NAIC generated from companies accessing insurance and leasing markets is still to be developed in collaboration with ÉLAN, which is also engaging in these markets. The approach described in intermediate impact indicator 3<sup>66</sup> will ensure that the businesses using leasing and insurance policies can be attributed to Eссор.
- **Anti-corruption:** A baseline survey to be conducted before beginning anti-corruption activities, as a basis for comparison via subsequent surveys to determine changes in amount or frequency of illicit payments, and to ask respondents to what they attribute these changes. If feasible, Eссор plans to conduct surveys with comparable groups of MSMEs located in places where Eссор has not conducted anti-corruption activities to estimate the change attributable to Eссор. Also, the anti-corruption workstream could potentially increase tax revenues for Government, and Eссор plans to explore the possibility of quantifying this benefit.
- **MSME:** Eссор plans to use a before/after comparison via surveys to determine changes in the time and cost required for paying specific fees, and the extent to which respondents are still required to make illicit payments. The surveys will also gather information from respondents about how they attribute changes in the level of tax payments. If feasible, Eссор plans to conduct surveys with comparable groups in places where Eссор has not conducted awareness activities on the tax typology, to estimate the change attributable to Eссор. The surveys will also assess how companies learned about the official guidance on fee payments, to assess whether any changes in behaviour were due to Eссор's efforts. Also, the MSME workstream could potentially increase tax revenues for Government, and Eссор plans to explore the possibility of quantifying this benefit.
- **AVC:** AVC interventions have concentrated on reducing export taxes on coffee exports imposed by ONC. The benefit to businesses can be estimated by calculating the reduction of the tax per kilogram multiplied by the number of kilograms of coffee exported officially. Eссор plans to determine attribution of these changes through stakeholder surveys. To disaggregate the amount of the export tax reduction transferred to MSMEs, most of whom are coffee farmers but not exporters, Eссор plans to calculate the average proportion of the export price received by exporters that is paid to coffee farmers, and any changes in that proportion before and after the tax reduction, adjusting for seasonal changes in coffee prices. This will not solve the problem of attribution, however, since this is an intervention in which both ÉLAN and Eссор participated.
- **OHADA:** For the OHADA RCCM intervention, Eссор plans to conduct a study in which businesses attempt to register using both the traditional approach and the GUCE one-stop shop to compare the differences in time, cost, and bribery requests experienced. These comparisons may take place in the same location if both mechanisms are available; otherwise, a study will be done in each place where the GUCE is about to be introduced to compare the time and cost under each system and quantify the additional savings. This will clearly demonstrate the improvement of the new process supported by Eссор with the traditional business registration process.

These approaches, though they are intelligently designed to measure real change, do not fully address the problem of attribution. Several of the workstreams, notably A2E, A2F, and AVC, involve overlap or active collaboration with other donors or projects: A2E with the World Bank, USAID, and the AfDB; A2F with UNCDF and GIZ (A2F plays a supporting role to GIZ in the financial education intervention); and AVC with ÉLAN and, to some degree, with USAID.

<sup>65</sup> Intermediate impact indicator 2 is 'newly installed capacity (MW) in the renewable electricity sector in DRC influenced by Eссор'.

<sup>66</sup> Intermediate impact indicator 3 is 'Cumulative number of businesses using leasing and insurance products'.

#### d. Interim Impact Indicators

The two impact indicators in the logframe – cumulative NAIC and cumulative number of companies experiencing positive NAIC – are aggregated across all workstreams, though in some instances these are shown in detail in the business cases for individual workstreams.

**OHADA:** The OHADA results chain for its support to the RCCM business registration system shows the following impacts:

1. A target cumulative NAIC of £952,019;
2. 1,040 cumulative jobs created; and
3. A reduction of £20 in annual bribes paid by 'entrepreneurs' (sole proprietors), and 15,482 such beneficiaries, for an annual total of £310,000.

The explanatory notes to the Eссор logframe state: 'The best-case scenario [for OHADA] estimates 6,000 new business registrations and 6,000 other transactions across all the GUCs by 2020, with a savings of GBP 98 for registering businesses (reduced time and fees) and a cost of GBP 18 for all other transactions. This would translate to a total benefit of £696,000 over the life of the project.'

The 2016 Eссор Financial Report, however, shows an expected annual spend of £679,268 on this intervention, or about £3.4 million over the project life.

**Access to Electricity:** The outcome indicator is 'Newly installed capacity (MW) in the renewable electricity sector in DRC influenced by Eссор', and the value of the indicator is 15 MW, which the logframe indicates will not occur until 2021. The value of the benefit is calculated as 'the notional reduction of cost in energy provision to the businesses by converting from diesel-fuelled generators to electricity'.

The outcome indicator for A2E is all-or-nothing. It does not allow for the effects of the underlying reforms supported by Eссор, which may contribute to widespread roll-out of PPPs for solar energy, though possibly not within the Eссор project life, since the transactions may not have concluded by the end of the project or, if they have concluded, the installations may not yet have been built and commissioned.

The calculation of the value of the benefit captures only a tiny slice of the potential benefit from the intervention – the cost savings realised by the small minority of the population that currently uses diesel generators as they switch to solar power. It ignores the effects on this segment of the population of the productive investments they might make, and the new jobs and income to which those investments will contribute. It ignores the benefits, some calculable and some not, accruing to the much larger population group that will have access to electricity for the first time.

**Anti-corruption:** The benefits that are assumed to be generated by the anti-corruption workstream are based on 'savings introduced by the removal of several illegal and duplicated fees and duties imposed by various state agencies'. This cannot capture the expansion in business activity that could result from a reduction in corruption, nor does it capture the increased business opportunities and increased fiscal receipts from companies that can make a different calculation of the relative costs and benefits of formalisation in an atmosphere of lower corruption.

**Agricultural value chains:** The logframe benefits for the AVC workstream are based on the savings achieved due to the reduction of the export levy, imposed by ONC, to 2%, applied to the total tonnage of formal exports.



**Access to Finance:** The estimate of NAIC attributable to A2F assumes that each enterprise that uses insurance and leasing products as a result of Eссор generates an additional £200 in NAIC annually from profits due to using those financial products. There is no explanation how this estimate was calculated.

**MSME:** Here the calculation appears to overstate the potential benefit, since the estimate is based on the assumption that the '*patente*', a lump-sum small business tax, is abolished. Leaving aside the question of why this is a principal objective of the workstream – in many countries a similar lump sum tax, at an appropriate rate, can be a fairer and easier way for small businesses and sole proprietors to pay their taxes – its abolition would not necessarily be a net gain for those who pay the tax, since it would be replaced by another form of taxation.

***The MTE is not covering the design of the final evaluation as this is being addressed in a separate Approach Paper for the Final Evaluation (encompassing both ÉLAN and Eссор).***



## Annex D Value for Money

### D.1 How can the Essor VFM framework be strengthened?

The following suggestions are made for how the VFM framework could be strengthened:

- a) Define what qualitative analysis will be undertaken for each category, providing some sense (ideally in terms of criteria and standards) for what could be achieved to allow for a comparative analysis against what is actually achieved;
- b) Some sense of quantitative targets should also be provided, particularly at the Efficiency and Effectiveness levels of the framework, so again there is an *ex-ante* idea of what good performance might look like. Setting such targets of course becomes easier once there is a baseline of data actually reported;
- c) Break down the analysis to the workstream level at each level of the framework, in effect creating mini-VFM frameworks for each workstream.<sup>67</sup> This should become more manageable with the currently planned consolidation of existing workstreams;
- d) The impact modelling that has been developed parallel to the existing VFM framework needs to be integrated as part of the monitoring of effectiveness. The recommendations for improving this modelling are stated elsewhere in this report;
- e) For Equity, focus on a qualitative analysis covering gender, socioeconomic status of beneficiaries and geography. Again, ensure some *ex-ante* clarity of what good performance might look like, to allow for a more rigorous assessment of *ex-post* achievements;
- f) Where reporting is stated as quarterly it should indeed be reported each quarter, so a sense of indicator trajectory can become clearer;
- g) Take out the indicators that are a direct duplication from the logframe;
- h) Remove the Sustainability category and put this indicator within the Effectiveness category;
- i) Bring back the efficiency indicator on the proportion of policies/procedures reviewed/drafted that are actually adopted. And ideally track through with an effectiveness indicator for how many of those that are adopted are actually implemented in practice; and
- j) Make a clear statement of commitment to ensure the analysis is focused on what its implications are for how implementation should adapt in response to the findings.

### D.2 To what extent is Essor on track to deliver Value for Money?<sup>68</sup>

#### Summary

Overall the project appears to be substantially off track to deliver VFM. Essor has made slow progress since it began in January 2015, as set out elsewhere in this evaluation. Although there has been some acceleration of activity in the last year and the OHADA workstream has broadly met original expectations, the project overall remains clearly behind originally intended timelines.

Until the very recent work on impact modelling (started in Q3 of 2017) there had been very limited articulation as to what tangible impact specific activities were trying to achieve. Modelling of potential impact has now been established but remains under development at the time of this evaluation and has been heavily focused on what can be quantitatively measured. The underlying assumptions used to monetise projected impact are sometimes highly questionable. There is insufficient

<sup>67</sup> The inclusion of VFM sections for each workstream in the Q3 2017 quarterly report annex is a good indication of progress towards this (although the draft shared at the time of the MTE had almost no content for this).

<sup>68</sup> The summary of this answer is also presented in the Findings Annex but is repeated here to ensure coherence of the present annex.

consideration of the more difficult to quantify aspects of impact that may well provide the core VFM justification for the project.

Compelling justifications for why specific workstreams will be effective are often absent from project documentation and the present evaluation has highlighted concerns about how realistic critical project theory of change assumptions are. The lack of quality of existing project data further undermines confidence that sufficient progress has been made to this point. Nevertheless, it is to the project's credit that considerable effort has been made in the second half of 2017 to resolve this data issue, potentially allowing for a clearer picture of progress towards impact in 2018.

### **Detailed analysis by VFM framework category**

The following is an analysis of VFM performance against the categories of the VFM framework:

#### *Economy (i.e. cost of inputs)*

Essor seems to have strong systems and processes in place to manage Economy. This is also the only part of the VFM framework that has been regularly reported on, usually on a quarterly basis (although only for some of the key indicators). Data on the most informative indicator of daily personnel cost (fee plus expenses) are available internally within the project management team but have not been shared in external reports since the 2016 VFM report. This was estimated as £533 per day for 2016,<sup>69</sup> significantly above the equivalent cost for ÉLAN of £414.

The trajectory of this indicator is not clear, as it was not reported on in this way before February 2017, nor have updates been included in the quarterly reports. The main reason it sits above ÉLAN's cost is because of a greater use of international TA providing short-term inputs. On its own this information is not particularly informative about VFM. There is considerable variety in the personnel unit costs across workstreams, as noted in the 2016 Annual Review. However, there is no apparent qualitative analysis as to whether higher personnel costs in some workstreams are justified compared to others (e.g. because of strength of potential impact or speed of progress).

The project has most consistently reported on cost savings it makes through proactive management of its inputs. The actual figures presented estimating the extent of these savings are somewhat artificial given that the counterfactual often implies a poorly managed project. Nevertheless, they are manifestations of good practice, with examples including office sharing with ÉLAN in Lubumbashi, using project guesthouses rather than hotels, and conducting an internal audit at no charge.

#### *Efficiency (the rate of conversion of Inputs into Outputs)*

There is no reporting on any of the current VFM indicators for Efficiency. In the 2016 VFM report, there was one former Efficiency indicator reported on, which showed that only two of the processes or procedures that Essor had either reviewed or drafted were actually adopted. On the face of it, this seems like a very low conversion rate, particularly as adoption in the DRC context is still a very long way short of actual implementation. Nevertheless, no qualitative information was provided to judge if this was good performance. This indicator has been dropped from the latest version of the VFM framework. This seems a shame as it would be important to understand if this ratio were expected to improve with time. If not, it would suggest that Essor's efforts at supporting the early stage of legislation development (i.e. reviewing and/or drafting) is not a particularly efficient use of resources given that most are not adopted let alone implemented.

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<sup>69</sup> Note that it is a derived estimate, because the VFM report did not provide an aggregate figure but rather separated for international and national staff as well as short and long-term staff.

*Effectiveness (the rate of conversion of Outputs into Outcome and Impact)*

For 2.5 years of implementation, Eссор had not reported any data in terms of whether progress towards the project's impact is being achieved. There were missed opportunities to capture the effectiveness of interventions explicitly targeting 'Rapid Impact', such as the 2016 campaign raising awareness that notaries' services in business registration are non-compulsory.

There is no reporting on any of the current or former VFM indicators for Effectiveness. Until Q3 of 2017 there was very limited clarity about how workstreams were specifically expected to contribute to the overall project impact. Eссор has now developed impact models for each workstream to estimate their potential quantified contribution to impact. This is a significant step forward, although the models developed remained imperfect and under development at the time of this evaluation.

The modelling document shared for the MTE<sup>70</sup> started from the perspective of measurement and monetisation rather than a discussion of what the specific benefits for each workstream are expected to be and then an assessment of which of these benefits can be monetised or otherwise captured and how. This made it difficult to understand what the full range of benefits for each intervention is expected to be. For example, for the AVC workstream the benefits were only estimated in terms of a reduction in the export tax. As stated elsewhere in this evaluation, it is likely that the greatest potential impact from the AVC workstream would actually come from any progress with the reform of the ONC. An equivalently narrow perspective of impact is apparent across the modelling for all of the workstreams.

It is important to note that for many DFID projects the sub-set of benefits that can be monetised will not necessarily outweigh the project's costs. The key then is being able to make a compelling case as to why the remaining non-monetised benefits are sufficient to justify the investment. This is currently absent from the impact modelling documents. Even where benefits cannot be monetised there are ways that their achievement can be monitored and evaluated in a qualitative but rigorous manner.

More specifically the version of the impact modelling approach that was available at the time of the MTE<sup>71</sup> included the following methodological weaknesses<sup>72</sup>:

- a) The modelling of benefits for the MSME workstream made the assumption that legal tax revenue collected by the government has no economic value (i.e. any £1 decrease in tax paid by business is a £1 net benefit from DFID's perspective even though it means the government gets less revenue). A similar assumption is made for the AVC workstream. In the DRC context, where much, possibly most, tax collected is not remitted to the Treasury and only a proportion of government expenditure in any case benefits Eссор's ultimate target group of the Congolese poor, this assumption is not completely extreme but should nonetheless be justified and probably tempered (e.g. assume 20% of government tax collected is valuable rather than 0%).
- b) The modelling of benefits for both the A2F and A2E interventions assume that every pound of additional private sector investment into these sectors is a 100% benefit from DFID's perspective. There would be two alternative options to model this more appropriately: (i) assume a relatively high wastage rate for any attributable investment, e.g. only 15-40% of each pound of investment

<sup>70</sup> 'Measuring value for money in Eссор: Explanation and Projections', Draft dated 26 September 2017.

<sup>71</sup> 'Measuring value for money in Eссор: Explanation and Projections', Draft dated 26 September 2017.

<sup>72</sup> This feedback was immediately fed back to the project (9 October 2017); as such these issues may since have been addressed, although they were still present in the Q3 July–September 2017 Quarterly Report draft annex shared on 6 November 2017.

is valuable from DFID's perspective, or (ii) clarify what the investment would actually be used for and properly model the potential benefits that the investment itself might achieve.

The logframe at the time of the MTE also included proposed approaches for workstream-specific evaluations. These evaluations might help ensure that impact can be rigorously captured. However, as presently developed there is a risk that they will be excessively focused on quantitative benefits, rather than the fuller range of qualitative benefits for each intervention. Their timing might also imply focusing on capturing impact before interventions should be expected to have achieved it. The greater need for the project may be to set out more convincingly the interim steps towards impact for each intervention – with any workstream-specific monitoring and evaluation then focused on assessing progress against this.

A key part of effectiveness is also determined by the extent to which the government commits to and sustains reform efforts. This is a massive challenge in the DRC context. While there is now a logframe indicator that counts the number of Eссор-targeted institutions that have 'demonstrated a commitment to reform', a useful more specific indicator of this commitment can be understood in terms of what the government's own investment into particular areas of business environment reform has been. This was included in the February 2017 VFM framework, although it has subsequently been dropped without any reported achievement and a statement has been made that the project was not targeting leveraging any government investment. This lack of prioritisation is worrying, given that Eссор only has two more years to run and has mostly focused on the early stage of the reform process which will likely require substantial continued efforts to achieve impact.

One area where such leverage was indeed targeted but not achieved was for the running costs of the GUCE antenna. This is estimated only as \$2,500 per year, but is currently fully funded by Eссор. The strategy is for the GUCE to become autonomous and so raise and be able to spend its own revenue to cover this running cost. Progress towards this should be explicitly tracked, alongside examples from other workstreams where government investment (even if through agency-level autonomous revenue-raising) or simply time commitment is required for sustained progress.

### *Equity*

The project has made reasonable efforts to report against issues of gender equity. The 2016 VFM report considered three aspects where Eссор might have an influence<sup>73</sup>: (i) the proportion of those participating in meetings, trainings and workshops that were female, which was under but close to 50%; (ii) the proportion of policies, laws and regulations discriminating against women that Eссор had reviewed or drafted, which was 0% at the time; and (iii) a baseline for the number of new businesses registered that were female-owned (18%). In 2017, the quarterly reports and logframe targets suggest that greater attention has been placed on addressing specific BER issues for women.

There is less reported by the project in terms of its equitable impact relative to socioeconomic status. To an extent there is a risk that this could become unhelpful given that the initial beneficiaries of some reforms may indeed be non-poor, but this may be a necessary step towards ultimately improving the income situations of the poorest. Equally, it is a current omission from the impact modelling estimates to clarify the likely income profile of beneficiaries. If only benefits to the poor are considered valuable, this might imply the need for an assumption reducing the overall estimates of benefits. The implications will likely differ between workstreams (for example, AVC and AC

<sup>73</sup> A baseline was reported on for a third indicator about the number of business registered that were female-owned. Were Eссор to be targeting more specifically pro-women reform efforts then a consideration of the trajectory of this indicator might become relevant for assessing equality, but a standalone baseline is not.

workstreams might have a more direct and quicker pro-poor impact than the A2E and OHADA workstreams).

There is also not much reported by the project in terms of the geographical spread of impact. To date the vast majority of project implementation has been focused in Kinshasa, although efforts have been made to increase activities in both Goma and particularly Lubumbashi. There is ongoing negotiation about the geographical locations for the A2E mini-grids, currently planned for Gemena, Bumba and Isiro.

## Annex E Political Economy Context Assessment

### E.1 Introduction

#### E.1.1 Objectives

The purpose of the Political Economy Context Assessment (PECA) is to examine the main political and institutional factors in DRC that are relevant to understanding progress in the implementation and achievement of results of the Department for International Development (DFID) Private Sector Development (PSD) Programme and the ÉLAN and Essor projects (through which it is principally being implemented), as part of the Mid-Term Evaluation of the PSD programme. Specifically, the PECA has sought to provide evidence to answer five research questions:

1. What are the key features of the relationships between government, politicians and the private sector and what are the implications of these for policy making and implementation affecting the private sector and business environment?
2. To what extent is there commitment within government (at different levels and sectors) to improving the business environment for the private sector?
3. To what extent are legal and regulatory systems for business effectively implemented and enforced?
4. To what extent, and how, do the interests of the private sector (particularly small and medium enterprises, or SMEs) influence political decision making and government action (including at local level)?
5. To what extent, and how, do the interests of poor producers and consumers (as market participants) influence political decision making and government action?

#### E.1.2 Approach and methodology

The PECA is based on a review of literature (academic studies, analyses, documents and reports from national and international organisations) addressing the key issues relevant for testing the PSD programme, and ÉLAN and Essor projects' theory of change assumptions. The key topics researched were governance at national and local level, state–society relations, rule of law and corruption, business environment, livelihoods, poverty and social capital.

The document review is mainly based on analyses published by international institutions (African Development Bank (AfDB), United Nations Development Programme (UNDP), International Monetary Fund (IMF) and World Bank (WB), international non-government organisations (NGOs, for example International Crisis Group – ICG, the Mo Ibrahim Foundation), internationally recognised experts and academics, as well as on legislation and regulations adopted by the Congolese state. The analysis focused on documents published after 2010, but mainly on the most recent analyses realised in the last two or three years.

Fieldwork involved stakeholder analysis, key informant interviews and focus group discussions. Relevant resource persons to gather information through interviews were generally available in public institutions, at the level of representative organisations of enterprises and civil society. The response to requests for interviews was, however, lower at the level of the Ministries, but for each of the institutions interviewed, it was possible to get an interview with the main manager or the person directly in charge of the issue.



To ensure triangulation of evidence from different sources, the key informants were selected according to three criteria:

- Balance between public authorities and civil society actors;
- Representation of the different actors of the private sector; and
- Balance between the actors in the field and the academic analysts.

Since the field mission was limited in time, no movement outside Kinshasa was possible. It would be useful for future evaluations to deepen this PECA approach by conducting more focused context analyses in some key areas or sectors in which the programme operates.

### **E.1.3 Structure of report**

Section E.2 provides information on the political and institutional context of DRC. Section E.3 presents the findings of the PECA as answers to the research questions. Section E.4 considers the validity of key assumptions of ÉLAN and Essor's Theories of Change in the light of the PECA findings. Section E.5 provides additional information including the list of interviewees, a list of recent regulatory and policy initiatives, and the references and bibliography.

## **E.2 Features of the political and institutional context**

### **E.2.1 Characteristics of the political system**

The Congolese political regime is often described as an authoritarian presidential system with weak institutions (including the Parliament) and fragmented opposition forces (Trefon, 2011; 2012). The political agenda since the last presidential elections has been dominated by security and electoral issues (Berwouts, 2016; ICG, 2016) rather than social or economic issues despite continuing economic instability. The succession of political negotiations ('governance by dialogue', as termed by Englebert, 2016), the long duration of transitory government and the successive government reshuffles, the staying in power of President Kabila beyond the constitutional deadline (end 2016, 'glissement' tactical manoeuvring) have led to a national context of high uncertainty. While the risk of civil unrest or armed forces/groups violent intervention is a continuing feature, the key features of Congolese governance remain: governance by confusion, dithering and dialogue, delegation, theft, patronage and violence (Englebert, 2016).

'Governance by confusion' is regarded by Englebert as both a tactic to facilitate disengagement and passivity from potential opposition, as well as a consequence of the weakness of the state and public institutions. It is characterised by a continual failure to implement adopted policies, or voted bills, and unaddressed contradictions between laws and provincial edicts. This confusion is currently a major trait of the electoral process, with recommendations from national consultation and agreements (especially the 'New Year's Eve agreement', 31 December 2016)<sup>74</sup> not being implemented, the budget for the electoral process not being allocated, necessary bills not being voted and, most recently, the agreed schedule being postponed by the Commission Electorale Nationale Indépendante (CENI) to 2019 (in place of December 2017) (Grip, 2017) ('Governance by Dithering').

The system is also governed 'by delegation': the state is largely absent, and frequently delegates its missions to international, non-governmental or economic partners when it comes to delivering public goods. State authority is, however, largely used for the private appropriation, accumulation and redistribution of public resources (notably natural resources in mining and forestry) ('Governance by

<sup>74</sup> This Agreement reached under the mediation of the Catholic Church includes a commitment for organising presidential elections before the end of 2017. Contrary to the agreement facilitated by Edem Kodjo (October 2016), the New Year's Eve agreement was signed by all key opposition parties.



Theft'). The relationships between government, politicians and the private sector are mainly based on informal and personal relationships (family and economic interests) at the highest level (corrupt elites, Trefon, 2012). The frontiers between government (and more broadly, military and police actors), politicians, and the private sector are porous.

This kleptocratic nature of governance is also organised and channelled through 'patronage' practices. As Englebert (2016, p. 9) puts it: 'Subordinates are commonly appointed to positions of authority with the understanding not only that they will help themselves, but also that they will 'pay' for their appointment by channelling resources upward.' This makes it even more difficult to fight against corruption (see below).

Violence and repression is also a persistent dimension of governance. In the last three years, in the context of the approaching presidential election constitutional deadline, the government has used violence to repress demonstrations and the mobilisation of opposition forces (ICG, 2016).

Despite the unpromising features of the context, reformers do exist in government, the administration and more broadly among Congolese elites. They have, however, not been able to reverse the current political and institutional context of mistrust (state–society relations) and instability (notably violence). According to interviewees, the interests and power dynamics at higher level of governance do not provide a favourable environment for reformers to implement effective reforms or for attempts at external influence. They advise focusing on the middle management level rather than among the current political elite. Detailed PECA at local and sectoral levels could help identify levers of change at that level.

## **E.2.2 Corruption and the business environment**

Anti-corruption initiatives remain very limited, and the institutional means to address corruption are ineffective. The Commission on Ethics and the Fight against Corruption that existed during the Transition (2003–2006) has not been re-established. There is no specific anti-corruption law, as reprehensible acts are currently governed by the general Criminal Code. Parliamentary control is characterised by a member of the Committee on Economy and Finance of the National Assembly (ECOFIN) as 'pedagogical control': it provides information but does not include any sanctioning dimension (Network of African parliamentarians against corruption).

On several occasions, the Congolese authorities have committed to fight against corruption. The latest examples have been the declarations of Prime Minister Tshibala since he took office. More recently (October 2017), in the context of the implementation of the 28 urgent economic measures for economic recovery, Prime Minister Tshibala decided to restore the Luzumu prison (Bas-Congo) as a threatening message to corrupt civil servants. This could be seen as a strong political commitment to punish officials guilty of corruption; yet, according to observers and analysts, this declaratory policy is not effectively pursued and implemented by the administrative and judicial authorities.

In 2015, Luzolo Bambi, former Minister of Justice, was appointed Special Adviser to the Head of State on good governance and in the fight against corruption. This function allows for whistleblowing initiatives. On 4 August 2017, this Special Adviser sent a letter to the Attorney General of the Republic, Flory Kabange Numbi, containing information on a set of 14 cases alleging charges of documented tax evasion. Through this process, the Special Adviser denounced active public officials and former officials from various public institutions (Régie des Voies Aériennes (RVA), Direction Générale des Impôts (DGI), Office de Gestion du Fret Multimodal (OGEFREM)) but also business managers (Minoterie du Congo (MINOGONGO), Lignes Aériennes Congolaises (LAC), and fuel distribution companies: Cobil, Total and Engen), acting in complicity with different banks such as Rawbank, the Banque Commerciale Du Congo (BCDC), ECOBANK or Standard Bank (Africa News).

It remains to be seen how effectively these cases will be prosecuted, and if anything will be done about the revelations, in December 2016, that President Joseph Kabila and his family constituted a gigantic 'network of enterprises that extends to all sectors of the Congolese economy' (Kavanagh, M. *et al.*, 2016).

These examples, among many others, illustrate the climate surrounding this fight against corruption, characterised by the development of contradictory information and confusion and the widespread impunity that characterises the vast majority of the charges that have been revealed.

The Enterprise Survey's latest report on DRC (World Bank and IFC, 2013) shows that the country indicators' levels on corruption are much higher than the average scores of sub-Saharan Africa. 55% of small firms (1–19 employees) and 50.9% of medium firms (20–99 employees) are expected to give gifts in meetings with tax inspectors; 42.9% and 68.4% respectively to give gifts to secure a government contract. According to the survey, corruption is the fifth main business environment obstacle:<sup>75</sup> more than half of entrepreneurs say they personally face corruption. This observation is further confirmed by the index of perception of corruption established annually by the NGO Transparency International, which indicates more generally that the DRC ranks 156th out of the 176 countries in this index.<sup>76</sup>

## E.3 Findings of the PECA

### E.3.1 What are the key features of the relationships between government, politicians and the private sector, and what are the implications of these for policy making and implementation affecting the private sector and business environment?

The key features of the political economy of the DRC determine the relationships between the government, politicians and the private sector and the business environment. Those were summarised by Englebert (2016) as governance by confusion, dithering, delegation, theft, patronage and violence. While all those features are important and interlinked (see Section 1), governance by theft and patronage are key to understand the implications of the current political economy context for the private sector and business environment.

Beyond the weakness of formal institutions, the relationships between government, politicians and the private sector are mainly based on informal and personal relationships (family and economic interests) at the highest level (corrupt elites, Trefon, 2012). The frontiers between government (and, more broadly, military and police actors), politicians, and the private sector are porous. The proximity and relations between political actors and large enterprises induce a conflict of interests that negatively influences the policies regarding the promotion and the development of SMEs and poor producers and consumers (interviews with the Centre National d'Appui au Développement et à la Participation Populaire (CENADEP), the Confédération des Petites et Moyennes Entreprises Congolaises (COPEMECO), and the Fédération des Organisations non-gouvernementales Laïque à vocation économique du Congo (FOLECO)).

A kleptocratic state, however, in which the interests of political elites lie primarily with natural resources (mining, forestry), rampant corruption, impunity and patronage, clientelism and insecurity (Englebert, 2016; Kavanagh *et al.* 2016; Congo Research Group, 2017; Ibrahim index 2016), can cast a shadow on a much more complex and diversified private sector and business environment (See Doing Business report 2017, DRC; AfDB, 2012b). Those features of the Congolese political

<sup>75</sup> From first to last, in percentage of firms identifying the problem as the main business environment obstacle: access to electricity; access to finance; political instability; practices informal sector; corruption; tax administration; crime; theft; disorder; tax rates; access to land; customs and trade regulation.

<sup>76</sup> The low score of the DRC for this Transparency International index, which was 22 in the three previous years (2013–2015), decreased further in 2016 (21).

economy undermine the trust and stability that are necessary as building blocks of economic initiatives and development (interviews with the Conseil National des ONG de Développement de la République Démocratique du Congo (CNONG), The Centre National d'Appui au Développement et à la Participation Populaire (CENADEP), The Cadre permanent de concertation de la Femme Congolaise (CAFCO), FOLECO, The Fédération des Entreprises au Congo (FEC), and COPEMECO).

The Congolese private sector is strongly split between powerful private sector interests having the ear of government (international and large-scale actors in key sectors such as mining and forestry) and weaker smaller local actors. The government's macroeconomic policy priorities lie with export-driven growth and foreign direct investment. They are viewed by (some) Congolese entrepreneurs as favouring foreign and large entrepreneurs rather than ensuring the necessary protection of Congolese SMEs. The owners of SMEs often take as an example the non-application of the ordinance/law number 79–021 of 2 August 1979 and that of 8 August 1990, which reserve the practice of the small trade in the DRC only to nationals. These ordinances and laws are practically never applied except during some one-shot operations, such as the closure by the government of some expatriate stores, in particular in 2013; but these measures are neither systematic nor generalised, and therefore have no effect in the long term (interviews with COPEMECO, CAFCO).

In that global context, specific organisations defend the interests of the private sector, especially:

- FEC;
- Fédération nationale des artisans et Petites et Moyennes Entreprises du Congo (FENAPEC);
- COPEMECO;
- FOLECO;
- Union Congolaise des Armateurs des Baleinières (UCAB) ;
- Association de Femmes chef d'entreprise de la RDC (ASSOFE) ;
- Plate-forme de l'Entrepreneuriat Féminin de la RDC (PEF) ;
- Association des Femmes Entrepreneurs du Congo (AFEECO) ;
- Chambre de Commerce, de l'Industrie et des Métiers (CCIM) ; and
- Chambres de commerce bilatérales.

FEC is the most structured and influential organisation, and primarily defends the interests of large enterprises. Interviewees have mentioned the existence of funding from large multinational corporations. In that context, the FEC is viewed by several interviewees as 1) close to the authorities (notably through its president, Yuma, and other leaders); and 2) using this proximity to lobby for a business environment where the state does not intervene to regulate efficiently in the key sectors of the economy. An illustration of this lobbying can be found in the decision taken by the prime minister to suspend the control of large firms' activities by the Direction Générale des Recettes Administratives – DGRAD (a decision that was rapidly contested by the Minister of Economy).

The associations defending the interests of SMEs and local entrepreneurs lack sufficient resources – without external/donor funding – for developing activities and structuring a coherent and effective lobbying discourse. They have been presented by several interviewees as empty shells serving the interests of a small number of persons within these structures, and lacking wider legitimacy. What some organisations deliver as service or support to their members is not clear. According to their representatives, these associations are financed by the contributions of their members, but there is little transparency about membership or financing. On the basis of observations made in the field, apart from the FEC, these associations do not seem to have significant administrative, legal and operational means. Most of them are constantly looking for foreign financial support. The legitimacy

of associations' leaders as representatives of their members is also an issue. Management positions in several associations are not (often) replaced (e.g. FENAPEC's president has been in post since the creation of the organisation in 1987).

The private sector expresses the following main concerns to the government and politicians regarding the business environment and its relationships with authorities (political and administrative) (AfDB, 2012b):

- being pushed into or maintained in an informal sector/relationship through non-transparent and abusive procedures and taxation;
- being excluded from public procurements;
- being paid late (on average a delay of payment of 2–2.5 years, referred to as 'dette intérieur' by local entrepreneurs); and
- being excluded from key informal dialogues and negotiations (see Question 4).

Existing consultation and dialogue bodies and forums are supposed to structure the relationships between the actors, notably the Economic and Social Council, but the views of the latter have hardly been solicited (one opinion was requested by the Presidency, none by the Government and Parliament) and it mainly issues opinions on its own initiatives<sup>77</sup> (interviews with the Conseil Régional des Organisations Non Gouvernementales de Développement – CRONGD and the CNONG). Several dialogue and collaboration forums were organised in recent years; for example, the 2017 roundtable on SMEs and the Forum on Fiscal policy. They do allow for raising awareness on SMEs' interests (see Question 4), but political actors have not yet significantly acted upon and implemented the recommendations (interviews with FEC, COPEMECO and the Agence Nationale pour la Promotion des Investissements – ANAPI).

Various interesting recommendations have been formulated through dialogue without progress towards implementation. Examples are recommendations made by the round table on SMEs addressed, first, to the Parliament:

- to provide the DRC with a definition of SMEs appropriate to Congolese realities by accelerating the adoption of two draft laws for the promotion of entrepreneurship and the promotion of SMEs; and
- to ratify and implement the International Labour Organization Conventions and Recommendations on Employment and Vocational Training.

And second, addressed to the government:

- to support the setting up of start-up incubators for support and supervision of the SMEs;
- to pay the commercial domestic debt; and
- to set up a joint commission composed of government and private sector experts to harmonise views on some provisions of the law on outsourcing in the private sector.

The period of economic stabilisation and high tax revenues, during periods of high primary commodities prices, was not opportunely used by the Congolese government to invest in projects to support the Congolese private sector. Driven by a logic of 'modernisation' and the rent-seeking opportunities provided by large projects, the government has invested in large industrial projects whose benefits for the SME sector are extremely limited.

<sup>77</sup> On issues such as oil exploitation, electricity supply deficit, and socioeconomic assessment since the 1960s.

An example is the investment of over US\$85 million in the development of an agro-industrial pilot park of 75,000 hectares in Bukanga–Lonzo, 260 km from Kinshasa in Kwango province. This park, whose exploitation was entrusted in 2014 to Africom, a South African consortium, faced problems of poor soil quality, and by July 2017 only 25% of implementation has been achieved. The Minister of Agriculture still hopes to restart the project by seeking financing from the African Development Bank. But the chances of a restart of this activity are slim because this agro-industrial park is currently completely at a standstill, and the soil tests done after the fact confirm that the choice of the site's location is not appropriate. This pilot project was to precede the establishment of some 20 of these agro-industrial parks across the country. Some interviewees considered that the amount actually spent by government on the project may be twice the official figures (the Banque Centrale du Congo – BCC, the Fonds de Promotion de l'Industrie FPI, Minister of Foreign Trade, parliamentary). This is therefore a lost opportunity to invest in projects led by local and capable entrepreneurs who, in the context of a more local or family-based agriculture, often can better meet the needs of the country in terms of food security than an agro-industrial logic, as the UN Special Rapporteur on the Right to Food has often pointed out.

According to interviewees, the dynamics at play at the national level can also be found at the provincial level (interviews with COPEMECO, CENADEP). This can be explained by the centralisation of decision making, the insufficient 'retrocessions'<sup>78</sup> and the governance by patronage that bring about resulting problems, such as the multiplication of taxes and administrative burdens also at local and provincial levels.

The recent increase in the number of provinces (26 instead of 11) could in principle improve the environment for supporting PSD, by bringing decision making closer to reality on the ground. However, the newly created provinces are currently under-equipped in terms of human, financial and material resources. The decentralisation process begun in 2006 is also still largely inoperative: in some areas, deconcentrated structures sometimes compete with emerging decentralised provincial administrations. Elsewhere these deconcentrated structures palliate the absence of decentralised structures. Provinces and basic entities (ETDs) thus face competition from deconcentrated administrations within their jurisdiction (such as territorial administrators, local divisional heads of national ministries, etc.) that had previously held *de jure* (and, up to now, in part *de facto*) authority over their areas of competence. Thus, the heads of divisions of the [local] public administration continue to maintain with their hierarchy in Kinshasa the same relations as before, by neglecting to establish links with the minister at the provincial level. The 2008 organic laws, which regulate decentralisation, also contradict other laws relating to the functioning of the state, such as establishing a tax system that recognises neither the provinces nor their governors. The actors of decentralisation thus evolve in a legal imbroglio where nothing is firm, and everything can be the object of interpretation (Englebert, 2012).

The weakness of formal institutions; the porosity of the borders between government, politicians and the large enterprises; the priority given by the state to the development of externally oriented growth based on modernisation, large enterprise and export; and bad governance are the main causes of

<sup>78</sup> In a logic of decentralisation, Article 171 of the Constitution adopted in 2006 specifies that the finances of the central power and those of the provinces are distinct. To concretise the idea of political decentralisation at the provincial level and administrative decentralisation at the level of the basic entities (City, Commune, Sector, and Chiefdom), the constitution lays down the principle of the retrocession of a part of the national receipts to be allocated to the provinces. The retrocession rate is constitutionalised and set at 40%, and the retrocession is in principle withheld at source. A cascade retrocession also provides for a return of a part of the provincial tax revenues to the base entities. This principle of retrocession enshrined in the 2006 constitution is, to date, not applied systematically or completely. The national government is far from allocating 40% of its revenues to the provinces and to the basic entities and what is allocated is not deducted at source but retroceded by the central government. Between 2007 and 2011, the level of annual retrocession to the provinces represented between 6% and 15% of their budget; before the decentralisation, it was around 20%.



the very limited impact in the design and implementation of policies that positively affect the private sector and the business environment, especially for small Congolese enterprises and for the poorest.

### **E.3.2 To what extent is there commitment within government (at different levels and sectors) to improving the business environment for the private sector?**

Several ministries and para-public institutions have a mandate to improve the business environment for the private sector, including:

- the Ministry of Planning (Plan);
- the Ministry of Economy;
- the Ministry of SME;
- the Ministry of Industry and its CEPI;
- the Ministry of Finance;
- the ANAPI;
- the Office de Promotion de moyennes et petites Entreprises Congolaises (OPEC); and
- funding institutions, such as the Société Financière de Développement (SOFIDE) or FPI.

In a context of instability, and while the broad coalition government includes parties of the presidential majority and the opposition (with a proliferation of government bodies providing patronage opportunities), the diversity of these institutions mandated to improve the business environment does not facilitate the emergence of a coherent policy, even if (as seen below) some strategic documents have been published recently. Several parastatal institutions are trying to restructure and consolidate their position in an unstable environment that does not favour investment and consolidation of funds.

However, several important recent strategic and policy developments can be seen as indicating some level of political interest within the government to improving the business environment for the private sector to contribute to economic growth and poverty reduction:

- Document de Politique et des Stratégies Industrielles (DPSI) (2011);
- Application of OHADA's legislation and regulations (from September 2012);
- Programme d'Urgence de Soutien à l'Industrie Locale (PUSIL) (2016);
- Programme de Restructuration et de Mise à Niveau de l'Industrie (PRMN–EU funding);
- Stratégie Nationale de Développement des Petites et Moyennes Entreprises (SNPME) and action plan (2017–2021);
- Plan National Stratégique de Développement 2017–2021 (PNSD);
- Development of the 'Guichet Unique'; and
- National laws and regulations promoting the creation and development of the private sector, such as the law facilitating the obtainment of construction permits or the code on investments, etc.

Some interviewees stress that the dialogue and collaboration forums organised in recent years are positive indicators of actors' commitment to improving the business environment for the private sector (FENAPEC, COPEMECO, FEC, ANAPI; see Question 1).

Despite this, the implementation (the key indicator of commitment within government) of those initiatives and strategies is still very limited (see Question 3). When they are more concrete, the measures taken remained heavily concentrated on the sectors of exports or large companies. ANAPI, for example, presents a dynamic image of investment promotion, but the promotion focuses on sectors that do not provide direct opportunities for small enterprises or the poor. The promotion of ANAPI focuses on major electric power generation (hydropower), agro-industry (mass production)

of hydrocarbons (at sea), mines (copper, cobalt, nickel, chromium, phosphates, etc.), large-scale infrastructure, etc.

Several long-standing structural problems hindering the development of SMEs have not been addressed by the government: insufficient infrastructure (road/transport, energy, production/transformation), politico-administrative burdens, and access to financing (Mufugunzi and Tiemann, 2012).

The political context since 2014 (at least) has focused on security issues and electoral issues (Berwouts, 2016), and this has diverted political attention and resources away from socioeconomic priorities. The succession of political negotiations, the long duration of transitory government (between the recommendations adopted at the end of the 'Concertations Nationales' in October 2013 and the nomination of Government Matata 2 in December 2014) and the successive reshufflings of government have not been positive for ensuring political commitment.

At the provincial level, due to the closer proximity with the players in the field, a greater willingness to engage in support to the private sector is sometimes observed (CENADEP, OPEC). However, the very limited means of the provincial authorities and the lack of clear application of the decentralisation process in most cases constrain the capacity of these local authorities.

The volume and quality of legislation relating to support to the private sector, the recent reorganisation of several parastatal institutions supporting the private sector (ANAPI, FPI, and OPEC in particular), and the more frequent consultation of the professional organisations representing companies by the political authorities are elements that can confirm some commitment (or at least an appearance of commitment) within the government to improve the business environment. However, the low level of application of legislation, the little concrete impact of the activities of parastatal institutions on the development of small economic activities, and the continuing high level of general corruption and insecurity all show that, on the contrary, the government's commitment to improving the business environment remains limited.

A concrete example of this difficulty for these public and parastatal institutions in improving the business environment is the slowness with which business incubators are set up in the DRC.

OPEC currently identifies five incubator pilot projects:

- a project in the shoemaking sector, whose feasibility study is currently being carried out by the Common Market for Eastern and Southern Africa and financed by the EU;
- a project in the field of essential oils, whose feasibility study is currently being carried out with the support of South Africa;
- a project in the digital sector with the support of the Organisation internationale de la Francophonie (OIF);
- a multisectoral project with the support of the Indian government; and
- a project in wood processing.

At the FEC, the Women's Entrepreneurs' Commission is negotiating with the AfDB to start an incubator in the fisheries sector. In the SME department of the FEC, mention is made of other initiatives of incubators in preparation: feasibility analysis, search for external financing, etc., but nothing is really operational.

This study has found that none of the business incubation initiatives is really operational, and that those which could possibly start in the future rely on external financing. No real commitment by the Congolese government can be identified at this stage.



### E.3.3 To what extent are legal and regulatory systems for business effectively implemented and enforced?

Legal and regulatory systems for business are not effectively implemented and enforced, according to several comparative (Doing Business, 2017; AfDB, 2012a) and monographic studies (Mufugunzi and Tiemann, 2012; AfDB, 2012b). This issue is regularly discussed by fora and workshops gathering stakeholders. It is also a key message regularly expressed in interviews, during which numerous cases of non-application of the legal texts and laws are cited. This is the case, for example, with an emblematic measure for the support of small-scale Congolese companies. The provisions of Law No 73/009 of 05 January 1973, as amended by Law No 74/014 of 10 July 1974, which prohibit the accumulation of profit margins and the retail trade by foreign nationals, are still not applied today (COPEMECO, CENADEP).

There is also difficulty in applying the guarantees and tax advantages, which should be granted to enterprises on the basis of the Investment Code (Law No. 004/2002) since 21 February 2002 and are regularly avoided (Transport Company).

This same implementation difficulty is noted for the most recent measures taken to support Congolese companies. Ministerial decrees (Nos. 009/010 / and 011 / CAB / MINETA.COMEXT / 2017) imposing restrictive measures on the import of staple foods (beer, soft drinks, iron bars, cement), promulgated as an emergency on 25 August with immediate application, are not yet implemented (FENAPEC).

In the Doing Business report 2017, DRC scores 184/190 (no change since 2016; 178/183 in 2012; 175/175 in 2007). The report analyses ten topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. It summarises the most recent reforms in those fields. The 'guichet unique' for starting a business is seen by most stakeholders as a positive development in the implementation of a key reform for improving the business environment (consolidation into a single location of all documents to be collected, reduced cost of the procedure). Its existence is the first of the ten domains used to establish the score of the Doing Business ranking. This 'guichet unique' was established in 2012 and is an independent institution under the Ministry of Justice. Based in the Commercial Court buildings, it is currently operational only in Kinshasa and only in two offices in La Gombe and Limete. A new office of 'guichet unique' should soon open in Lubumbashi to be followed by offices in Matadi, Kisangani, Goma and Bukavu (COPEMECO). This again illustrates the slowness of implementation – after five years of existence, decentralisation of the one-stop shop has not yet occurred.

The final report of the Table-Ronde sur la PME (24 March 2017) (on the dialogue between government and the private sector; see Question 4) states several recommendations that stress the insufficient/lack of implementation and/or enforcement in the following areas (see final report for detailed assessment and recommendations, 2017):

- Legal and regulatory revisions, notably:
  - revision of the definition of SMEs;
  - revision of taxation code;
- Access to funding and public procurements;
- Promotion of agricultural sector; and
- Value chain, innovation and ICT.

The conclusions and recommendations of the National Forum on Reforming the Fiscal System in the DRC (Kinshasa, 11–14 September 2017) reiterate the need to address recurrent problems including:

- Alignment of the taxation definition of SMEs with that established by OHADA accounting law;
- Inclusion in the General Tax Code of all tax incentives and defining clear criteria for eligibility; and
- Compensation for the debts of the state *vis-à-vis* the creditor companies under certain conditions as defined by the provisions of the OHADA law in this matter.

Non-implementation and non-enforcement have to be analysed in a context of failing controlling (e.g. ANAPI) or judiciary systems that lack the necessary political support and financial resources (interview with CENADEP).

At the provincial level, the ability to legislate remains weak, and the confusion in the distribution of competences between the national and provincial levels remains great because of the incomplete nature of decentralisation (PAP–EU programme).

Documentary review and field data collection confirm that Congolese legislation is generally of good quality and adequate for its purpose. However, legislation is not effectively implemented and appropriate regulatory provisions are not made. But it is above all the application of these regulatory provisions and the oversight of this application, which are practically non-existent.

### **E.3.4 To what extent, and how, do the interests of the private sector (particularly SMEs) influence political decision making and government action (including at local level)?**

According to economic actors, administration and government actors are largely aware of the private sector's (including SMEs') situation and demands. They are also aware of the importance of a strong and healthy Congolese private sector in contributing to the country's economic growth, particularly to the provision of sustainable employment for the Congolese labour force and especially the young population. This situation is particularly crucial today in the face of economic degradation. For some government actors, 'we are not far from an Arab Spring in Congo' (FPI).

While the private sector develops advocacy strategies notably during dialogue fora and through the FEC, the overall influence of the private sector is weak (CENADEP, FPI, BCC).

Some claims may be heard by the government (cf. the recent oil debate), and some institutions and strategies have been designed to answer some of those demands. An illustration is the creation by the government of an agency in 2016, Programme d'Urgence de Soutien à l'Industrie Locale (PUSIL). This Programme aims at promoting national entrepreneurship and Congolese industry competitiveness. It is accompanied by a credit line worth US\$10 million at Rawbank to support small entrepreneurs.

Although several federations (FENAPEC, COPEMECO) have observed in recent months that the political authorities are more attentive to consulting them in a targeted manner on specific issues, there is yet no proper institutionalised and sustainable dialogue between the government and the private sector – at least not in a transparent and inclusive fashion. In that context crucial information may not be sufficiently shared with SMEs (for example the implementation of OHADA, interview with COPEMECO). Formalising the public–private dialogue on entrepreneurship appears therefore to be a priority (AfDB, 2017). Formalisation will not be sufficient to achieve influence, but is necessary for

ensuring that SMEs lacking direct links to government have the opportunity to express their specific interests.

Besides the current political and electoral context (see Question 2), several factors hinder the uploading of SMEs' interests on the political agenda:

- the diversity of the private sector interests, especially the interests of SMEs and poor producers, is not adequately taken into account, and is outweighed by the influence of key institutional players like the FEC or sectors (mining, forestry, oil);
- the government's macroeconomic strategy, which focuses on export-driven growth of primary commodities, large-scale industrialisation (e.g. agro-industry) and foreign direct investment; and
- the recommendations and commitments issued during the current dialogue mechanisms, which tend to be general in nature and not followed by the necessary budgetary commitments.

Dedicated institutions (ANAPI) have the mandate to promote the interests of the private sector and SMEs. They do plead for regulatory reforms and call for the commitment of all actors including the government during dialogue forums (interviews with CENADEP, FOLECO, COPEMECO).

The uptake or non-uptake of the recommendations issued in the context of the Table-Ronde on SMEs (24 March 2017) can be used as both an illustration of this weakness and as a benchmark for assessing the most recent influence of the SMEs on government action.

The literature review (de Miliano *et al.*, 2015) and different resource persons during the field mission seem (CENADEP, OPEC, BCC) to acknowledge more legitimacy at the local level for non-governmental actors. More directly confronted with local realities and/or closer to the populations concerned, provincial and local authorities sometimes show a greater empathy for the concerns and interests expressed by the private sector. However, the lack of material and human resources of their institutions rarely allows for a real positive contribution by local politicians to social or economic services.

The recent, more regular consultation of representative organisations of companies and the holding of forums and dialogues allow the private sector to better communicate their interests and demands. This improved dialogue may have a positive impact on policy decisions on legislation, such as the recent ministerial decrees on the limitation of imports of staple foods. On the other hand, to the extent that Congolese legislation is not applied effectively, the impact of this influence in the form of a concrete improvement in the conditions of development of the private sector remains very limited.

### **E.3.5 To what extent, and how, do the interests of poor producers and consumers (as market participants) influence political decision making and government action?**

The interests of poor producers, poor consumers and women have little influence on political decision making and government action (interviews with COPEMECO, FOLECO, CAFCO). This should be understood in the general context of weak and tenuous state–society relations (Chambers and Booth, 2013).

This is confirmed by: 1) studies of population's perceptions of governance actors and the way they act in the population's interest (subjective level); and 2) the analysis of the effect of government action during the last decade of economic growth (5.2% on average between 2002 and 2015; 7.8% between 2010 and 2014), which shows that the benefits of this economic growth have not been directed towards poor producers and consumers (objective level).

On the subjective level, a survey on livelihoods, service delivery and governance (de Miliano *et al.*, 2015) conducted in the Kivu, investigated the extent to which the population felt different governance actors acted in their interests, cared about their opinions, reflected their priorities and contributed to making improvements in access to services. The general level of trust and confidence is fairly low, but customary and formal local governance actors score higher than provincial and national governance actors.

Those perceptions are supported by the evolution of the different dimensions of the human development index (0.435 and rank 176 in 2016) (UNDP, 2017), which has lagged the economic growth achieved since 2002. Even if some poverty indicators have evolved positively, the trend can still be qualified as 'growth without development' (Englebert, 2014), characterised by a growth that is not socially or territorially inclusive. The levels of poverty and unemployment are very unequal depending on the province, the urban/rural situation, the sector and age (UNDP, 2017). This once again highlights that the benefits of growth have not reached the poor producers and consumers, who have not been sufficiently taken into account as market players by policy makers (as shown by the low investment in production and local producers, and the little support for promoting the consumption of local products).

In addition, poor producers and poor consumers as market participants are affected by the differentiated impact of corruption/impunity on enterprises according to their size. Formal medium-sized enterprises are suffering most from state agents control and abusive practices (Mufungizi, 2012). Corruption and impunity push small actors back into the informal sector (interviews with CAFCO, FOLECO, CENADEP, CNONGD). This context drives many SMEs to act on a day-to-day basis, using informal channels and practices even if they have undergone the procedures to acquire formal status (interview with COPEMECO).

The 'guichet unique' reform was designed to facilitate starting a business, but it did not produce an increase in female entrepreneurship (interview with CAFCO). This stresses the need to address other obstacles to female formal entrepreneurship. A key element probably lies in the access to finance. In the context of the recent economic recession, the failing microcredit/banking sector had the most impact on SMEs and women entrepreneurs, while not bringing about a specific action from government to address this issue (interview with CAFCO).

## E.4 Implications for assumptions in the ÉLAN and Essor Theories of Change

PSD's theory of change assumes that poor people will benefit (directly or indirectly) from opportunities created by an improved business environment and pro-poor market innovations.

- *PECA shows that the benefit (direct or indirect) of an improved business environment and pro-poor market innovations for the poor can be severely disrupted by specific systemic problems: rent-seeking activities by dominant economic interests, corruption, etc. These systemic issues can have a strong negative effect that counteracts the potential positive impact of the activities supported by the project. In this context of economic recession, rapid depreciation of the exchange rate of the local currency and political and economic insecurity, the risk analysis of the programme is crucial. More than for other programmes, it must be constantly checked and adapted.*

ÉLAN's theory of change is based on the following assumptions:

- Binding constraints to economic activity that perpetuate poverty can be addressed by changing market systems.

- *PECA shows that the current government economic strategy based on key primary sectors, large-scale and international companies as well as the relations between government actors and dominant economic interests perpetuate poverty of the poor producers and consumers. PECA confirms the assumptions that this situation requires a change in market systems but also requires a more favourable business environment that depends partly on legislative and policy measures to be taken by the public authorities.*
- Market systems can be strengthened (in the sense of being made more efficient and/or improving the terms of access for the poor and vulnerable) without significant engagement with, or commitment from, government.

The kleptocratic characteristic of governance and 'patronage' practices at virtually all levels of government pose a significant risk to the project. Therefore, even if the project chooses to intervene without relying on a significant commitment of the government, it must be constantly attentive to this risk, to overcome the negative effects and the consequences of these corrupt and kleptocratic practices. ÉLAN interventions do not become a focus of rent-seeking activities that prevent benefits reaching target beneficiaries.

- *PECA did not identify any elements that would fundamentally challenge this assumption.*

Essor's theory of change is based on the following assumptions:

- There is political will to engage in (pro-poor) business environment reform.
  - *The literature review and field mission show that, while rhetorical commitment and some initiatives are the expression of political will, implementation and enforcement – key indicators of commitment within government – are largely insufficient.*
- Facilitated private sector lobbying can strengthen this political will.
  - *Private sector lobbying should be analysed, taking into account the fragmentation of the private sector. Only large-scale business (national but even more international) lobbying currently seems to have privileged and effective access to government.*
- The political will to engage in business environment reform leads to legislative and regulatory reforms and new processes and procedures.
  - *Most analysis confirms that the existing legislation is reasonably adapted to the context and in principle provides an adequate legal basis. The problem lies almost exclusively in the ineffective application of the existing laws. In a context of non-implementation and enforcement of adopted legislation and regulations, the focus on legislative and regulatory reforms may not be effective in impacting the economic life of poor producers and consumers.*
- Technical assistance will improve the ability of government ministries, departments and agencies to formulate and implement effective reform programmes.
  - *While technical assistance can improve the ability of public actors (institutions and civil servants), notably as regards the formulation of reform programmes, it is largely proved to be ineffective as far as implementation is concerned when political commitment is lacking.*
- These reforms and processes are adequately resourced, implemented, and enforced.
  - *PECA shows that resources, implementation and enforcement are inadequate.*
- Corruption and patronage networks do not undermine the project or its workstreams.
  - *Corruption and patronage being key features of the overall political economy context, the project and workstream need to develop a specific response to this risk. For instance, three key Essor workstreams (OHADA, agricultural value change, fight against corruption) are very sensitive. The same is true for transversal elements of ÉLAN projects such as illegal tax reduction or access to financing.*
- Essor interventions do not become politically sensitive.

- o *It is important to note that success of Eссор interventions would have a transformative effect on business opportunities and access to resources (notably by diminishing rent seeking opportunities) that would necessarily impact vested political and economic interests and would therefore of necessity become politically sensitive.*

It should be noted that while the literature review undertaken for the evaluation highlighted the importance of PSD interventions being informed by a strong understanding of the developing political economy context, neither ÉLAN nor Eссор have regularly undertaken political economy analysis to test key assumptions or the implications of political or economic developments for the political economy context, or as part of a risk management process. Some more focused contextual analyses seem to have been carried out at the projects level (ÉLAN interview), but they could be shared more systematically between the different parts of the project and between the different projects to provide a shared analysis of the context.



## Annex F Additional information

### F.1 Recent regulatory and policy initiatives

These are some of the most recent regulatory and policy initiatives in support of the private sector in the DRC:

- Policy and Industrial Strategies Document (DPSI) (2011);
- Application of OHADA's legislation and regulations (from September 2012);
- Emergency programme to support local industry (PUSIL) (2016);
- 28 'Urgent Measures' of the government of which the first ten are: the fight against tax fraud without concession; the evaluation of the VAT reform; diversification of mining production; control of the quality and the height of investments in the mining sector; maximising internal and external resources through the mobilisation of savings; the strengthening of sanctions against tax officials and economic operators; the effective recovery of Professional Tax on Remuneration; strengthening border controls to limit illegal exports; the strengthening and supervision of forest taxation and para-fiscal taxation; and the reduction of the lifestyle of public institutions (2016) ;
- National SME Development Strategy Programme (SNPME) and action plan (2017–2021);
- National Strategic Development Plan 2017–2021 (PNSD);
- Development of the 'Guichet unique';
- National laws and regulations promoting the creation and development of the private sector, such as law facilitating the obtainment of construction permits or the code on investments;
- Roundtable on SMEs (2017);
- Forum on Fiscal policy (2017);
- Law number 17/001 of 08 February 2017 setting the rules applicable to subcontracting in the private sector (2017);
- Ministerial orders 009, 010 and 011 / CAB / MINET.COMEXT / 2017 restricting imports of basic necessities (beers and soft drinks, iron bars, cement) (2017); and
- Internal reorganisations of ANAPI, FPI, and OPEC (2017).

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## F.3 Summary of Essor MSME Survey Results

### F.3.1 Objective

The objective of the survey was to improve Essor's knowledge of the characteristics, problems and obstacles to growth for SMEs, in order to formulate proposals to promote SME growth and to improve advocacy with legislators.

The survey was conducted through a quantitative survey with 931 SMEs and MSMEs, and nine focus group discussions lasting on average two hours (three in Kinshasa and two in three other cities) with 79 participants (63% women). The survey took place during the first quarter of 2016.

### F.3.2 Methodology

Sample frame: lists provided by professional associations and, most importantly, enumeration of businesses in randomly selected neighborhoods.

- Stratified sample with quotas (%) to have a 'representative' sample:
  - 50% UPI, 50% UPF;
  - Kinshasa 43.5%, Lubumbashi 22%, Mbandaka 15%, Goma 19.5%;
  - Size: 1-5, 6-50, 51-200; 60/30/10% for UPI and 70/20/10% for UPF;

- o Commerce 49%, industry 18% and services 33%; and
- o Women: 63% in UPI, 20% in UPF

### **F.3.3 Summary results**

#### **Profile**

'Medium' profile: a small business of three, created about six years ago, of which the owner (92% unique) is most often a man (60%), who rented a room or a location (73%) to ply his one trade (59%), with stable workforce in the last 12 months (87%) and workers mostly women (67%).

Average (weighted) = 3.2 workers; unweighted average size = 3.9 workers.

Job creation figures are sometimes contradictory, but the message is clear: the workforce of the vast majority of companies (87%) remained unchanged for a year.

#### **Electricity access**

59% of the enterprises are connected to SNEL, but only 1% in Mbandaka; In Lubumbashi 9 out of 10 enterprises (88%) are connected to the SNEL.

A third party has another source of electricity, almost always a generator (31% of all) and much more rarely a solar panel (6%, but 18% in Goma).

SNEL's average monthly bill: \$44.

Monthly cost of a generator: \$108.

Large differences, both between cities and within a city, partly explained by the size distribution of firms.

#### **Finance**

- The average annual turnover in 2015: \$9,455 (\$31,817 in Kinshasa).
- Large dispersion around averages, e.g. max = \$1.2 million in Kinshasa.
- Average amount invested at time of creation \$4,307, huge differences between companies.
- Amount of the three main expenses incurred during the last year: \$557, \$495 and \$867.
- Main source of funding for creation: savings personal (87%).
- Low use of formal financial services, e.g. only 9% requested a loan from a financial institution during last 12 months.
- Large proportion of Goma's businesses, about a third, declare having an account with a microfinance institution and 'mobile money'.
- Few difficulties when repaying the loan and low difference between the amounts requested and the amounts obtained.
- Loan spent primarily to purchase goods (35%) or equipment (35%).

#### **Business Membership Organisations**

Low degree of affiliation to professional organisations (less than 15%).

Only 9% of companies (but 18% in Mbandaka) formed a grouping with similar companies.

Two-thirds of companies say they are interested in grouping with other companies.

Respondents who are not interested in giving in their vast majority of vague reasons such as 'I do not see the interest of such groups' or 'I am not interested'.

### **The constraints**

Three main obstacles to activity: political instability, crime and taxes too high and the lack of access to electricity.

Three obstacles least restrictive: inadequacy of labor force, lack of qualification / training and labor regulations.

Women more concerned about crime.

Men more concerned about taxes and access to electricity.

Notable differences exist between cities.

### **Needs**

Most important needs to develop the company:

Better location (70%), more space or better locality to develop their business (67%), improve customer base from seasonal to year-round (55%), reduce administrative hurdles (54%) and receive a credit to purchase equipment (54%).

Only 30% consider that the increase in the number of workers is a priority.

About ¼ of the respondents seem to have some familiarity with OHADA and related notions / provisions, e.g. said to know the acronym OHADA 25%, but only 56% gives the correct answer; said to know the acronym RCCM 32%, but only 46% gives the correct answer.

In 70% of companies, it is the owner himself who holds the accounts, the manager being charged only in 19% of cases.

51% do not count or settle for personal notes.

About one-third maintain a record of income and expenditure and approximately 10% hold formal written accounting (5% according to OHADA and 5% according to Congolese General Accounting).

### **Legal status and registration**

71% of companies surveyed without legal status by right commercial.

Over 90% of Lubumbashi respondents did not report legal status.

Most widely reported status: limited liability company (S.A.R.L.), 11%.

In Kinshasa, 19% say Development NGOs (NGDOs) as status.

Surprising proportion of respondents in Mbandaka and Goma declare to have formed a public limited company.



27% patent, 28% RCCM registration; Other registrations 39%: national identification number (22%), tax number (30%), INSS membership number (8%), VAT number (12%) and others (15%, but 41% in Lubumbashi).

Average amount paid to obtain a RCCM registration: \$121; Average time between submission of the application and receipt of the RCCM number: 27 days.

In Kinshasa, there is only 2% difference between % women who declare having a licence (21%) and % men who declare having a licence (19%).

**UPI formalisation:** Section only for UPI, 482 companies in total.

The three main obstacles: cost of proceedings, length of proceedings and perception that the business is too small to be registered.

The most popular benefits: reduction of informal taxes if the company is registered, access to management and accounting support, and access to social security (subject to payment of contributions).

The majority of benefits are of interest to over 40% of respondents.

The least popular benefit: possibility to give a receipt or a receipt to customers.

### **Taxes, taxes and royalties legal / formal**

Very low response rate: only a minority declare (report gives the number of respondents for each type of tax).

Complexity of the theme, lack of familiarity with the terminology – it is necessary to treat these data with caution.

Payment of the most popular licence: 22%.

Other taxes are paid by less than 10%.

Average amount paid in the previous year: \$96 per enterprise (N = 931) – underestimation because of many answers!

### **Illegal payments / informal taxes**

- Total amount paid in the previous year: \$101 per Respondent (N = 325).
- Total amount paid in the last 30 days: \$21 per respondent (N = 283).
- In Kinshasa, these payments were mostly made to police officers (almost 60%), but also from the commune, from Kinshasa City Hall and organised gangs of the disabled (about 20% each).
- Five trips made in the last 12 months to tax authorities, with an average cost of \$9 per trip.

### **Harassment**

- Most frequent harassment: police (34%), local authorities (32%), tax administration (24%) and Ministry of Economy Inspectors (20%).
- The main 'culprits' are: police in Kinshasa (57%), local authorities in Lubumbashi (44%) and tax administration in the other two cities.
- Very low frequency of harassment in Mbandaka.

- 60% would not make a 'gift' when there is a check / visit from tax administration, 20% sometimes, 20% often or always.
- In Kinshasa, only 4% difference between % of women who report always or often have to pay a 'gift' to the agents of the administration tax (26%) and % of men (30%).

### **The degree of trust in the institutions**

- Generally, low level of confidence in the professions, services and institutions that concern MSMEs.
- Highest score, for commercial banks: 28%, which, moreover, do not have the trust of a third party, so negative balance of 5%.
- Commercial banks get a small positive balance of opinions Kinshasa (3%) and Lubumbashi (8%).
- All other institutions / professions have a negative balance of -20% or inferior.
- The 'loser loser' consists of SNEL, the police, and the courts, closely followed by the notaries and the commune.
- In Kinshasa, the police, the notaries and the courts form the 'loser loser', followed by SNEL and the commune.

### **Women's obstacles**

Obstacles on the list all considered as non-existing or minor by at least 40% of respondents (48% in Kinshasa).

- Major or very high barriers: administrative and fiscal harassment (27%), lack of time because of family responsibilities (25%), distrust spouse (24%) and access to finance (24%).
- The obstacle generated by administrative and fiscal harassment also receives the lowest score (40%) among the obstacles considered as the least important (and even 26% in Lubumbashi).
- There are other notable differences between cities, for example between Kinshasa and other cities regarding access to finance (major obstacle for 18% in Kinshasa, 32% in Lubumbashi) and the need to have marital authorisation (major obstacle for 7% in Mbandaka but 37% in Lubumbashi).

Proposed solutions to favor the commercial activity for women entrepreneurs:

- 48% responded that there is 'no solution and it is the government who is responsible for finding the solution';
- 11% say that 'you have to trust the woman and empower them'; and
- Other responses are given by less than 6% of respondents and include, in order of frequency: review the family code and promote the empowerment of women.