



Facility for New Market Development (FNMD) to Strengthen the Private Sector in the Occupied Palestinian Territories

Final Evaluation

Triple Line Consulting

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Table of Contents

1	Introduction	10
2	Methodology	11
3	Context and Framework Conditions.....	15
4	Description of FNMD.....	20
	4.1 FNMD Overview	20
	4.2 Objectives, Indicators and Assumptions	21
	4.3 Implementation.....	25
	4.4 Results achieved.....	25
	4.5 Reports	27
5	Evaluation of FNMD	29
	5.1 General Remarks	29
	5.2 Relevance	29
	5.3 Effectiveness.....	34
	5.4 Value for Money	43
	5.5 Impact	50
	5.6 Sustainability	55
	5.7 Conclusions	57
6.	Recommendations	60

Annexes

Annex 1	Terms of Reference
Annex 2	Documents
Annex 3	Contacts
Annex 4	Questionnaires used
Annex 5	Results of surveys (graphs)
Annex 6	Clients' comments and recommendations
Annex 7	Methodology of measuring FNMD outcomes
Annex 8	Evaluation framework and answers/references
Annex 9	Observations regarding clients' performance
Annex 10	List of FNMD staff
Annex 11	Scope of work for BDAs
Annex 12	List of client who entered international markets
Annex 13	List of new products
Annex 14	Women-owned/managed firms
Annex 15	Suggested competitiveness assessment form
Annex 16	Suggested M&E methodology and form
Annex 17	Suggested business climate assessment form
Annex 18	Executive summaries in Arabic

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The views and assessments expressed in this report are solely those of the independent evaluator. They neither represent the views of Triple Line Consulting nor of DFID.

List of Acronyms

ACP	African, Caribbean, Pacific States
AfD	Agence Française de développement
BDA	Business Development Adviser
BDS	Business Development Services
BMZ	German Federal Ministry for Economic Cooperation and Development
BRO	Business Representative Organisation
BSP	Business Service Provider
BWF	Business Womens' Forum
CIDA	Canadian International Development Agency
DAI	Development Alternatives Incorporated
DFID	Department for International Development
EBAS	EU-ACP Business Assistance Scheme
ERRP	Early Reform and Recovery Plan for Gaza
EU	European Union
FNMD	Facility for New Market Development
FRICH	Food Retail Industry Challenge Fund
GAP	Good Agricultural Practices
GBW	Gaza Back to Work
GDP	Gross Domestic Product
GIZ	German Agency for International Development
HACCP	Hazard Analysis and Critical Control Points
HDI	Human Development Index
ICA	Investment Climate Assessment
ICT	Information and Communication Technology
ISO	International Standards Organisation
IT	Information Technology
KISS	Keep it smart and simple
M&E	Monitoring and Evaluation
M4P	Making Markets Work for the Poor
Mill.	Million
MoE	Ministry of National Economy
NCCI	Nablus Chamber of Commerce
NGO	Non-Government Organisation
OECD-DAC	Organisation for Economic Coordination and Development - Development Assistance Committee
OPT	Occupied Palestinian Territories
PA	Palestinian National Authority
PCBS	Palestinian Central Bureau of Statistics
PFCCIA	Palestinian Federation of Chambers of Commerce, Industry and Agriculture
PFI	Palestinian Federation of Industry
PITA	Palestinian Information Technology Association of Companies
PRDP	Poverty Reduction and Development Plan
PSD	Private Sector Development
R&D	Research and Development
RAGS	Responsible and Accountable Garment Sector
SME	Small and Medium Enterprises
TDS	Technology Diffusion Scheme
ToR	Terms of Reference
UK	United Kingdom
UNDP	United Nations Development Programme
US\$	United States Dollar
USAID	United States Agency for International Development
VfM	Value for Money
WB	West Bank

0 Executive Summary

Introduction/context

1. An independent final evaluation was carried on behalf of the Department for International Development (DFID) of the Palestinian Facility for New Market Development (FNMD), a matching grant scheme supporting SMEs, jointly financed by DFID and the World Bank and implemented between 2008 and 2012.
2. The evaluation, taking place between 16 March and 26 April 2012, was to assess the project's effectiveness, its impact on grantee firms and its value for money, also looking at cross cutting issues. Its recommendations were to feed into a new private sector development project to be co-financed by DFID, the World Bank and the EU. As an important stakeholder and beneficiary, the Palestinian Ministry of National Economy was part of the evaluation's steering committee, in which the three donors are represented.
3. The final evaluation is based on the review of documents/reports, monitoring and evaluation data, interviews with representatives of firms, organisations, stakeholders and opinion leaders as well as web-based surveys of FNMD clients, non-clients and business service providers. It benefitted from regular feedback and discussions with FNMD staff as well as DFID project officers. The evaluation was supported by officers of DFID. Preliminary findings were presented to the steering committee for discussion on 10 April.
4. The population of the Occupied Palestinian Territories is very young. The Human Development Index is the lowest among its Arab neighbours. Recent GDP growth has been the result of substantial increases in donor support, while recovery of the Palestinian private sector since the downward trend that started in 1999 is slow; per capita income is still lower than it was 13 years ago.
5. The structure of the Palestinian private sector is weak. Only about 100 firms have a workforce of more than 100, the rest being family-managed with an average workforce of below 5. Within the West Bank, private sector activity is concentrated in agro-processing in the North and around Jericho, in services around Ramallah and in manufacturing in the South as well as in Nablus. The blockade on the Gaza Strip, which has been in force since 2006, delinked it from the West Bank almost completely. Only very few of the industrial establishments in Gaza are still functioning.
6. Israel will realistically remain Palestine's main trading partner. Liberalisation of imports into Israel directly affects Palestinian markets and the competitiveness of Palestinian producers.
7. Private sector development and the promotion of small enterprises are important goals of the Palestinian National Authority. Several development partner organisations are active in private sector development in Palestine.
8. Comparing the present situation of the Palestinian private sector with that of 3 years ago, one may observe that owners of SMEs are more confident, feel less at risk and are planning for longer periods ahead. Expectations that lasting economic improvements, based on actual

comparative advantage and potentials, can ever be achieved are, however, limited by the lack of progress in achieving a political solution for Palestine.

Description of FNMD

9. FNMD, with a budget of altogether 7.6 Million British Pounds, was implemented in two phases between April 2008 and March 2012. FNMD's rationale was to respond to the challenge that few businesses in Palestine were prepared to risk investing in an uncertain future, pointed out in the World Bank's Investment Climate Assessment of 2007.
10. FNMD provided grants to SMEs that clients had to match by investing the same amount. Consortia of firms could apply for joint projects at a reduced contribution of 30% of total costs. A 70% : 30% sharing ratio was also applied in the Gaza Strip. In 2010, another scheme was added to the project, called "Gaza Back to Work" (GBW), aimed at assisting firms to recover from destruction resulting from the 2009 war. This scheme ended in 2011. While FNMD-support was restricted to consulting, training or support for trade fair participation, GBW allowed support of salaries as well as grants for investments into the repair and maintenance of machinery.
11. FNMD's planned impact (overall goal) was: Economic growth in the OPTs. Its planned outcome (objective) was: Develop new markets and products in key sectors and improve business environment in Gaza. Indicators for this outcome were: Percentage increase of exports for FNMD clients, volume of incremental sales of FNMD clients and total number of firms assisted.
12. Implementation of FNMD was awarded to DAI Europe. The DAI team included an international expert as team leader for the first 3 years of operation as well as altogether 14 experienced Palestinian specialists in private sector development. The progress of FNMD was supervised by a steering committee, in which DFID, the World Bank and the Ministry of National Economy were represented. M&E efforts included a Cost-Benefit Analysis as well as a Risk Analysis, which included a survey of client and non-client firms.

Evaluation of achievements

13. The evaluation of FNMD follows the five OECD-DAC criteria as well as the added criterion of "Value for Money", analysing the efficient use of resources and the efficiency of translating inputs into outcomes.
14. Regarding relevance, FNMD has been fully in line with the policies and strategies of the Palestinian National Authority, which emphasize the need for economic growth through new market development. FNMD also followed DFID's rationale of working with the private sector, in particular DFID's "Making Markets Work for the Poor" (M4P) approach. Further, FNMD responded to the requirements and demand of Palestinian SMEs.
15. FNMD aimed at creating functioning markets for business development services and worked without a partner institution. The project must be commended for its clear orientation towards innovation and market development as key drivers of growth. The adaptation of FNMD to the

specific situation in Gaza during the third year of operation rendered the project more relevant and effective.

16. Regarding effectiveness, FNMD's outcome could have been formulated more clearly and indicators could have had stronger reference to FNMD's rationale of overcoming risks. FNMD's M&E system, trying to overcome issues of attribution and reliability of data, was thorough, but also taxing both for the project and responding SMEs.
17. FNMD met its targets. A total of 560 firms was planned to be supported, 603 actually were. An increase of exports of 40% was planned, while exporters recorded an increase of 52%, creating some remarkable success stories of new market entry. The volume of incremental sales reached 100 Mill. US\$, exceeding the set target of 75 Mill. US\$. These figures do not consider 132 firms that could not yet report sales figures attributable to FNMD support due to the time lag between the delivery of support and effects taking place.
18. Total reported increments in sales over the project's clients' base line figure appear to be in the range of 10 percent annually, which is corroborated by a representative survey conducted during the evaluation mission. Growth of FNMD supported firms may have exceeded growth of some sub-sectors reported by the Palestinian Central Statistics Bureau, while remaining below that of others. A comparison showed that FNMD clients may have reached similar sales increments as non-clients, but by investing less into capital assets in order to achieve this.
19. Attribution of performance improvements to FNMD was assessed through FNMD's M&E system and verified through the evaluation's own survey, both being based on the perception of clients. The majority of clients asserts that FNMD's contribution to growth of sales was essential, but that their own contribution to this was greater. FNMD is in particular credited with contributing to entrepreneurial qualities.
20. Most FNMD clients used business development services for the first time. 80% of clients stated that they might or will buy such services in future without support. While answers of non-clients are not much different, clients, as opposed to non-clients, attach much value to counselling, which they received from FNMD and which preceded actual service delivery.
21. FNMD's support of firms in Gaza is particularly highly appreciated by firms, according to opinion leaders and stakeholders.
22. FNMD used several ways to publicise its services, including a radio show. The show was successful in sensitizing the population for business issues and is continuing with private sponsorship.
23. With respect to Value for Money, procurement rules ensured that all contracting was done in the most economical way. Counselling of clients prior to contracting actual services contributed to economical usage and effectiveness of services. The cost of counselling is included in overheads. From a cost point of view, FNMD compares favourably with similar schemes.

24. Unit costs achieved were £1,811 per job created in Gaza, £12,020 per market entered, £5,976 per product improved and £110,963 per £1 Million of additional sales achieved. The amounts appear reasonable and plausible, though quality of jobs created, depth of market penetration and level of innovation would have to be considered for any comparison.
25. Regarding impact at national level, FNMDs monitoring system suggests a figure of 2,807 additional jobs (possibly higher, as employment was not monitored throughout the project period). Incremental exports do not seem to surpass general economic growth rates, though success stories hint that important demonstration effects may have been achieved. Corroborating the self-perceptions of FNMD clients, service providers opined that tangible, albeit not quantitatively measurable benefits were achieved with regard to import substitution and competitiveness.
26. Direct contracts between firms and service providers have increased during the time of FNMD implementation. However, such increments are not indicative of the emergence of self-sustaining markets for such services in the foreseeable future.
27. FNMD has taken care to check that supported SMEs do not negatively impact on the environment and advised clients accordingly. Energy saving and protection of the environment could be important additional areas of intervention for future matching grant schemes.
28. FNMD took care to include women-managed / -owned firms in its portfolio and to achieve an adequate gender balance; it did not follow a gender policy in terms of quota.
29. The outcomes of the project at firm level appear sustainable. Sustainability of matching grant schemes hinges, however, on the capacity of interested parties to supply funding, as the emergence of commercial markets for the type of business services facilitated by FNMD will take a long time.
30. Scaling-up of the approach will only be possible if continued funding is available. The approach is functional and workable in Palestine, and therefore presents a viable concept for donor intervention. Absorption capacities of SMEs limit the scale of a new scheme.
31. Business support should to be conceived as an integral element of a functioning business environment conducive to economic growth. The supportive institutional landscape for such an environment needs to be prepared in order to eventually take over the role of the donor.
32. Concluding, FNMD was a courageous project. It succeeded because (i) it intervened, despite obvious risks, at the enterprise level, producing practical results that provided essential learning, (ii) it appealed to inherent strengths and desires of Palestinian firms to seize opportunities (iii) it applied a business-led approach, offering a “win-win” proposal to Palestinian firms. Successful matching grant programmes must strike a compromise between sustainability requirements and operational results, which FNMD successfully did.

Recommendations

33. It is recommended to implement another matching grant scheme of a size similar to that of FNMD. Continuing its focus on market expansion and innovation, the rationale for a new scheme should be that of creating more space for private sector growth.
34. A future scheme should have the ambition to reach higher levels of service provision. More emphasis would have to be laid on strategic counselling. In principle, the 50%:50% sharing of costs should be kept.
35. It could be considered to introduce a complementary window that could apply a lower grant element, directed at simple, operational support services. That scheme would have a clear market development objective.
36. Higher than 50% grant shares (say, 70%) could be extended for proposals with a clear “pioneer” character, including cases where international consultants need to be involved when expertise is not available locally.
37. As FNMD, a future scheme should offer counselling before actual service delivery. Counselling needs to be documented, so that its value added can be assessed.
38. In order to enhance monitoring and evaluation, suggestions for an effective, yet economical system were elaborated and annexed to the report.
39. A new scheme should include elements of capacity building both for the scheme’s staff and for local service providers, the latter should be incentivised.
40. Knowledge management should become an integral element of the exit route of a new scheme. A depository for knowledge and experience gained needs to be found.
41. A new matching grant scheme should be underpinned with a private sector support package that is directed at decision makers of the public and private sector, at the levels of business representative organisations, institutions as well as government. Donor coordination should be improved, in particular with regard to subsidies, which may distort the developing BDS market.
42. In view of the specific situation in Palestine an approach should be added that can transfer knowledge to sectors with strong development potential.
43. A broader range of sub-sectors developing among SMEs in smaller economies should be periodically scanned globally against their suitability for Palestine.
44. Market research of pre-competitive character should be carried out in potential export countries. Such research would make it much cheaper for Palestinian enterprises to follow-up with individual research.
45. Collaboration between universities and the private sector should be strengthened. A mechanism of translating SME requirements into topics for university research and, vice versa, research knowledge into practical application for SMEs, is required. Advantages of closer cooperation lie in the economical use of public knowledge sources for application by the private sector.

46. It is recommended to install a business support web-site for Palestine, containing information and inter-active tools which SMEs can use. The outstanding Business-Link web-sites in the UK could serve as an example.
47. Encouraging the formation of an association of Palestinian consulting firms would ensure that members meet standards. The introduction of a quality seal could be initiated.
48. Still in support of a new matching grant project, supporting the campaign for import substitution could trigger more applications for support from interested enterprises.
49. Maybe it would be possible for a new project to support the emergence of an independent group of competent economic experts providing neutral advice to the government and the private sector alike. Simple regular investment climate surveys that keep the “finger on the pulse” of the private sector could be one of the tools informing such a group.
50. A last recommendation refers to the comparatively low density of the SME population in Palestine, which suggests that there is room for more start-ups. Start-up support must be provided responsibly and mindful of risks. Nevertheless, a renewed effort appears timely.

1 Introduction

Following due tender and selection procedures, an independent final evaluation was carried out on behalf of the Department for International Development (DFID) of the Palestinian Facility for New Market Development (FNMD), a project jointly financed by DFID and the World Bank. The rationale for this evaluation was partly that it is standard procedure at the end of a project, and partly that lessons learnt could be fed into the design of a new multi-donor funded project in Palestine.

A first three year phase of the project was implemented in the West Bank and Gaza between April 2008 and April 2011, and a subsequent extension phase until March 2012. The project included the DFID-financed “Gaza Back to Work” (GBW) scheme, implemented between 2010 until 2011.

The evaluation took place between 16 March and 26 April 2012. It included field work in Palestine between 20 and 24 March as well as 26 March and 14 April 2012. DFID staff supported the independent evaluator.

In accordance with its Terms of Reference (ToR, see Annex 1) the evaluation was to:

- a) evaluate the effectiveness of FNMD in achieving its stated goals and objectives;
- b) evaluate the impact of FNMD on grantee firms and its value for money;
- c) evaluate the impact of FNMD on cross-cutting issues including gender and environment;
- d) identify lessons learnt and make recommendations to guide future DFID private sector development programming.

DFID further expects to introduce inputs from the evaluation into its system of assessing and scoring development projects, which is to inform other DFID financed private sector development measures.

Beneficiaries of the evaluation are in particular DFID, the World Bank and the EU, which have already agreed to co-finance a new private sector development project of significant volume starting in 2012. The analysis of FNMD’s success factors, its value for money as well as the risks of project implementation will feed into conclusions and recommendations that might be considered in the design of this new project.

A steering committee was formed to oversee this evaluation. It is made up of the three development partner organisations as well as the Palestinian Ministry of National Economy (MoE), an important stakeholder and beneficiary of this evaluation. Beneficiaries are also private sector development organisations in Palestine, including private sector membership organisations as well as other business representative and support organisations.

2 Methodology

The final evaluation is based on

- reviews of documents and reports;
- interviews with representatives of firms, organisations, stakeholders and opinion leaders;
- questionnaire-based interviews with firms (directly and via telephone);
- web-based surveys of FNMD clients, non-clients as well as Business Service Providers (BSPs)
- secondary analysis of data from FNMD's monitoring system;
- regular feedback and discussions with FNMD staff as well as DFID project officers.

A basic approach taken was one of trying to understand the outcomes of the project from the perspective of the beneficiaries, i.e. the clients of FNMD. This was in response to the rationale of FNMD, which has to do with assisting owners of SMEs to overcome perceived risks. The efforts of talking to entrepreneurs and canvassing their views on how FNMD has been able to change their situation took a significant part of the field work; this was intended.

Documents / reports included in particular:

- the FNMD final report of March 2011;
- the last FNMD quarterly report of January 2012;
- the FNMD phase 1 external evaluation report of July 2011;
- the World Bank's Investment Climate Assessment of 2007.

Project memoranda for FNMD, its extension phase, the GBW project, as well as internal FNMD assessment reports, manuals and policy papers for FNMDs operations, case studies and success stories as well as studies commissioned by FNMD, namely

- the business services sector market analysis;
- the value chain analysis of the agribusiness sector; and
- the Gaza economic strategy

were equally studied. A list of all documents/reports is found in Annex 2.

The evaluation drew on the extensive monitoring and evaluation (M&E) work that FNMD had carried out, which included several extensive worksheets containing thousands of data entries, data prepared for a cost-benefit analysis and a cost-benefit report prepared by DAI, as well as a draft risk perception survey report, prepared by DAI, and data from internal documents, such as project closure reports.

Face-to-face interviews were held with

- officers responsible for private sector development at the MoE;

- representatives of the Nablus Chamber of Commerce (NCCI), the Chairman of the Palestinian Federation of Industries (PFI), the Executive Director of the Business Womens' Forum (BWF), the Executive Director and Chairman of the Palestinian IT Association of Companies (PITA) as well as the Chief Executive Officer of Paltrade;
- a newspaper editor as well as a journalist working for a radio station, both specialised in economic development;
- representatives of the World Bank, USAID, the EU, GIZ, the officer responsible for private sector support programmes at the Netherlands Embassy as well as the responsible officers of DFID;
- owners of the 3 largest BSPs working with FNMD; a group discussion was also held with 3 BSPs;
- owners of 15 private sector firms (along a questionnaire that had been developed for this purpose) in Ramallah, Tulkarem and Nablus, as well as 9 direct interviews by telephone with firms in Gaza.

A list of all contacts can be found in Annex 3.

Web-based surveys (see Annex 4 for copies of questionnaires) of FNMD clients (resulting in 75 responses), non-clients (11 responses) as well as BSPs (17 responses) were carried out. This was found necessary in order to canvass the changes of entrepreneurial attitudes that FNMD brought about from the viewpoints of clients themselves and business service providers, and in order to be able to compare outcomes with the performance of non-clients. The surveys were also found necessary in view of reliability issues found in FNMD's M&E system. Survey questionnaires for clients and non-clients were translated into Arabic.

The surveys were anonymous, though respondents were free to provide e-mail addresses in case they wanted to know the outcome; roughly 60% did. The response rate for clients was wholly satisfactory. Responses of BSPs were sufficient in numbers as well. The low response rate of non-clients was to be expected but is still disappointing (see text box).

The raw data from the web-based surveys (clients, non-clients and BSPs) were processed in spread sheets and sent electronically to DFID. A selection of graphs, depicting the characteristics of the samples and some of the answers to the questions is contained in the Annex 5.

Collecting and using control group data

Collecting data from a control group was not required in the evaluation's ToR, but a complementary methodology was suggested in the technical offer, with the caution that the response rate might be low. A web-based questionnaire was sent out to about 150 firms, frequent reminders were sent and 11 completely filled responses received. Alternatives, such as visiting non-clients or interviewing some over the telephone, would not have solved the issue of reaching a representative sample and would have taken valuable time from other important field work. Delegating such interviews was not seen as a reliable option

The received responses from non-clients cover a broad range of locations and sub-sectors. Sizes of responding non-client firms are comparable to the size pattern of 92% of clients firms (the top 35 larger firms elevate the average). The data from non-clients are plausible and consistent; deviation from the main stream is low. In view of this, data of non-clients can still provide some indication, and are therefore, with all due caution, is referred to for comparison. (see also graphs 1 - 3, Annex 5, for a description of the different samples).

Direct interviews with client firms were conducted using the same questionnaires as those applied for the web-based survey of clients. 10 questionnaires were filled during these interviews, with a large amount of extra notes being taken. Other clients personally interviewed had already filled the on-line questionnaire, so that the interview could focus on open questions. When comparing the results of the 10 questionnaires filled during direct interviews (where plausibility could be checked) with the responses from the web-based survey of clients, the emerging pattern of responses already bears a lot of similarity. The deviation of most results was within a margin of 15%, and did not exceed 30% for a few others. This, too, provides some confidence that the responses from non-clients have some value despite the low response rate.

The amount of data collected through FNMD's own M&E system is very large, but partly beset with issues of reliability and in particular missing data. Clients were supposed to report data, but 62% did not (see text box for possible explanations).

The M&E challenge

FNMD's M&E system had the ambition of reflecting a complete and continuous picture of developments at enterprise level, assuming that assisted firms would be ready to supply data on a quarterly basis. The M&E system would then attribute sales to the services rendered (or not) in view of the type of services provided and the sales made on local and export markets. If a firm received support for exports and reported local sales, these were not entered as attributable, but the full amount of reported export sales was.

The challenge of this system is that firms are reticent to report figures. If 62% do not report figures, should one then assume that the patterns of growth and attribution emerging from those who do report is representative for those who do not? The reasons for not reporting may lie in the fact that the figures themselves are not meeting expectations, that clients find it risky to report confidential figures, that they have not completed their own accounts and do not want to report anything wrong, or that it is simply not their priority. Some of these reasons may, however, also affect the reliability of data of firms that do report.

In order to be on the safe side, FNMD only used reported figures in its own reports, which is a significant understatement of achievements, because it does not reflect the achievements of firms which do not report figures.

The evaluator had ample opportunity to discuss with FNMD staff, which included direct interviews as well as a group discussions. These discussions provided important feedback on preliminary opinions that the evaluator developed during the mission.

The responsible officers of DFID in Jerusalem gave the evaluator opportunity for four discussions during the mission, providing feedback on interim findings.

The evaluator was invited to present his preliminary findings to the evaluation steering committee for discussion on 10 April. The Deputy Minister for Economy participated in this for one hour.

The independent evaluation was supported by officers of DFID, who took part as members: and of Headquarters in London participated during the first week and on 9th April, respectively, both also providing comprehensive advice by e-mail. submitted a comprehensive report focussing in particular on value for money and gender issues, which is integrated into this report. of DFID Palestine joined during the second week. The support from DFID staff was particularly helpful and essential for the analysis and interpretation of findings, and the discussions contributed very much to the recommendations made in this report. While this important support is appreciated, it is underlined it did not in any way interfere with the opinions that were finally arrived at, and that this evaluation remains independent.

An inception report was elaborated a few days into the assignment. Based mainly on desk work, the inception report contained, among others, an evaluation framework as well as questionnaires to be used. The report was discussed with DFID, with a few amendments made. The evaluation framework (containing the evaluation questions included in the ToR, the methodology proposed to answer them and some remarks) can be found in annex 8, together with short answers and references where to find the analysis in the report.

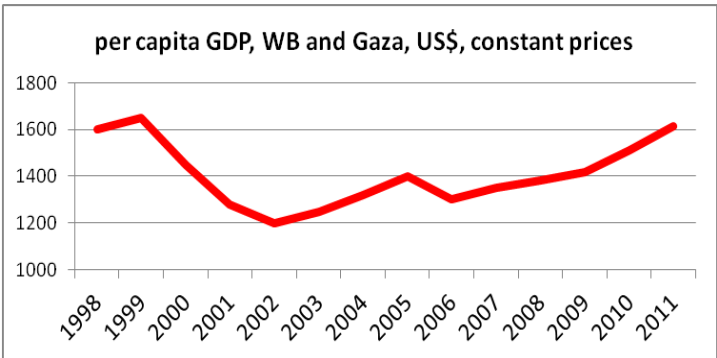
Acknowledgements

FNMD staff supported the evaluation logistically. They organised all the meetings without any loss of time following lists suggested by the evaluation members. They collected the evaluator and DFID staff at their hotels, took them to the appointments and were always available to answer any question put to them. Their untiring support in organising the web-based survey deserves particular mentioning. The organisation of the evaluation by FNMD was flawless. It did in no way interfere with the independence of the evaluation process. This opportunity is taken to thank FNMD for this support, and at the same time thank all interlocutors for their time and patience with all the questions put to them.

3 Context and Framework Conditions

The West Bank and Gaza (or the Occupied Palestinian Territories, OPT), home to about 4.1¹ million people, are classified as of “lower medium income” (per capita income is 1,614 US\$²) and of “medium human development”. Its HDI of 0.641, far below that of Israel (0.89), is the lowest among its Arab neighbours, having recently fallen below that of Egypt. Differences in development between Gaza and the West Banks are substantial, in particular with regard to unemployment and poverty.

The lower rate at which human development has progressed is owed mainly to the overall falling level of per capita income over the last 12 years. Education in the OPT has significantly improved; secondary school enrolment has reached 95%, 40% of youth are pursuing tertiary education. The human capital of Palestine is thus considerable. The population is very young, resulting from the population growth rate, which is among the highest in the world (3.3% in Gaza, 2.5% in the West Bank, average of 2.8%). The Palestinian population will reach 6.8 million in 2030.



Due to restrictions of movement and access during and after the second intifada as well as the blockade of 2006 and the war of 2009, the economy has been on a downward trend. Recent growth since 2006, more pronounced during the 2009 – 2011 period, has brought per capita income figures closer

to the 1999 levels (still significantly below this level in Gaza, slightly above it in the West Bank), but Palestine is still considerably poorer now than it was 13 years ago³.

Recent GDP growth has been the result of substantial increases in donor support, while recovery in the Palestinian private sector is slow. The share of manufacturing in GDP fell from 12.5% to 11% between 1999 and 2009. Output in agriculture fell by 47% during the same period and its GDP share dropped from 10.4 to 4.8%.⁴

The table below shows the contribution to GDP growth by economic activity in 2011. While agriculture/fisheries declined in the West Bank, construction and services recorded high growth

¹ UNDP HD Report 2011, all figures in this section are taken from the UNDP Human Development Report 2011, unless otherwise stated

² PCBS figures

³ Stagnation or Revival?, Palestinian Economic Prospects, Economic Monitoring Report to the Ad Hoc Liaison Committee March 2012

⁴ World Bank: Sustaining Achievements in Palestinian Institution-Building and Economic Growth, Economic Monitoring Report to the Ad Hoc Liaison Committee, September 2011.

rates in Gaza. The table also displays the significant contribution of the public sector to growth, and the important differences of growth contribution between Gaza and the West Bank.

Economic Activity	Contribution to GDP growth in 2011 ⁵		
	West Bank	Gaza	West Bank and Gaza
Agriculture and fishing	-0.1	2	0.4
Mining, manufacturing, electricity and water	1.8	1.9	1.8
Construction	0.2	11.9	3.1
Wholesale and retail trade	0.7	2	1
Transport, storage, and communications	0.5	0.4	0.5
Financial intermediation	0.5	0.1	0.4
Services	0.5	4.5	1.5
Public administration and defence	1.8	3	2.1
Total real GDP growth rate	5.8	25.8	10.5

The structure of the Palestinian private sector is weak. Only about 100 of the manufacturing, mining and construction enterprises in Palestine, where the largest Palestinian private firms are concentrated, have a workforce of more than 100⁶ employees. The rest are micro and small, family-managed businesses, with an average workforce of below 5. The number of enterprises, including informal small firms, is estimated at 80,000⁷. This is, in comparison with neighbouring countries and relative to the size of the population, a relatively low figure. The share of manufacturing and service firms of the total number of establishments is approximately 13% (though such a share can be observed in most economies).

Within the West Bank, private sector activity is concentrated in the agricultural and agro-processing sector in the North and around Jericho, in services around Ramallah and in manufacturing in the South as well in Nablus. Mining for stone and marble industries around Bethlehem and Hebron is almost exhausted and therefore increasingly moving to Nablus. Due to the closure of Gaza, which used to have a thriving furniture industry, the furniture sector is now picking up in Nablus, supplying 60% of its production to Israel.

The West Bank and Gaza are small economies with few natural resources. Access to agricultural land outside Areas A and B⁸ is difficult. Security concerns in Gaza result in one third of agricultural land being no-go or high-risk areas, in which agricultural production is impossible. The OPTs imports amount to 4 billion US\$, while exports, which have not grown compared to 1999, reach

⁵ Stagnation or Revival?, Palestinian Economic Prospects, Economic Monitoring Report to the Ad Hoc Liaison Committee March 2012

⁶ According to a representative of the Federation of Chambers of Commerce, Industry and Agriculture in 2009

⁷ Business Services Sector Market Analysis, FNMD/DAI Europe, Nov 2011

⁸ Area A, including major Palestinian cities, is under PA control; Area B, comprising most Palestinian rural communities is under authority of the PA while security is shared by Israel and the PA. Area C, approx. 62% of the West Bank area, remains under Israel authority regarding law enforcement and control of building. Area C was to be gradually handed over to the PA (Oslo agreement), but this transfer was frozen in 2002.

only 550 million US\$⁹. Three quarter of all imports are coming from Israel. This high figure is due to restrictions imposed on the movements of goods from other countries, as all imports must pass via Israel. Movement restrictions increase transportation costs, leading to uneconomical use of vehicles, delays and unpredictability. Even if movements have become easier over the last 3 years, high levels of uncertainty render exports of perishable goods highly risky. This also applies to movements between the West Bank and East Jerusalem.

The blockade on the Gaza Strip, which has been in force since 2006, delinked it from the West Bank almost completely. Only very few of the industrial establishments in Gaza are still functioning due to import restrictions. The textile sector, which used to operate on a cross-border fabrication arrangement with Israel, has almost come to a stand-still. The same applies to the furniture factories in Gaza, which used to export considerably to Israel and other countries. Exports of strawberries and carnations are allowed in a limited measure and on a case-by-case basis only.

Israel will realistically remain the main trading partner of Palestine. As Israel's economy has been shifting towards manufactured hi-tech products, imports of general consumer goods into Israel have been liberalised. This directly affects the competitiveness of Palestinian producers. Imported consumer goods are cheap because they are produced at economies of scale that Palestine cannot reach. At the same time the Palestinian private sector is severely constrained by competitiveness issues (such as out-dated equipment, lack of know-how and skills). Yet, future economic growth depends upon Palestinian enterprises being able to compete with imported goods and export beyond Israel, accessing new markets in the rest of the world¹⁰. The search for niches for products and services in which Palestine can compete is an important challenge.

Private sector development and the promotion of small enterprises are important goals of the Palestinian National Authority, laid down in the Palestinian Reform and Development Plan (PRDP 2008 - 2010) as well as the National Development Plan (Establishing the State Building our Future) 2011 – 2013. The latter outlines the goals of private sector development with regard to reaching new markets and enhancing competitiveness. It underlines the general potentials of the ICT, agricultural and tourism sectors, pointing out the need for physical infrastructure development, without suggesting specific areas into which Palestinian industrial sub-sectors could invest.

Palestine is not short of institutions supporting private sector development. Paltrade, founded 12 years ago with donor assistance, is a broad-based membership organisation mandated to promote trade and in particular exports. Paltrade has been playing an important role in attracting and channelling donor support towards sub-sectors with growth potential. Its multiple identity as a membership body, an organisation with the capacity to carry out support programmes and a Government mandated institution appears to create opportunities for Paltrade, but also has limits in view of possible conflicts of interest. The Palestinian Federation of Industries (PFI) is the umbrella

⁹ According to an informed opinion leader interviewed during the field work

¹⁰ World Bank, West Bank and Gaza Trade Rules, December 2008.

organisation for 14 sectoral associations. At present, PFI has a chairman, but no administrative staff. Among the sectoral associations, PITA, the Palestinian Information Technology Association of Companies, stands out as a very active one. The Federation of Palestinian Chambers of Commerce, Industry and Agricultural (FPCCIA) is the umbrella organisation of 13 independent chambers. These chambers play important roles in providing essential services to members, such as issuing certificates of origin and, most importantly, certifications that the Israeli authorities recognise in order to issue travel permits. Membership is high because these services are needed by most firms. In terms of support services for SMEs, chambers do not provide much; some offer training courses against fees (e.g. the Hebron Chamber, which introduced training in the course of international cooperation measures). Recent elections have provided chambers with greater legitimacy.

An important organisation providing business support services is the Business Womens' Forum (BWF) which, supported by the Cherie Blair Foundation and others, offers start-up support to women, also counselling women-owned enterprises and lobbying/ advocating for their interests.

There are also privately organised initiatives supporting the development of the private sector, such as the Portland Trust and Spark (a Dutch NGO), supporting, among others, the BWF.

Several development partner organisations are active in private sector development in Palestine:

- The World Bank, apart from co-investing into private sector programmes of other donors, is supporting private sector development through various activities assessing the business environment. Projects in the pipeline are related to institutional capacity building, supporting conducive business environment development;
- USAID targets investment promotion, the financial sector, the agricultural and other competitive sectors as well as the improvement of the investment climate;
- The EU support the Palestinian quality framework and a trade diversification/ competitiveness enhancement programme;
- The German BMZ/GIZ supports capacity development at the MoE, the Federation of CCI as well as selected sectors as well as export development;
- The French AfD supports the Bethlehem Industrial Estates, a micro credit programme as well as the olive and IT sectors;
- CIDA co-finances BMZ/GIZ private sector and export development in the West Bank and supports small farmers;
- JICA also supports the MoE in capacity development issues as well as industrial park development in the West Bank,
- The Netherlands Cooperation supports farmers through land reclamation in the West Bank and Gaza, agricultural exports from Gaza as well as a micro credit programme

A visitor to Palestine¹¹, comparing the situation of the private sector in 2009 with the present situation, will observe that firms report fewer hindrances at check points and border-crossings, and that their situation has generally improved. Success stories, linked to increased efforts of donors and their governments to push for the lifting of unnecessary controls, are available¹². Business owners appear to be more confident that the future of their businesses will be less at risk; they seem to plan and devise development strategies for a longer period ahead. Lack of progress in achieving a political solution for Palestine limits, however, in their and opinion leaders' view, expectations that economic improvements based on actual comparative advantage and potentials can ever be achieved.

¹¹ The evaluator had opportunity to visit Palestine in 2009 for an evaluation of another private sector development programme, which involved numerous discussions with owners of firms at their place of work.

¹² For instance, the Dutch cooperation links its political dialogue with Israel with improvements for the Palestinian private sector, such as negotiated export volumes of flowers and strawberries for Gaza farmers, or the agreed land reclamation in the areas C.

4 Description of FNMD

4.1 FNMD Overview

FNMD is a response to the World Bank's Investment Climate Assessment (ICA) of 2007, which, in view of the restrictions imposed on the Palestinian private sector, pointed out the importance of:

- developing new markets for Palestinian products,
- developing new or improving existing Palestinian products and
- upgrading the management capacities of SMEs.

FNMD was designed to respond to the challenge that few businesses in Palestine were prepared to invest in an uncertain future. Its rationale therefore was to reduce the risks associated with the high cost of investments into competitiveness improvements, which are required for entering new markets. FNMD therefore aimed at:

- encouraging SMEs to expand into new local, regional or international markets;
- encouraging SMEs to develop new products and improve the existing ones;
- promoting first-time exporters;
- building the local markets for Business Development Services (BDS); and
- gathering data on local obstacles to growth.

FNMD provided grants to SMEs as well as Business Representative Organisations (BROs), which clients had to match using their own funds. The rate of matching was 50%, with a ceiling of a total grant size of 50,000 US\$ (i.e. a total project cost of 100,000 US\$). Firms (consortia of at least 3) applying jointly for support could do this at a reduced contribution of 30% to the total costs of a project, which was elevated to 100,000 US\$ in such as case. A 70% / 30% FNMD/client sharing ratio was also applied for the Gaza Strip during FNMD's extension phase, with a grant ceiling of 50,000 US\$ for individual firms and 100,000 US\$ for consortia.

In 2010, another scheme was added to the project, called "Gaza Back to Work" (GBW), which aimed at assisting SMEs in the Gaza Strip to recover from destruction resulting from the 2009 war. This scheme ended into 2011. While FNMD-support was restricted to consulting or training services as well as market entry support, the GBW scheme allowed the payments of salaries for workers which were taken on for re-training for a limited period of time as well as grants for investments into the repair and maintenance of machinery. The GBW scheme included a Challenge fund of 100 000 US\$, aimed at supporting start-ups.

The total volume of FNMD amounted to 7.6 Million British Pounds, which were distributed as follows:

Phases	DFID	WB	Total
FNMD Phase 1 Apr 2008 – Apr 2010	2.99 Mill. £	0.61 Mill. £	3.6 Mill. £

GBW Sep 2010 – Apr 2011	2.00 Mill. £	--	2.0 Mill. £
FNMD Phase 2 Apr 2011 – May 2012	2.00 Mill. £	--	2.0 Mill. £
Total	6.99 Mill. £	0.61 Mill. £	7.6 Mill. £

Direct beneficiaries of FNMD were defined as SMEs and SME-consortia, BROs and Business Service Providers (BSPs), which could also apply for grant assistance as clients of FNMD.

How FNMD supported firms:

FNMD made it known to interested owners of firms in manufacturing and service that grants were available to them if they wanted to invest in consulting, advice, training or other services they required to expand markets, find new markets, improve their products or develop new ones. FNMD had offices in the West Bank (Ramallah) and Gaza. Business development advisers (BDAs) employed by FNMD would then discuss requests with interested firm owners. If eligible according to set criteria, BDAs would counsel clients on the service best suited to their needs. This often resulted in a more suitable or more economical service being proposed for the grant scheme. The client would then choose a business service provider (BSP), from a roster of BSPs vetted by FNMD. Contractual agreements would be concluded by the BSP and with FNMD. The client would pay for the service in full after its completion, and FNMD would reimburse the grant amount (during the extension phase, clients had an option to pay only their part, while FNMD would pay BSPs directly). FNMD would check on progress and jointly with the client fill a project completion form. Several subsequent grants could be made to an individual firm or a consortium of firms until the maximum grant amount was reached. FNMD would ask for various performance figures each quarter, which were entered into the M&E system.

The GBW scheme worked in a similar way for service in maintenance/repair and grant support for hiring staff.

Further to facilitating support, FNMD documented cases of hindered movement and access, so as to underpin the political dialogue between the Quartet and Israel. FNMD also documented success stories, and disseminated them through radio shows that were conceived for the purpose. FNMD facilitated the elaboration of two studies, on value chains for selected sub-sectors as well as the business development services market. FNMD itself carried out a cost effectiveness analysis and a risk perception survey among clients and non-clients.

4.2 Objectives, Indicators and Assumptions

The impact (overall objective) and outcomes (objectives) of FNMD, as well as their indicators are contained in the logframe, which was slightly adjusted as the project progressed from 2008. The project's planned impact (overall goal) was:

Economic growth in the Occupied Palestinian Territories (OPTs).

Indicator for this impact was:

GDP growth per capita, aiming at 3.1% in 2011.

FNMD's planned outcome (objective) was:

Develop new markets and products in key sectors and improve business environment in Gaza.

Indicators for this outcome were:

- percentage increase of exports for FNMD clients, aiming at a 40% cumulative percentage increase;
- volume of incremental sales of FNMD clients, aiming at 75 million US\$ of cumulative incremental sales
- total number of firms assisted, aiming at 200 firms assisted in West Bank and 360 in Gaza

The outcome was to be achieved by FNMD under the following assumptions:

- enterprises are willing to adopt international accepted business practices, movements and access restrictions affecting goals and confidence of international clients do not increase in both the West Bank and Gaza,
- DFID's and the international communities' influence efforts produce positive results on movement and access for Gaza, and
- the political and economic situation stays the same or improves.

In order to achieve these outcomes, FNMD was planned to produce the following outputs:

1. FNMD clients (individual and / or consortia) develop new / improved products

Indicators:

- the percentage of FNMD clients developing new or improved products;
- the number of new products developed by FNMD clients.

Assumption:

- Palestinian business service providers (BSPs) are able to provide specialised and high quality services to firms on product development.

2. FNMD clients (individual or consortia) develop and enter new markets;

Indicators:

- number of firms entering new export markets;
- number of export markets having been entered;
- number of firms entering new local markets.

Assumptions:

- adequate qualified human resources remain in the country despite conflict;
- businesses involved in this scheme are committed to long-term growth;
- Israeli export restrictions / fees do not increase or become unsustainable for Palestinian exports.

3. High quality monitoring data and case studies and value chain analysis on constraints to trade and success stories

Indicators:

- number of case studies that are endorsed by the project steering committee;
- number of radio shows broadcasted, disseminating FNMD best practices and success stories;
- number of completed value chain / market failure assessments and agro business and services to inform future programming;
- number of hits received by newly developed knowledge-base web portal.

Assumptions:

- adequate web connectivity and download speeds,
- level of funding commitments by other donors,
- relevance of FNMD lessons within the broader SME context in the OPTs
- willingness of other organisations to participate in FNMD coordinated activities,
- capacity and willingness of grantee SMEs to engage, commit and deliver advocacy tools and approaches to each other and the broader development community as well as the evidence produced by the project being used by policy makers.

4. Dormant and partially operating businesses restarts and new business ventures initiated (this output refers to GBW in the Gaza Strip),

Indicator:

- number of businesses that have benefitted from the programme, number of temporary workers employed by firms.

Assumptions:

- a minimum of 50 businesses will join the project early, generating sales and employment within a four-month period
- an average of 4 new workers per firm can be hired during the start-up period in addition to temporary jobs created in service providers firms.

Evaluator's comments:

The planned impact, outcome and outputs, as well as their indicators and assumptions, are discussed in more detail under the different evaluation criteria in chapter 5.

Impact	Economic growth in the OPTs
Outcome	Develop new markets and products (in key sectors) and improve business environment in Gaza
Outputs	FNMD Clients (individual and/or consortia) develop new/improved products FNMD Clients (individual or consortia) develop and enter new markets Dormant and partially operating businesses restarted, new business ventures initiated High quality M&E data, case & success stories, value chain and BDS analysis, analysis of constraints to trade and
Process	Appraisal of applications for grants (of SMEs, BROs, groups of SMEs), counselling from FNMD BDAs to identify priority needs, competitive selection of BSP by SMEs, implementation of support services on matching grant basis, studies elaborated, issues of business environment researched and brought into the discussion
Inputs	Finance from DFID and World Bank (matched by client business contributions), contracted services of DAI

The impact chain of FNMD, reconstructed from the logframe, suggests that outcomes and outputs are mixed to a degree. Outputs are deliverables of the project. What the logframe describes as outputs is already the “use of outputs” by beneficiaries. The impact chain also suggests that the outcome is not much more than a summary restatement of outputs, whereas it should describe the changes that the outputs produce for the beneficiaries (how they benefit directly from the outputs). It is also apparent that the logical distance between the outcome and the impact is rather large: while a project is to be designed in a way that it can be held responsible for the outcome, it only contributes to the impact; yet, the logical link to that contribution should be apparent in the logframe.

Using the information from the logframe as well as the description of FNMD in the project memorandum, an improved impact chain could have been formulated as below (inputs and process remaining the same):

Impact	Improved performance of the SME sector in the OPTs
Outcome	A greater number of SMEs in the OPTs have successfully expanded/entered new markets and developed/introduced new products More SMEs in Gaza have succeeded in restarting their business, or in setting up a new one
Outputs	FNMD clients are capacitated to develop new/improved markets and to enter new markets Dormant and partially operating businesses are capacitated to restart their businesses, people interested in starting a business are equipped with means to do so Decision makers are equipped with relevant information that could be used to improve the business environment

Outputs are what FNMD delivers to the clients (capacity building, encouragement to use the acquired knowledge). The outcome describes how clients, making use of the outputs, change their behaviour in a way that they derive a benefit from them - such as actually entering new markets. If all goes well - factors outside FNMD’s control have an influence - this leads to improved business

performance (performance would still have to be defined by indicators, see also remarks at the end of chapter 5.2) of the SME sector. The latter is a humble impact formulation. It is at a higher level than the operational level of FNMD, but a logically connection is still discernible and would be plausible.

4.3 Implementation

The progress of FNMD was supervised by a steering committee, in which DFID, the World Bank and the MoE were represented.

The implementation of FNMD was open to a public competition, in which international and local organisations were invited to take part. The contract was awarded to DAI Europe, a consulting firm linked to DAI (Development Alternatives Incorporated) of the United States. DAI has an office in Ramallah and had been involved in the implementation of several private sector development projects financed by USAID.

The DAI team included an international expert as team leader for the first 3 years of operation as well as experienced Palestinian specialists in private sector development, the majority of whom had worked in DAI-managed programmes in Palestine before. During the last year of operation (the extension phase) FNMD was managed by a Palestinian team leader. The team operated from two offices, the main one in Ramallah, employing 8, including 3 business development advisers (BDAs), the other in Gaza, employing 6, including 2 BDAs. Other staff functions related to monitoring and evaluation (M&E), financial management, procurement, finance and coordination as well as IT.

In terms of conceptual development, FNMD was supported by senior DAI staff and by the designer of the FNMD scheme.

4.4 Results achieved

According to its M&E system FNMD achieved the following in relation to its outcome indicators by the end of the 2nd phase. The figures relate to 21 March 2012. They do not yet include figures that were delivered after this, and do in particular not include figures of firms supported during the extension phase, which could not yet be reported.

Outcome indicator 1; Percentage increase of exports		
	Planned	Actual (Source: FNMD M&E System)
Exports	40%	52%*

* The figure presented in the M&E system was 16%, but was wrongly calculated against the baseline of total sales rather than exports

Outcome indicator 2; Incremental sales (checked by FNMD staff against attribution to FNMD support)		
Sales	Planned (US\$)	Total (US\$, source: FNMD M&E System)
Local Sales		82,082,769
thereof GBW		27,527,493
Export Sales		18,106,895
thereof GBW		112328
Total	75,000,000	100,189,664

The number of firms assisted reached:

Outcome indicator 3: No. of firms assisted		
Area	Planned	Actual (Source: FNMD M&E System)
West Bank and East Jerusalem	200	200
thereof consortia/BROs		12
Gaza	360	403
thereof consortia/BROs		24
thereof GBW		240
Total	560	603

With regard to FNMD's outputs, the M&E system recorded the following achievements:

Results against output indicators		
Indicators (all results are taken from FNMD's M&E System, and were updated by the FNMD team leader as of end of March 2012)	Planned	Actual
Percentage of FNMD clients developing new or improved products	30%	52.5%
Number of new products developed by FNMD clients	130	129
Number of products improved by FNMD clients	90	136
Number of firms entered new export markets	90	127
Number of new export markets entered	40	63
Number of firms entered new local markets	151	151
Percentage of clients with female business owners or managers	20%	21.4%
Number of case studies, success stories and documented movement and access cases submitted to the project steering committee	60	60
Number of radio shows broadcasted	64	50
Number of completed value chain / market failure assessments		2
Number of hits received by newly development knowledge-base web portal	5000	43,767
Number of new workers employed by the firms (only Gaza)	921	1104

The project produced manuals for the management and operation of the FNMD project, including application forms, business plan formats, eligibility criteria, formats for ToR, scoring sheets for the selection of clients, completion report formats that were filled for each project, guidelines for

environmental assessments, a M&E Handbook as well as rosters for BSPs, including guidelines with regard to the standards that BSPs must fulfil in order to enter the roster.

Observations:

The results achieved with regard to the outcome and the outputs show that FNMD has overachieved in almost all areas. It must be kept in mind that results in terms of business performance require time to show, i.e. the actual measurement should take place approximately one year after service delivery, meaning that only a part of FNMD's achievements were reported and recorded. The actual results in terms of sales must have been considerably higher than what the reported figures suggest (though some issues of data reliability remain).

4.5 Reports

FNMD issued comprehensive and detailed quarterly reports as well as a final report at the end of the first phase. Equally at the end of the first phase, an independent evaluation was carried out by an independent DFID-appointed expert (see text box).

Results of the evaluation of FNMD's 1st phase:

The evaluation of FNMD's first phase pointed out FNMD's relevance in view of its BDS markets' approach; important success factors of effectiveness were found in the focus on the local market (instead of an export oriented or sector approach). Positive cost-benefit relations were found to underpin efficiency. Impact was found difficult to measure in the absence of adequate monitoring data. According to the evaluation, FNMD scored low with regard to sustainability (lack of partner organisation), but high with regard to the chosen approach.

The evaluation recommended a flexible approach not directed at selected sectors or prioritizing exports. More emphasis was to be put on innovation (not only of products, but also processes). Better integration into the local stakeholder structure, greater preference for firms employing females and additional monitoring efforts, directed at BDS market development and canvassing impacts beyond the lifetime of the project itself were also recommended.

FNMD kept a detailed management information system as part of project M&E. All essential details of projects as well as enterprise data were entered into a spreadsheet, including detailed quarterly figures reported from enterprises regarding incremental sales, exports, employment and other benefits from the project (which were checked by follow up telephone calls against errors with regard to their attribution to FNMD interventions).

M&E was supported through a DAI associate expert, who in addition to advising FNMD elaborated two reports:

- a Cost-Benefit Analysis of FNMD
- a Risk Analysis, including a survey of client and non-client firms canvassing their perception of risks (a draft report was submitted at the end of the evaluation mission).

Elaborate quarterly reports and a final report at the end of the first phase were elaborated. These reports are comprehensive, building on the M&E data, which were processed into graphs and tables that are easy to understand. These served the Steering Committee as documents on the basis of which it was able to steer FNMD.

Observations/comments:

The monitoring and reporting efforts of FNMD were detailed. FNMD produced a wealth of data, which were processed and are elaborately displayed and discussed in the various project reports. The evaluation does not repeat this analysis and refers the interested reader to these reports, which are listed in Annex 2. As will be discussed in chapter 5, irregular reporting and also issues of reliability of data affected M&E. FNMD rightly directed its M&E system towards the requirements of the outcome and output indicators. This left out other important aspects required for assessing changing entrepreneurial behaviour and impacts. However, this is not the fault of FNMD's but should have been better reflected in FNMD's logframe.

Apart from its own interviews, discussions and the complementary surveys, the evaluation of FNMD is based on the above results and documents.

5 Evaluation of FNMD

5.1 General Remarks

The DFID evaluation criteria are an adaptation from the five OECD-DAC criteria, whereby the “efficiency” criterion is replaced by “Value for Money” (VfM). VfM analyses the economy of procurement of inputs, efficient use of resources to deliver the outputs, as well as the effectiveness of translating inputs into outcomes. VfM is therefore broader than the OECD-DAC efficiency criterion, which only relates to outputs.

The following analysis makes reference to the evaluation questions included in the ToR for each of the evaluation criteria, though additional aspects, suggested in the inception report submitted at the beginning of the evaluation mission, are also discussed. The different sub-chapter discussing the evaluation criteria are structured in a way that the evaluation questions of the ToR are, as much as possible, answered in turns (in terms of description, analysis, conclusions and directly related recommendation), while at the same time trying to discuss each evaluation criterion in a holistic way, with overall conclusions and an assessment made at the end of each sub-chapter¹³.

5.2 Relevance

Relevance refers to the extent to which interventions are in line with the strategies and interests of the project partners, e.g. the Palestinian Authority and DFID/World Bank. Relevance further relates to a project meeting the priorities and interests of target groups and stakeholders in it. The discussion of relevance should answer whether the project was the right one to implement under the given circumstances.

FNMD has been fully in line and consistent with the policies and strategies of the Palestinian National Authority, laid down in the Palestinian Reform and Development Plan (PRDP 2008 – 2010), the Palestinian National Early Recovering and Construction Plan for Gaza (ERRP 2009 – 2010) as well as the National Development Plan 2011 – 2013 “Establishing the State, building our Future”. These plans emphasize the need for economic growth through enhancement of competitiveness as well as new market development locally and abroad.

FNMD followed DFID’s rationale of working with the private sector in partner countries¹⁴, which asserts that rising incomes and wealth are driving poverty reduction, and that investing in growing businesses is the primary driver of rising incomes and wealth. FNMD also fulfilled key requirements that DFID attaches to an effective private sector development approach, which are: evidence of results, value for money and impact measurement. Being directed towards Palestine’s

¹³ Annex 8 contains an overview of the answers to each of the evaluation questions, and the reference where they are discussed in the report.

¹⁴ DFID: The engine of development: The private sector and prosperity for poor people, 2011

tissue of mostly small firms, the matching grant approach, aiming at the development of functioning markets of buyers and suppliers of services for SMEs, was also in conformity with DFID's "Making Markets Work for the Poor" (M4P) approach, which is directed at unlocking such market mechanisms.

Demands for services from FNMD's target group (SMEs) confirm the projects relevance to their requirements. Demand for support exceeded FNMD's capacity, shown by the backlog of 36 applications fulfilling selection criteria that could not be funded by the end of the project's term. "In the beginning, we had to look for clients, but soon it was the clients coming to look for support from us" is a statement of the FNMD team leader underlining that FNMD's target group orientation and its focus on market and product development was correct. The evaluation has shown that the project objectives are still relevant and fully valid.

The discussion of relevance needs to answer whether a matching grant scheme, intentionally working without a partner institution, was the correct approach from the point of view of the Paris Declaration on Aid Effectiveness, which emphasis capacity building and working with national organisations. Matching grant schemes derive their justification from the notion that they develop markets for the supply of Business Development Services (BDS). They aim at doing away with subsidies, leaving the transactions between buyers and suppliers of BDS to functioning markets. If this objective is attained, the question of institutional partnerships would not pose itself and relevance with regard to the Paris Declaration can be confirmed.

Relevance also relates to whether the BDS market development goal, which FNMD followed, was adequately realistic and timely in the Palestinian context. The implementation of FNMD has shown that markets did develop to some extent, but the goal is far from being accomplished (see also the discussion under "effectiveness"). The goal may thus have been ambitious with regard to the available time frame, and the financiers of the scheme were surely aware of this. However, it appears highly relevant for the development of Palestine's private sector that, by introducing FNMD, a new relation between private firms and donor finance was established, possibly for the first time since the creation of the PA: FNMD's approach was one that did not perceive or treat the private sector as a receiver of aid, but expected active contribution and investments before support could be extended. The scheme helped the private sector to assert its role as a strong pillar of the Palestinian society. FNMD's approach, which has to do with respect for and building on private sector's strengths, is thus highly relevant for sustainable private sector development in the West Bank and Gaza.

Still, the question of "exit route" and sustainability of matching grant schemes remains relevant. Lessons learned and the knowledge acquired in the delivery of BDS requires some form of depository so as to facilitate continuation and further dissemination.

Another aspect of relevance is that of attaining net economic effects. Matching grant schemes only reach a limited number of firms, supporting them to become more productive and better

performing, while others are not supported and may lose in the competition with the strengthened ones. In a limited market, this may well lead to no economic effects being attained for the SME sector as a whole (though increased competition may elevate some market standards). FNMD avoided this risk by directing the matching grant scheme towards enterprises with an interest (and implicitly the capacity) of opening up new local and external markets, improving products or introducing new ones. This orientation is highly relevant from a national economic development point of view, as innovation and market development are key drivers of growth that do not hurt weaker firms or those that do not receive assistance. This clear orientation of FNMD underpins the project's relevance.

From a point of view of market development for BDS, however, this approach is even more ambitious, because the services required for facilitating and sustaining it - advice on innovation and markets - is expensive. These services require competencies at high levels. SMEs may increasingly look at such services as worthwhile investments, yet, in relation to their size, the investment may be substantial and require careful consideration; the hurdle and perceived risks may be too high. If the investment is not made, opportunities may be lost not only for the firm concerned, but also at national level (in terms of job creation, gains in national competitiveness, etc.). This raises again the question of the relevance of institutional anchoring and exit for FNMD, as eventually sources must be found to pay for and maintain the competence requirements of business service delivery.

Relevance also refers to alternative approaches that could have been followed. One could have considered a sector-oriented approach (such as supporting agriculture or IT), approaches directed at capacity building of the organisation / institution level, start-up support or approaches directed exclusively at the policy and regulatory environment level. One could also have thought of striking a different balance between an approach of "supporting winners" and "supporting the needy". Such alternative approaches have their merit and some are indeed followed by other development partner organisations. DFID and the World Bank made a deliberate choice of an approach directed at the firm level, because they were convinced that this was the most effective one and that it could make a significant difference in private sector development in Palestine.

The question of supporting strong versus needy firms relates to the absorption potential of clients for the type of service offered, and to their capacity to successfully implement support measures meant to enhance their innovation capacity and market presence. FNMD was demand oriented, i.e. it set up selection criteria with regard to market and product development, but it did not make choices. It allowed firms with the greatest aspirations for growth to self-select by applying for FNMD support. The market and product development orientation appears relevant for the national development goal of economic growth, as the project's orientation appealed to stronger firms, able of make use of new opportunities and showing the way. This approach may be more risky, as

individual support measures of firms might fail, for instance if markets do not respond, but it also entails the chance of producing greater development returns.

Finally, the choice between non-financial and financial support was made by FNMD consciously towards the first. It was already clear at the time of designing FNMD that the access to credit and the liquidity of banks was no longer a binding constraint for the Palestinian private sector, but the access to market intelligence and knowledge about innovation was.

The initial design of FNMD treated Gaza as a subset of the overall project. During the implementation of FNMD, it was recognized that Gaza required a more intensive and specific approach. The flexibility of financiers of adapting FNMD to the situation in Gaza was essential to channel more effective assistance to the area, rendering FNMD much more relevant for this part of the OPTs.

Discussing relevance in relation with FNMD's logical framework, it appears that improvements could have been made in particular with regard to assumptions. Outputs should generally be planned in a way that they can lead to outcomes without major assumptions having to be made. It would have been the responsibility of experts involved in planning FNMD to ascertain, before launching the scheme, that (as is stated in the assumptions) a sufficient number of SMEs is adequately committed to growth, that business service providers are in principle able to provide the required specialised services and that a minimum number of businesses will join the project (for instance through thorough base-line surveys). It should be kept in mind that outcomes are to be planned in a way that a project can, under reasonable circumstances, be held responsible for their attainment.

The gap between the levels of outcomes and impact of FNMD appears very large. Again, assumptions such as the willingness by enterprises to adopt internationally accepted business practices should not need to be made after a careful identification processes prior to launching the project. It would have been advisable to formulate the impact at a lower level than per capita GDP growth, as the attribution of a programme such as FNMD to an impact at that high a level can only be minor. Instead, impacts such as greater competitiveness, greater contribution of the project to exports or / and import substitution, greater employment in supported sub-sectors (though this was not a specific goal of FNMD) and / or higher incomes could have been introduced as indicators of an impact that could have been defined as, say "greater performance of the SME sector in the OPTs". Such an impact would still have left a larger attribution gap, but the logical link to the programme's outcome would have been more relevant.

Conclusions with regard to relevance:

The relevance of FNMD appears outstanding in view of the specific situation and opportunities of the Palestinian private sector. DFID and the World Bank chose a business oriented approach that

appears courageous in view of the interventions undertaken by other donors in a comparatively crowded field, yet very well suited to the requirements and growth aspirations of the SME sector. Specific risks connected to matching grant schemes were mitigated by the particular orientation towards market and product development.

5.3 Effectiveness

Effectiveness is about the extent to which projects achieve their objectives. The criterion refers to the whole project cycle, i.e. it discusses also whether the objectives were adequately set (not too ambitious, but requiring a significant effort). FNMD's outcome and indicators read:

Outcome

Develop new markets and products (in key sectors) and improve business environment in Gaza

Indicator 1: Percentage increase of exports for FNMD clients (target: 40% cumulative.)

Indicator 2: Volume of incremental sales of FNMD clients (target: 75 Mill. US\$ cumulative)

Indicator 3: Total number of firms assisted (target 200 in West Bank/Jerusalem 360 in Gaza)

The assessment of effectiveness (in terms of target achievements) needs to consider that some of the quantitative indicators were set without adequate pertinent experience being available.

As a formal comment, outcomes should be formulated in terms of an improved future situation for the target group (for example: a greater number of Palestinian SMEs have successfully improved their products and penetrated new markets), rather than as an activity. The actual outcome includes 2 separate objectives (improvement of business environment in Gaza was added). An indicator for the second part of the outcome was not included.

As the outcome relates to entrepreneurial capacities (and the rationale of the project was about changing firm owners' risk perceptions), an indicator measuring qualitative changes of entrepreneurial behaviour could have been included (the risk perception survey carried out by FNMD period dealt with this question), so could have an indicator for the market development of BDS, which was apparently of concern to the designers of the scheme. A gender indicator (gender was obviously an issue that was monitored and reported) could also have been added.

Still as a formal issue, an outcome should reach beyond the summary of output statements; it should describe what benefits are achieved for the target group through the accomplishment of outputs (in terms of a cause-effect relationship).

These observations relate to how clearly the logframe communicates to the contractor implementing the project what the owners of the scheme (donors and partners represented in the steering committee) intended. The logframe apparently had weaknesses, and though the intentions of FNMD were sufficiently clear (in the context with other planning documents and on the basis of the intensive communication between the steering committee and the contractor), the shortcomings found in the formulation of the outcome and its set of indicators render the assessment of effectiveness difficult.

DFID, in its Operational Plan for the Palestinian Programme (published at www.dfid.gov.uk) uses a different indicator to demonstrate the results of this programme, namely the "number of

enterprises reporting improved performance”. This indicator ensures that the efforts of the programme indicator bear fruit; it is more of a perception indicator, as it does not demand specific quantitative targets to be reached and remains flexible with regard to performance improvements. Performance is a notion that assembles various aspects of progress, including sales, profits, market development and innovation (see also annex 16 for a discussion how this should be reflected in a future M&E system).

M&E is part of the internal process of a project (and therefore not required as an output). It played an important role in FNMD informing the members of the steering committee about progress, so that corrections could be made to the project if necessary. FNMD staff was committed to purposeful M&E, collecting and processing large amounts of data. The M&E process was ambitious (providing as good as possible an overview of what is happening at the enterprise level), but also quite taxing for entrepreneurs responding to data requests (accurate sales figures had to be reported every quarter).

Not all data found in the M&E system appeared fully reliable or plausible¹⁵. Such issues refer to data of possibly 7% – 10% of all firms, and it is assumed that the greater part of those could be explained and corrected, respectively.

According to FNMD’s M&E system, less than 40% of firms reported figures regularly. FNMD staff took great care to check reported figures with regard to their attribution to FNMD support. Clients were contacted via telephone and sometimes through personal visits, so as to ensure that reported figures referred only to activities that FNMD facilitated. If not, adjustments were made.

Attribution of performance improvements is essential for the assessment of effectiveness, but it is challenging, not only for M&E experts, but firm’s owners themselves, too, who would not always be in a position to provide exact figures, even if they operated a profit and cost centre accounting system. For example, profound advice rendered in relation to export marketing could positively influence local marketing strategies and performance, i.e. local market improvements could be attributable to export strategy advice as well. On the other hand, the sales success of an entrepreneur at a foreign trade fair may have more to do with the quality of her products and selling skills than a project’s support for travel and preparation, i.e. the sales increase should not be attributed to the project alone. During the field work, various cases were found, including those where it was indeed the service provider’s counsel and information that was the key factor to the opening of a new market (see text box).

Attribution is a typical dilemma of matching grant schemes, and there is no algorithm to

¹⁵ A quick check revealed that sales per employee figures of a firm’s activity. The amount of grants was in some cases high, but not explained by a series of smaller grants being made over the period, raising questions as to the need or additionality of the grants.

Examples of high attribution to FNMD:

- FNMD helped a developer of software for pharmacies to find a consultant from Jordan, who was key to opening new markets in the Middle East
- FNMD gave the essential advice and support to a radio station to successfully expand into the North of the West Bank
- A web-site hosting firm changed its marketing plan completely following advice through FNMD, saving significantly
- Training facilitated through FNMD helped a chocolate factory to expand markets to Israel and double its exports

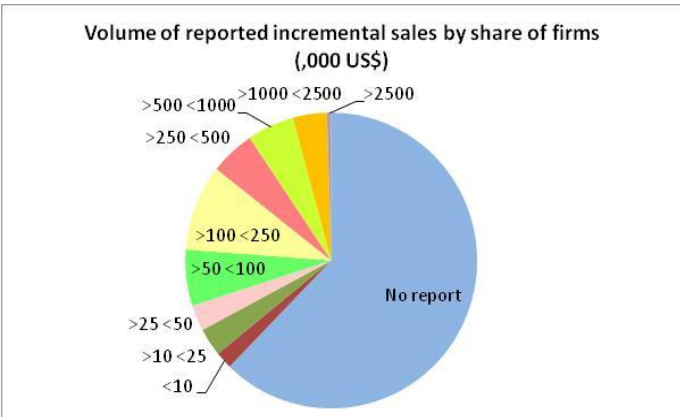
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competitive advantage for Palestine. Exports do not develop overnight; international market expansion needs to go hand in hand with product adaptation and feed-back. Individual interviews with firms suggest that outstanding results were achieved in a number of cases, as the examples shown in the text box explain.

FNMD’s effectiveness with regard to export development is rated as good, though the indicator could have been formulated with more precision (related to the export figure in relation to the total of all FNMD clients - which would have constituted an incentive to direct support to exporters - or to exporters exclusively).

2nd indicator (incremental sales): The M&E system, which is based on quarterly reported figures of beneficiary firms, produced a total of approx. 100 Mill. US\$ of incremental sales attributable to FNMD support, which exceeded the set target (75 Mill. US\$). This figure leaves out unreported increases, in particular incremental sales of 132 firms that were supported during FNMD’s extension phase and have not yet reported sales. All incremental sales were attributed to FNMD if the service provided was related to sales increase.

The short web-based survey during the evaluation, based on beneficiaries’ perceptions and only a representative sample of clients, suggests approximately 88 Mill. US\$¹⁶, from which the effect of inflation was already subtracted. The survey was meant to check the plausibility of the M&E system’s figures (which are similar), not to make an alternative assessment..



The graph shows that the majority (62%) of firms did not (or could not yet) report figures. Most firms reported increments of between 50,000 and 250,000 US\$. 50% of all incremental sales were achieved by only 29 firms (one firm alone contributed 11 Mill US\$, i.e. more than 11% of the total increment).

Comparing the reported incremental sales to the base-line (counting only the base-line figures of firms that reported incremental sales), the sales increase would present an approximate increase of 36% over FNMD’s implementation time. Deducting inflation (approximately 6% in total), the resulting annual growth rate would be about 10%; however, it is not known how firms that did not report incremental sales performed.

A comparison between clients (web-based survey and direct interviews) and non-clients (web-based surveys) does not reveal a significant difference in growth of sales between the two groups

¹⁶ See annex 7 for an explanation how this figure was arrived at.

over the past 3 years and therefore remains inconclusive (see also graphs 4 and 5 in Annex 5). Both groups achieved annual growth rates of approximately 11% during the time of FNMD implementation (with all due caution regarding the small sample of responding non-clients). The direct interviews suggest a higher growth rate (19%), but this figure must also be taken cautiously because of the sample size.

Another approach to assessing incremental sales would be to compare sectoral growth rates for the whole economy against the sectoral growth rates of FNMD client firms. From total actual sales growth adjusted for sectoral growth rates, any residual growth could be attributed to the FNMD project. Economy-wide data is only available up to 2010, but this is probably a better comparison with 2011 FNMD data, due to the likely time lag for the effect of FNMD support.

The comparison suggests that businesses in the construction, ICT, light manufacturing, stones & marble and textile & garment sectors supported by FNMD experienced above sectoral average growth. Interestingly, the majority of these sectors were identified in the USAID Cluster Competitiveness Assessment (with slightly broader definitions) as those clusters with the greatest growth potential¹⁷. On the other hand, the agribusiness, media, pharmaceutical, services and tourism sectors supported by FNMD appeared to perform below sector trends.

FNMD sector	Closest PCBS sector	FNMD growth 2010-2011 (Source: M&E system)	Palestinian average annual value added growth (Source: PCBS)	
			2009-2010	2008-2009
Agribusiness	Agriculture and Fishing	3%	81%	41%
Construction	Construction	116%	51%	39%
ICT	Transport, Storage and Communications	13%	11%	10%
Light Manufacturing	Manufacturing	13%	-1%	0%
Media	Transport, Storage and Communications	1%	11%	10%
Pharmaceutical	Mining, Manufacturing, Electricity, and Water	2%	8%	5%
Services	Services	7%	63%	38%
Stones & Marble	Mining and Quarrying	6%	3%	4%
Textile & Garments	Manufacturing	7%	-1%	0%
Tourism	Services	1%	63%	38%

Concluding, the analysis is with regard to incremental sales

suggests that:

- a. Based on both the data of the M&E system and the web-based surveys, FNMD has surpassed the targets set in the outcome performance indicators;
- b. Having reached these targets, the question remains whether FNMD was worth the effort. The best way to answer this is by checking whether the support of firms has translated into added value in form of a performance that is better than that of non-clients. This answer remains inconclusive with regard to the hard factors (sales) required by the outcome indicator, but interesting differences in performance can be gleaned from additional analysis (see also performance changes below).

¹⁷ http://pdf.usaid.gov/pdf_docs/PNADG726.pdf

Apparently, FNMD designed its M&E system in line with the requirements of the project's outcome indicators, which require quantitative targets. Had outcome indicators required that supported firms need to perform better than firms without support, FNMD's M&E system should have been directed towards such comparison from the start. It would have required the collection of base-line data of non-clients and well considered surveys from time to time. In the absence of this, a time-constrained evaluation can do little to find indications of comparatively better performance.

3rd indicator (number of firms supported): The logframe required that 200 firms were to be supported in the West Bank and 360 in Gaza. The actual figures are 200 in the West Bank and 403 in Gaza (including 240 for GBW). This indicator was therefore over-achieved.

Whether this over-achievement is to be evaluated as highly outstanding or as a result to be expected can only be judged from the discussions held with stakeholders and observing opinion leaders in private sector development in the OPTs, with whom the evaluator spoke. Accordingly, the achievement is being rated as an outstanding one, in particular in view of the requirement that clients had to make significant contributions.

Performance changes (not included in the FNMD M&E framework): DFID requires that performance improvements can be attributed to projects it finances. The web based survey found that assisted firms attributed the following changes to FNMD:

Performance Improvement	Percentage of Firms (%) reporting attributable changes (source)
Reduced costs	58.4
Increased sales	96.5
Improved competitiveness	98.1
Preparedness to take calculable risks	81.8
Improved strategic planning	76.3

The table shows reported qualitative, not quantitative improvements; i.e. even a very slight increase in performance attributable to FNMD would be considered.

While the table reflects the percentage of clients attributing changes to FNMD in several areas, the scale of attribution differs from area to area: the majority of clients asserts that FNMD's contribution to growth of sales was essential, but that their own contribution to this improvement was greater than that of FNMD (see graph 8 and attached table in Annex 5). In contrast, they feel that gains in competitiveness and preparedness to take risks are more of FNMD's merit. The results indicate that FNMD support apparently enhanced the quality of entrepreneurial decision making of clients. This is an important benefit, which was also verified through the web-based survey of BSPs, who

stated that a clearer vision for the future and enhanced risk judgement were important soft benefits for their clients through the efforts of FNMD (see graph 14 in Annex 5).

Further positive changes of entrepreneurial behaviour may be deduced from the web-based survey. A comparison of the investment behaviour of clients with that of non-clients shows that clients were more reticent to invest in machinery and equipment (average 18% addition compared to 23% for non-clients), but that clients invested more into know-how and human resources (11% of profits compared to 9% for non-clients). As the growth of sales of clients was similar to that of non-clients, one may deduce that clients acted more cleverly: they achieved a similar performance improvement by making less capital investment. Non-clients seem to be aware that knowledge investments will become essential in the future; both groups are set to step up such investments, but clients appear to be one step ahead (see graphs 4 and 5, Annex 5).

A similar difference between clients' and non-clients' behaviour is apparent from graphs 6 and 7 in Annex 5, showing past and future efforts of performance improvement. Clients made greater efforts in acquiring knowledge; non clients seem to be aware of the need, and are inclined to increase such efforts in future.

This difference between the entrepreneurial behaviour of clients and non-clients appears to reflect the benefits of counselling and the relevance of the support that FNMD facilitated. Unfortunately, FNMD did not systematically document what benefits counselling had. During direct interviews respondents often referred to the good advice they received from FNMD business development advisers, leading to services that were more relevant (in the perception of respondents) and in several cases cheaper. Counselling underpinned to a high degree FNMD's rationale of overcoming risks (see also related text box in chapter 5.4).

A **risk perception** survey of clients and non-clients, the results of which became available at the end of the evaluation mission in form of a draft report, partly supports the above findings. The survey did not find many differences between clients and non-clients¹⁸ with regard to risk perception, except one area, namely hiring new employees, to which clients were more inclined than non-clients. This appears to support the point that clients have to a higher degree realised the benefit of investing into knowledge and human resources. The risk perception survey - as much as the web-based survey during the evaluation mission - confirmed that FNMD clients used BDS to a much higher extent than non-clients, but also showed in an almost equal way that the general perception of the usefulness of such services of clients is close to that of non-clients. This indicates that FNMD was right in facilitating access to BDS, and, again, that clients are one step ahead of non-clients.

BDS market development: The reports of FNMD revealed that the majority of their clients used BDS for the first time. Interviews with BSPs revealed that a significant measure of mistrust had to

¹⁸ The samples of clients and non-clients of risk perception survey differed with regard to average employment figures. The samples of clients and non-clients of the web-based survey showed the same difference.

be overcome: service providers would require down payments before working for private firms, while firms would not readily want to buy such services without some assurance of their usefulness and quality. FNMD apparently provided a safety umbrella, under which deals between providers and buyers of business development services could be securely made. Subsequent deals may be made without matching grant scheme support. 25% of respondents to the web-based survey stated that they are going to buy business development services in future without a matching grant scheme's support, while 55% answered "maybe" (see table 9 in the Annex 5). Responses of non-clients with regard to using BDS are not very much different (which is corroborated by the Risk Perception Survey). Significant response differences relate to the usefulness of counselling and signposting for BDS. Only 4% of clients thought that such a service is not needed, against 27% of non-clients, and 55% of clients are prepared to pay more than 10% of the actual service costs for such a service, against 32% of the non-clients. One may therefore deduce that good counselling is an important factor in developing the BDS market, and that FNMD has been effective in this regard.

BSPs assert that FNMD has contributed to market development. 73% of them agreed (at least partly) in the web-based survey that firms are increasingly willing to pay for BDS, and about 70% stated that increasing the firm's share in a matching grant scheme was possible, though in their majority they advocate for keeping the 50% : 50% sharing of costs (see graph 14 in annex 5).

FNMD's interventions in **Gaza** are particularly highly appreciated by opinion leaders and stakeholders¹⁹. The GBW scheme supported 240 firms within a short period of time, creating 1,104 jobs (see also Value for Money for an efficiency analysis). Trade facilitation in Gaza, brought about through diplomatic pressure being exerted to allow exports for firms supported through FNMD, has led to some remarkable success²⁰. Comments of firm owners to survey questions or when interviewed indicate that the success of GBW is credited to the commitment of FNMD staff,

Successful Gaza interventions

The Cast Lead war damaged machinery and equipment of a large number of firms in Gaza; the blockade of Gaza forced firms to halt production, forcing them to lay off their workforce. GBW supported the re-hiring of workers, repair and maintenance of machines, reengineering and development of products and, as much as possible, marketing. The scheme was popular and successful. Connected to it was a Trade Facilitation scheme, which developed and helped to organise exports out of Gaza. Assistance through FNMD led to a large number of workers being re-hired. FNMD's marketing support ensured that most of the re-hiring of workers was actually permanent. For instance, a small construction firm was able to bid for public contracts thanks to repaired equipment and availability of staff, which enhanced its capacity to continue finding contracts. A farmer was supported in substantially expanding his green-house area and re-establishing his processing facilities, which helped him to establish himself as a supplier of restaurants.

¹⁹ Various interlocutors of representative organisations and BSPs were of this view.

²⁰ For instance an agricultural cooperative was successfully linked with to markets in the UK, the Netherlands and Germany, and a textile firm in Gaza was able to export 2000 garments to the UK <http://english.pnn.ps/index.php/national/1660-uk-facilitates-export-from-gaza>

underpinned by FNMD's operational structure and by the knowledge of the situation on the ground. A study assessing damages and pointing out the most effective approach to remedy the situation, carried out in the framework of FNMD, was helpful in rendering support effective.

FNMD used several ways to make FNMD known, including a **radio show**. The purpose of the show was to disseminate success stories, to sensitize Palestinian people for the benefits of enterprise support, and to encourage business people. The show was conceived jointly by a radio station and FNMD, which paid fully for the first 8 of 27 episodes, then 50% for the next 8 and 25% for those to follow. Each episode, consisting of a talk show, in which FNMD staff participated, and the presentation of a success story, was broadcasted twice a week. Two or three people called in during every episode, and four to six reactions per episode were recorded, numbers growing over the time. The host running the programme at Raya FM estimates that dozens of referrals were made (to business people, to FNMD) as a result of the show. These reactions suggest that the show raised some interest among the business community to develop their products and their markets. The show was apparently successful as it has attracted sponsorship from local companies for a period of 6 months and is continuing without FNMD support (though in a slightly adapted manner). Raya FM also broadcasts the episodes through its websites, where an increase of 2,000 listeners per episode was recorded.

The radio show was neither meant to win new clients for FNMD, nor did it influence listeners to apply for grants. According to the web-based survey, their majority (52.7%) of clients found out about FNMD while actively searching for opportunities of support (and not by chance), 18.9% were advised through a BSP. On the other hand, the survey of non-clients revealed that only 4 of 11 had heard about FNMD, which underlines the importance of good media work in support of such schemes.

Conclusions with regard to effectiveness:

FNMD attained and exceeded the targets set in its outcome indicators, which already constitutes a high degree of effectiveness. It cannot be conclusively stated whether this achievement exceeds what may have been achieved without such support. All evidence collected during the evaluation suggests, however, that FNMD strengthened the capabilities of supported firm owners; who, in their own perception and in that of stakeholders, have become stronger entrepreneurs. This change cannot be quantified, but qualitative improvements greater than those of non-clients are evident. This change is in addition to what was planned in the logframe and therefore particularly commendable. There is also strong suggestion that the BDS market developed because of FNMD. In view of these positive achievements, FNMD's effectiveness is rated as very good.

5.4 Value for Money

Value for Money refers to the extent to which the project's benefits exceeded its costs, and whether it could have been possible to increase benefits and / or reduce costs. Value for Money (VfM) refers to

- economical procurements and processes;
- efficiency (relating outputs to costs of inputs to produce them);
- cost effectiveness (relating outcomes to the costs of achieving them); as well as
- economic return (did incremental benefits exceed incremental costs).

VfM analysis during the evaluation was supported by a DFID economist.

Economical procurement: FNMD developed manuals for the operation of the matching grant fund and for GBW, setting out procurement rules based on competitive bidding, selection criteria for firms as well as minimum requirements for BSPs. These guidelines ensured that proper procedures were followed. Nothing indicated that these procedures were ever flouted. The competitive bidding requirement ensured that the most economical solution was always applied.

The investments FNMD made into office equipment, working space, vehicles, etc. were humble and represent the minimum that a project of the size of FNMD requires. FNMD was implemented by an international consulting firm (DAI Europe). All proposals of project management came from consortia which included international partners. Had the competition been limited to local firms, this might have led to reduced costs, but international bidding was intended. The involvement of international consultants facilitated the transfer of international experience and best practice. DAI headquarters supported the project in various ways, making international know-how available, for instance with regard to the conceptual support of M&E, the Cost Effectiveness Analysis and the Risk Perception Survey.

Efficiency: were outputs produced at the lowest costs? Expenses incurred by the project in order to produce outputs were assessed in terms of their relative division between the project's administration/operating expenses as compared to its direct delivery/project (predominantly grant) funds²¹. Key project inputs and respective costs are summarised in the following table:

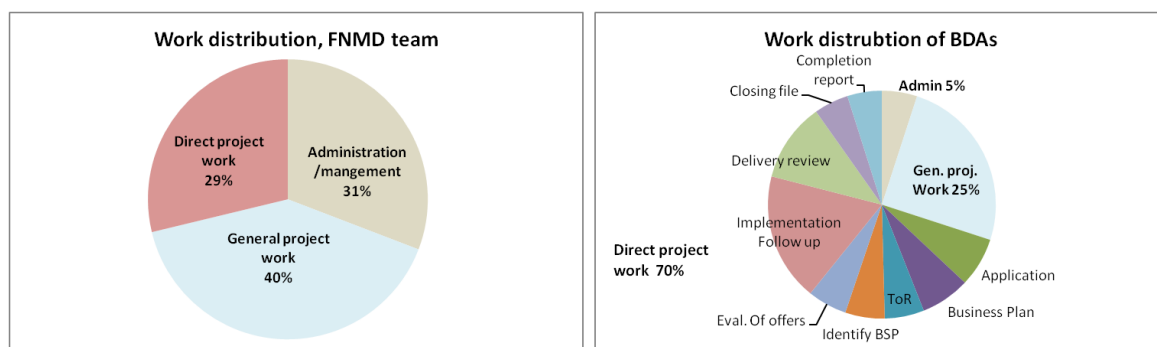
Project Inputs	Cost				
	Years 1-3	Extension phase	Gaza Back to Work	Total budget	Total actually spent
Fees	£1,097,166	£618,655	£263,110	£1,978,931	£1,851,185

²¹ For the broad definition of administration versus programme costs used here, see DFID's guidance on administrative versus project costs:

http://dfidinsight/MoneySight/BudgetsForecasting/LoadingprojectbudgetsonARIES/Adminbudgets/PUB_019696

Reimbursables (ODCs)	£427,676	£147,060	£141,648	£716,384	£561,903
Grants and other project costs	£2,075,500	£1,234,285	£1,595,242	£4,905,027	£4,535,273
Total	£3,600,342	£2,000,000	£2,000,000	£7,600,342	£6,948,361
Admin/operating expenses % (as accounted for by FNMD)	42.4%	38.3%	20.2%	35.5%	34.7%
Ratio of admin/operating expenses estimated to be used on direct project work (authors estimates)	29%	29%	0%	24.6%	27.5%
Admin/operating expenses % (residual)	30.1%	27.2%	20.2%	26.7%	25.2%
Operating costs/grant value	73.5%	62.1%	25.3%	54.9%	53.2%

Adjusted figures show that 29% of overheads were actually spent on direct project work, bringing down the residual overhead expenditure to 30.1% and 27.2% during and first and second phase, respectively. BDAs spent significant amounts of time on counselling clients, assessing business needs prior to identifying the most appropriate (and economical) business development services needed, as well as for ad hoc on-going advice thereafter. The usefulness of this counselling was confirmed by all clients visited during the evaluation. The actual share of time spent by the team on direct project work, general project work (comprising M&E, preparing and conducting selection committees, project accounting, preparation of project reports, etc.) and administration/management, as well as the work distribution of BDAs is shown in the graphs below (the figures are based on the results of a focused discussion on work distribution with the FNMD team).



No adjustments were made in the table for GBW, as this activity entailed less in terms of counselling, and because the scheme made use of the administrative set up already available in Gaza.

A comparison with other live DFID-funded challenge funds, which used a matched grant instrument (albeit in different contexts, with different purposes and matching conditions and different total and average grant amounts), shows that overall administration costs of those projects represent

between 27% and 33% of total spending²². Similarly, USAID's Palestinian Investment Development project which also used a matched grant instrument, had an administration share of budget of approximately 20%²³. However, it is not fully clear whether some overheads required for the project (such as coordination or M&E) were not paid out of other budgets.

Comparing the ratios of operating costs and grant values, FNMD reached a respectable figure considering the efforts made in counselling clients. Reference is in particular made to a comparison analysis of seven matching grants schemes by the European Commission in 2001²⁴, which produced ratios of between 19.4% (Mauritius TDS) and 60% (Uganda), though grant sizes differed significantly. The evaluation of EBAS, a 20 Million Euro all ACP-countries matching grant scheme implemented between 1998 and 2002, reached a ratio of 66.5%²⁵; an extension was

planned (but not implemented) proposing a ratio of 49.5%²⁶. EBAS offered limited technical assistance to clients; it mainly managed the scheme (including its dissemination), with limited efforts made for M&E.

FNMD chose to render comprehensive advice to clients prior to the actual service provision, and to monitor outcomes in detail. Applications, business plan preparation and drafting of ToR for BSPs were intensively supported, helping clients to work on the causes of business performance problems, rather than addressing symptoms.

BDAs: Importance of counselling and advice for private sector development

One entrepreneur in Nablus wanted to export soap to Malaysia. FNMD BDAs advised that market and product development must go hand in hand, which led to a combined support in trade fair participation and product improvements (packaging, appearance). The entrepreneur is very satisfied with the success that was achieved in Malaysia.

Several clients, who came for support in advertising, were advised on the importance of systematic customer relation management, and how to use this for better market positioning in Palestine, which saved costs.

A FNMD BDA gathered 50 shoe manufacturers in Hebron. The point that shoes made in Hebron are selling the West Bank as Israeli shoes was brought up, and that shoes from Hebron should be sold in Palestine as Palestinian shoes. This was followed up with retailers in Nablus, leading to a change of attitude among retailers in Nablus. They started to sell the shoes as Palestinian products. This spread to all shoe shops in Nablus and led to increased sales of shoes made in Hebron.

A client requested support for a marketing campaign in the local market. After brain storming about the true business needs it was found that the client's problem was a lack of local supplies, forcing him to import. It was agreed that an awareness work shop for the farmers was needed. The client ended up doing this awareness workshop with a different donor, paying 100% rather than the 50% that FNMD was able to pay. The switch from a local marketing campaign to a campaign attracting new suppliers would have been an effective market development activity, using satisfied farmers as word-of-mouth agents for a better product in the market.

The direct interviews with clients during the evaluation suggest that counselling helped to render actual service provision more effective and economical.

The question whether the cost of such counselling created sufficient value added to the matching grant scheme itself is difficult to answer. Interviews with FNMD clients provide ample evidence that

²² Benchmark costs reported here relate to the Food Retail Industry Challenge Fund (FRICH) and the Responsible and Accountable Garment Sector (RAGS) Challenge Fund with total cumulative budgets of £7.4m and £3.5m respectively. These costs were obtained from DFID's Private Sector Department.

²³ Based on confidential information received from USAID on the Palestinian Investment Partners (PIP) \$10 million component of their Expanded and Sustained Access to Financial Services (ESAF) programme.

²⁴ Matching Grant Funds for Business Development Services to Enterprises, ASIAFCO, November 2001

²⁵ Evaluation of EBAS, European Commission, INTEGRATION, 2005

²⁶ Complementary Financing Proposal, EU-ACP Business Assistance Scheme (EBAS), European Commission, November 2002

this was appreciated and useful. Counselling came free of charge for the client and led obviously to a much improved support package. The web-based survey brought out clearly that almost all clients found counselling support necessary. Their majority was also ready to pay for this service (see table 9 in Annex 5).

The question is whether such technical assistance could be left out in order to save costs. The advantage would be considerably reduced overheads costs, the disadvantage possibly far less effective support and maybe increased levels of possible manipulation (see also observations at the end of chapter 5.5). It is difficult to attach a figure to the value of coaching, but if clients were ready to pay 10% on top of the actual cost of service delivery, as the answers of the web-based survey suggest (also table 9 Annex 5), this would bring down the operating cost/grant value ratio from 53.2% to 43%. A further possibility to bring costs down would be to reduce M&E efforts and to drop work on studies (several matching grant schemes followed this minimal costs approach²⁷).

The evaluator is of the opinion that in the Palestinian context and in view of FNMD being the first matching grant scheme in the OPTs, adding the technical assistance/counselling part was correct. It produced valuable experience and lessons learned, and produced good value for money judging from what interviewed clients reported. However, systematic records of counselling are not available. The evaluation could therefore not estimate whether there was a quantitative return of this investment into technical support.

Cost effectiveness: Drawing on the statistics produced by FNMD's M&E, a brief analysis and comparison of unit costs for key outputs produced by FNMD is summarised below. For the purpose of the table, costs were partly disaggregated. It provides costs per job created related to the grants and overheads of the GBW scheme in Gaza (only the GBW scheme had an objective of employment generation), costs per market entered related to the grants and overheads used for market entry, and costs per product improved related to the grants and overheads used to improve /develop new products (for ease of comparison, US\$ (which were the units of the M&E system) were converted into British Pounds:

Indicator	Total applicable cost in £(source: M&E system)	Number of units (source: M&E system)	Unit Costs (£) (author's calculation)
Cost per new job created within GBW Gaza / grants and overheads of GBW	2,000,000	1104	1811
Cost per market entered / grants and overheads used for market entry	2,800,610	233	12,020
Cost per product improved / developed / grants and overheads	1,583,583	265	5,976

²⁷ Matching Grant Funds for Business Development Services to Enterprises, ASIAFCO, November 2001

Sector	Sales increment/firm achieved (US\$, M&E data)
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used for product improvement/development			
Cost per 1 Mill. £ of additional sales	6,948,361	£ 62 Mill.	110,963

When discussing these ratios, the quality of jobs created, the depth of market penetration and the level of innovation need to be considered for any comparisons. In the light of this, any comparison with other matching grant schemes would be highly hypothetical.

The **cost per new job** created in Gaza appears reasonable if not low²⁸, also the overall cost per job created, when considering the amount of investments that have to be made to employ one person.

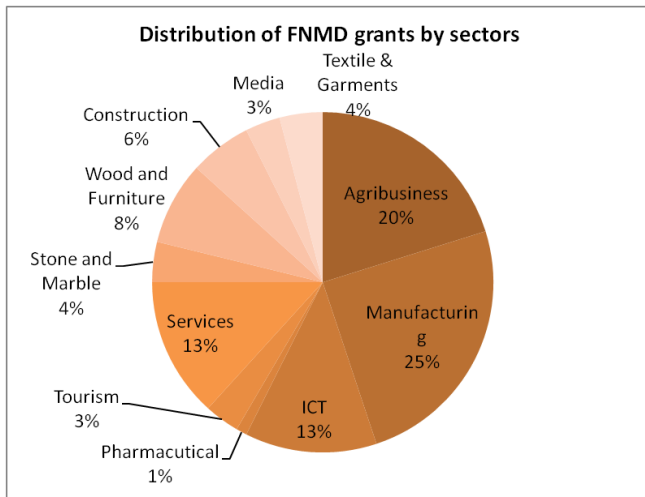
The **costs per market entered** appear reasonable when compared to the efforts of visiting new markets, analysing markets and developing market entry strategies. Some firms required product certification. The cost per product developed/improved may relate to substantial new development (such as a software package) or minimal improvements. The amount arrived at might represent approximately two person months of local expert employment, which again appears plausible.

The ratio between costs invested and incremental sales achieves is about 9, which appears favourable.

FNMD supported different **sub-sectors** in all areas of Palestine. Based on M&E data, the table shows the sales increments per company achieved in the different sub-sectors.

Some sub-sectors are raw-material intensive (textile, agro-processing, stone and marble, construction), typically achieving higher sales figures. One can hardly deduce from the table that some sectors were more successful than others, though construction (according to the M&E spreadsheets, one company alone achieved sales increments of 11 Mill US\$), light manufacturing and services appear to have done well. The share of firms supported in the different sub-sectors is shown in the graph below.

²⁸ The lowest cost of creating a job (related to the full costs of a donor financed project) which the evaluator came across was 1700 Euro in a rural setting in Sri Lanka. Creating jobs in manufacturing/service SMEs requires investments into machinery and workplace infrastructure, plus training; a workplace in the garment industry, considered one of the lowest in costs, is about 3500 US\$



With regard to regional distribution of FNMD support, the M&E data pattern shows a concentration of support in Ramallah, Hebron, Bethlehem and Nablus. The North of

Agro-process.	725,870
Construction	2,026,607
ICT	169,956
Light manuf.	409,933
Media	251,950
Pharmaceutical	557,500
Services	232,406
Stones & marble	604,916
Textile	383,775
Tourism	114,789

the West Bank is known for agro-processing, Hebron and Bethlehem for light industry as well as stone & marble, and Nablus for light industry as well. Services are concentrated in Ramallah. FNMD did not follow a regional focus. In view of efficiency one might ask whether an industrial clustering or value chain approach, which would have advocated a regional concentration, would have been more productive, and some FNMD research has gone into this²⁹. It cannot be stated in retrospect whether this would have been advantageous; specific support might be suitable and more effective in a few selected sub-sectors (see also recommendations), where stronger institutional/organisational infrastructure could enhance sector development (a focus on IT might, for instance appear reasonable for Gaza), but there is no experience available in the OPTs yet that would support such a hypothesis.

Economic return: In order to determine whether FNMD's incremental economic benefits exceed its incremental costs, a calculation would be required that sets the total of investments made (i.e. the total of project costs including grants plus the matching investments made by supported firms) against the value added produced.

The value added would have to be calculated as sales less cost of raw materials/inputs purchased and depreciation (see annex 16 for more details). The share of the value of inputs/raw materials in sales of service and manufacturing sub-sectors may vary between close to zero and 70%. Significant differences of raw material consumption are also common within a subsector. Input/raw material consumption depends on the level of integration of the production process, and price differences play an important part, too. Such calculations are therefore complex and require a good information base.

The ToR of the evaluation specifically required that the economic return calculation included in the 2011 evaluation be updated. That evaluation did not explain on what basis input/raw material consumption was calculated, and some issues regarding the applied approach remain. On the

²⁹ FNMD: Value Chain Analysis Of The Agribusiness Sector, 2012, USAID: Cluster competitiveness assessment. Eight Industrial and Services Clusters in the West Bank and Gaza, 2006

basis of FNMD's M&E data, an informed estimate as to what input/raw materials consumption FNMD supported firms might have had cannot be made. As raw material consumption represents the most important factor in the economic return calculation and these data are lacking, it is advised not to do this.

For purposes of comparison it would be interesting to calculate performance ratios of private sector development programmes, similar to returns on equity or investments of private companies. However, development projects such as FNMD have only indirect access to such data and must rely on the good-will of firms to provide them, trusting that they are correct. This leads to issues of accuracy and reliability, which require substantial efforts to resolve. If such ratios are to be calculated, the collection of data would have to be built into a project right from the beginning, and regular plausibility checks would be necessary.

Conclusions with regard to Value for Money and efficiency:

FNMD was well managed, it operated diligently and economically. All targets were reached within the planned budget. Overheads were, in comparison with other schemes, low, in particular if the exacting requirements of M&E, calculated as part of overheads, are considered. Substantial efforts were made to counsel clients (without charging them) before actual services were contracted, which was costly. Clear evidence that counselling was worth the investment is not available, but good value added is indicated in form of confirmation of clients that this was useful and led to savings. The calculated unit costs indicate particularly low costs per job created, and a favourable ratio of £1 invested generating £9 in incremental sales was reached. FNMD did not collect data that would allow a robust calculation of economic return. In summary, the Value for Money and efficiency of FNMD is rated as good.

5.5 Impact

Impact refers to the level of outcomes beyond those which are under the control of the project. There may be intended and unintended as well as positive and negative impacts.

According to the logframe, FNMD was to contribute to “Economic Growth in the Occupied Palestinian Territories”, the indicator being GDP growth per capita. Apparently, the GDP in Palestine is mainly influenced by the service sector, which is again to a very high degree dependent on donor support. The evaluation is not in a position to estimate in how far FNMD contributed to economic growth.

Of greater interest for the evaluation of FNMD are the impacts achieved in between, i.e. below the economic growth level and above the level of FNMD’s outcome. These are in particular impacts relating to net employment creation, greater capacity of Palestinian firms to competitively export and compete with imported products on the local market, and, in view of the siege on the Palestinian Territories, improvements with regard to the entrepreneurial will and capacity to successfully find niches and new opportunities to succeed even under very constraining conditions.

The **macro effects** of FNMD support appear significant. The logframe did not include specific indicators for the impact of FNMD at the national economy level; consequently, such effects were also not systematically monitored. Macro level effects relate in particular to

- import substitution (in particular substitution of goods imported from Israel)
- increased exports (this was monitored)
- additional net employment created as well as
- increased competitiveness

FNMD’s M&E system provided a figure of 2,807 additional jobs (noting that job creation was only reported during the extension phase of the project). The baseline data suggest average sales per employee of approximately 30,000 US\$. Relating this to the total incremental sales reported, assuming that employment has risen proportionally and making allowance for increases caused by inflation, approx. 2,800 jobs could well have been added in FNMD-supported firms.

The web-based survey produced an even higher figure (37% increase in employment over the last 3 years, see graph 5, Annex 5) based on the reported average numbers of employees of 28 at the time of the start of FNMD, which is very similar to FNMD’s baseline. A more important figure is perhaps the expected future employment increase of FNMD-supported firms shown in the web-based survey, which suggests a 50% employment growth (though this is in part more of a reflection of an optimistic view of future opportunities rather than an estimate based on conservative business planning). It is, though, a strong indication that the created employment, and growth of employment, will be sustained. Though FNMD was not conceived to create employment, these are important additional achievements.

Exports were monitored. The increment of approximately 18 Mill US\$ of additional exports achieved (M&E system) appears substantial, as it would represent about 3.6% of all Palestinian exports³⁰. On the other hand, exports would be expected to have increased along the economic growth rates over the last three years. Considering this, tangible national benefits may not have been achieved; though a wealth of success stories are available which certainly have positive demonstration effects for other firms.

FNMD did not monitor the extent to which imports into Palestine were substituted by local products. There was also no monitoring of any rise in competitiveness of supported firms.

An attempt was made to gauge such effects through the web-based surveys of BSPs who worked with clients. One third of BSPs asserted that measurable benefits in terms of additional jobs were created through FNMD facilitated support; 57% of them stated that tangible, (but not measurable) benefits were achieved with regard to import substitution, and 43% were of the opinion that tangible improvements of competitiveness were achieved (see graph 14, Annex 5).

Changes have occurred with regard to soft factors (preparedness to take calculable risks, strategic planning capacity, see graphs 8 and 14, Annex 5). The web-based survey and in particular direct interviews with FNMD clients suggest that stronger soft factors have already translated into investments, both investments into machinery and equipment, and in particular investments into knowledge, skills and human resources. The comparison of improvements with regard to investments into knowledge of clients and non-clients shows that FNMD clients have greater confidence of investing into knowledge, which, in their view, produces value for their firms and adds to their competitiveness. This is further confirmed by the positive comments made by respondents (see Annex 6).

The web-based survey also provides evidence that the notion of competitiveness is clearly on the agenda of clients. They assert that their competitiveness has improved over the last years and credit this improvement to a significant part to FNMD (see graph 8 in Annex 5).

The emphasis on the improvement of soft factors is important, because these are abilities that have been acquired in a “learning by doing” approach, practically implementing an FNMD-facilitated project. It should be expected that these abilities will survive economic set-backs, which are possible in Palestine.

Matching grant funds are basically meant to stimulate **markets of BDS** (besides other important goals such as improvement of competitiveness). The web-based survey has provided ample evidence that repeat purchases have been made and will be made in the future without FNMD support (30% responded “yes”, 64% “maybe” to a related question, see table 9, Annex 5). The survey of BSPs indicates in several ways that markets are indeed developing.

³⁰ The West Bank and Gaza export approximately 550 Mill. US\$ annually

- The share of direct contracts between firms and BSP is expected to grow by 10% – 15% over the next 3 years (gathered from direct interviews with BSPs);
- The markets, in particular export markets (including Israel) require the conformity of products, especially agro-based products, with GAP (Good Agricultural Practice), HACCP and ISO 22000, necessitating training and consulting as well as certification services;
- During the direct interviews BSPs asserted that subsidies for basic BDS through donor programmes are already reducing, this tendency was confirmed during discussions with donors.

These developments are encouraging from a market development point of view. However, they are far from the required dynamism that would be required for the development of self-sustaining markets in the foreseeable future. While more of the operational BDS³¹ (standard web-pages, writing of standard business plans, simple advertising support, installation of standard software) are already commercially marketed, strategic BDS (firm-specific marketing strategies, company strategy planning, specific support in product and process innovation) for small and medium firms will need a long time to find sufficient demand from those companies in order to establish a matching diversified service offer free of subsidies. FNMD did not make a distinction between strategic and operational BDS; counselling through BDAs was certainly strategic, while contracted services included strategic as well as operational elements.

FNMD could not, and should not have been expected to create a market for strategic BDS during the short time for which it was planned (including its extension). In view of the observed low dynamism, also another term of 3 or 4 years of a similar matching grant fund should not be expected to lead to a commercially viable market where supply and demand are in balance.

FNMD has taken care to check that supported SMEs do not negatively impact on the **environment**. It advised SMEs accordingly. The evaluator learnt of a few cases where potentially risky firms did not pass the selection procedure. FNMD developed policy guidelines for environmental compatibility checks, which were, as far as could be observed during the evaluation mission, adhered to. The FNMD project did not implement specific support services directed at energy-saving or improved protection of the environment, such as ISO 14000 certification. The latter could be an important addition for a future matching grant programme, as export markets increasingly require that sustainability management aspects are adhered to, including environment and energy as well as occupational health and safety.

³¹ The differentiation between „strategic“ and „operational“ BDS is made in the Guiding Principles ("Blue Book") published in 2001 by the BDS Working Group of the Donor Committee for Enterprise Development.

Women were involved in FNMD as grantees. Out of the 363 firms supported through the core FNMD project (i.e. not counting GBW), 78 (or 21.5 %) were managed or owned by women. This figure includes firms in which women participate as partners. FNMD took care to include women-managed / -owned firms in its portfolio and to achieve an adequate gender balance. FNMD did not follow a gender policy in that no quota for women-managed / -owned businesses were established or specific services for women-managed / -owned businesses offered.

FNMD employed men and women as BDAs as well as responsible professionals, without discrimination. Gaza had more male staff (programme coordinator was female) while more women than men were working in the West Bank office.

Among BSPs participating in the web-based survey, the share of firms employing only male consultants was about 19%, while 6.3% are owned and run by women. 31% employed women and men in equal numbers, while 37.5% have a mixed staff with male domination (counting only professional staff). The results suggest that gender issues in the community of professional consultants in Palestine are not a topic of contention.

A possible **negative impact** of any matching grant scheme is that of the possibility of over-invoicing services or other manipulations, such as agreeing to actually deliver less than what the service agreement stipulates, the windfall profit being shared among firms and BSPs. Such cases are very difficult to detect. According to FNMD staff, the project had its share of such cases, which FNMD estimated to be clearly below 10% of all grants. Being aware of possibilities of manipulations, FNMD and DFID took safeguards against it. For instance, a list of market prices for services was established. Whenever there was indication of improper behaviour, the right measures were taken; a few clients who were found cheating were actually taken to court.

Theoretically, there could also be collusion among the management of a matching grant scheme and BSPs; this has occurred in other matching grant schemes known to the evaluator. There were no indications or hints whatsoever that anything of this kind could have happened in FNMD, on the contrary, the transparent selection and approval procedures, always involving the whole team, were an effective safeguard against any manipulation.

Conclusions with regard to impact:

FNMD was not planned to achieve specific impacts at a level above the project's outcome. As monitoring was not directed at impacts, an assessment is difficult. However, the surveys conducted during the evaluation suggest that important impacts in terms of jobs created and in particular improved entrepreneurial decision making, which has already led to investments for greater competitiveness, have been created. These are important, because it can be expected that they will be long lasting. FNMD also had positive impacts on BDS market development. In summary,

and on the basis of the evidence collected - albeit mainly qualitative - the impact of FNMD is rated as good.

5.6 Sustainability

Sustainability is about the lasting benefits of projects. In principle, there are 3 main aspects of sustainability:

- Ownership, meaning that stakeholders / partners of a project are convinced of the approach and interested to carry it on.
- Management capacity, meaning that the project was designed in a way or has built up capacities to an extent that interventions can continue with available know-how and organisational capacity.
- Financial capacity, meaning that measures can be financed, either using self-generated funds or using funds that a project can procure on its own.

With regard to ownership, the issue with matching grant schemes is that, should they not be able to fully reach their objective of market development, a competent organisation must be convinced that residual subsidies invested into private sector development generate adequate returns.

Economic returns of a matching grant scheme can be found at private sector level. A commercial bank, for instance, might in principle consider investing into support services in order to ensure a business environment conducive to growth, from which banks would benefit. During the '80s and '90s such approaches were propagated (many development banks in developing countries were founded during that time combining advice and credit, but also some commercial banks in Europe bought shares in consulting firms). The approaches were discontinued, mainly because of conflicts of interest working against them.³² The evaluation did not check with banks whether there was any interest on their side in funding a matching grant scheme.

Economic returns of matching grant schemes are also found at macro level, such as additional value added produced, additional employment created as well as a better balance of trade. Consequently, the public sector could have an interest to continue financing matching grant schemes, if it is convinced that these returns will remain positive.

A third possible alternative would lie in between the two: the rationale of financial support would be to mitigate cash flow constraints of SMEs, which have to invest comparably (in relation to their income figures) high amounts into business development services. At a later stage, once they have reaped the benefits from such investments, firms would be strong enough to pay back. This has not been tried, but some governments in industrialised countries are considering introducing "revolving funds" in order to finance BDS.

FNMD was the first matching grant scheme in Palestine. According to what the evaluator gathered, the MoE is fully supportive of the scheme, but has not expressed that it would invest its own funds into it. The ownership criterion is therefore yet not fully fulfilled.

³² It proved difficult for banks to demand repayments of loans that were provided on advice of their own staff

With regard to management, FNMD has provided ample proof of competence and commitment of Palestinian experts to manage and run such a scheme. Some capacity building is recommended (in view of a recommendation to up-scale a future scheme towards more strategic levels), but otherwise the management criterion is fully fulfilled. FNMD was run along private sector efficiency standards.

With regard to financial capacity, the Palestinian Government may have the resources to finance a matching grant scheme, but in the absence of adequate ownership the financial criterion could also not be fulfilled. Consequently, it appears that a future matching grant scheme would have to operate in a similar way as FNMD, namely as a private sector-like operation, financed through donor funds.

The **outcomes** of the project on the beneficiaries, both commercial and soft benefits (such as stronger entrepreneurial acumen, greater preparedness to take risks, stronger capacity to plan strategically) are sustainable and will continue. The interviews the evaluator had with beneficiary owners of firms, with BSPs, as well as the results of the web-based surveys support this opinion (see also graph 14 in annex 5). Sustainability is also present at firm level with regard to the economic benefits resulting from the service supply facilitated through FNMD, in that the outcomes achieved through the services are greater than the investment made by entrepreneurs. This, too, was stated by all owners of firms met during the mission - no one regretted having made the investments.

While sustainability is present on the side of beneficiary enterprises, it has not been reached with regard to fully financing BSPs. As the market cannot yet pay fully for the services, subsidies will be required for a long time to come (see graph 16 Annex 5). Matching grant schemes in developing countries have, to the best of the knowledge of the evaluator, been able to create sustainable markets for operational BDS to a limited extent, but not for strategic BDS. In all industrialised countries, strategic BDS (or “counselling”) are one way or the other subsidised through public funds. The rationale for this is that the public has a general interest in making such services available to SMEs, because these present an important part of a functioning economic tissue of an industrialised economy: creating employment, providing economic stability, or being more flexible than large enterprises in exploring new markets and innovating products.

FNMD offers opportunities for **scaling up**. However, absorption capacities of SMEs need to be taken into account³³. There seems to be some room for scaling-up, as the backlog of FNMD applications suggest, but limits have to be taken into account. After all, SMEs have to pay half of

³³ An evaluation of „BusinessLink“ in the UK brought out that only about 10% of SMEs take up offers of matching grants. Figures of take-up of similar support services are not different in Germany. An evaluation in France found that only 5% of SMEs actually grow in a significant way. Although the situation is different in Palestine, these figures of absorption of support give some indications that might be considered in the design of future schemes.

the service costs, and have to pay the total costs before they are reimbursed (later during the scheme, the grant share of costs was paid directly to service suppliers, if FNMD clients preferred this). Realistically, scaling-up will only be possible if continued funding from donors is available. This in itself is an indication that the approach is not yet sustainable, but it is functional and workable, and therefore presents a **viable concept** for a donor project to finance.

Conclusions/observations with regard to sustainability:

As all projects, matching grant schemes requires an exit route. The evaluation of 2011 recommended such an exit route to be prepared. As strategic BDS cannot be expected to be provided through markets in the near future, an exit route would have to consider some institutional anchoring. Counselling support would have to be conceived as an integral element of a functioning business environment conducive to economic growth. The supportive institutional landscape for such an environment needs to be prepared and capacitated in order to eventually take over the role of the donor. It is within such a business environment, able to support and partly subsidise selected strategic counselling services that other business support services can function without further subsidy. A sustainable exit route for a competitive support mechanism needs to take such thinking into consideration. FNMD may be criticised for not having planned an exit route - possibly because high expectations of BDS market development. Instead, FNMD's concept of sustainability was focused on sustainability at firm level. At that level, sustainability was fully achieved, and the small steps that were made towards BDS market development should be counted in FNMD's favour. In summary, sustainability could still be regarded as satisfactory.

5.7 Conclusions

FNMD was a courageous project when it was introduced in 2008, at a time when restrictions on movement in the West Bank and the siege on the Gaza Strip were severe and it could not be known how the situation would develop. Introducing a market-oriented development scheme at that time was distinctly different from approaches taken by other development partner organisations, whose priorities were to keep basic functions of private sector development alive. Their understanding was that the situation would not allow for a business-led approach similar to those pursued in countries that do not suffer from the constraints experienced in the OPTs.

The reasons why FNMD succeeded can be found in the following:

- The project appealed to the inherent strengths and desires of Palestinian firms to seize opportunities and to grow their businesses beyond mere survival.

- The project was led by committed and experienced Palestinian experts, applying a business-led approach, which demanded contributions in order to facilitate support in return. FNMD made a “win-win” proposal to Palestinian firms, demanding efficiency and equal contribution from beneficiaries and suppliers. It is essential that BDAs possess the qualities of a good adviser, who must be humble and assertive at the same time in order to find acceptance; FNMD’s BDAs had that quality.
- The decision to intervene at the micro (enterprise) level, despite all the risks connected with introducing a scheme that was new to Palestinian entrepreneurs and with possible failures due to the security / political situation, was in retrospect a correct one. Working at the micro level produced practical results that provide essential learning for the private sector and for stakeholders, in particular the experience that investments into knowledge pay off. This was appreciated.
- FNMD was very practical in its approach and able to flexibly adapt.

The latter point is evident from the flexibility that FNMD displayed with regard to Gaza. Gaza was initially treated as a subset of the overall project. In year 3 it became obvious that the level of results Gaza was much lower than in the West Bank. A different, more intensive, approach was designed and applied, employing more BDAs and a more appropriate grant concept. The new approach helped to raise the overall effectiveness of FNMD.

FNMD worked without a partner organisation and did not offer specific opportunities for stakeholders to involve themselves in FNMD’s implementation. This approach reflects the requirements of successful matching grant programmes, which strike a deliberate compromise between sustainability requirements and operational success. In this regard FNMD was practical, though eventually sustainable exit routes must be considered.

FNMD did not succeed very much in supporting consortia of firms, even though the grant contribution and the maximum project cost were higher for them. Private firms are competing with each other and do not want to share business secrets with others. The proposal of undertaking a joint project must be clear with regard to what is common to all participating partners, and what each partner can keep for herself. A simple example of a common undertaking would be a joint visit to a trade fair. More complicated joint ventures (such as a joint investment into a facility with economies of scale that one firm alone could not reach) apparently require additional efforts. The consortium approach did not actually fail and should, in the opinion of the evaluator, be kept up. However, expectations of greater numbers of firms being interested in forming joint ventures should be kept low. There is possibly less need for additional financial incentives to promote them, and more need for efforts required in terms of assisting to plan such ventures, once interested partners have decided to form one.

FNMD offered matching grant support to BSPs, who wanted to improve their business. This offer could have been taken up in greater numbers. It might have been helpful to follow a more pro-

active approach in offering incentives to BSPs to upgrade their qualification. Reference is made here to the useful Business Service Sector study elaborated under the FNMD project, which highlighted the need for capacity development, in particular with regard to specialisation on services that could provide benefits to SMEs in the comparably short term, such as standards certification, business finance and specific management training.

An important lesson to be learned from FNMD refers to M&E. The M&E system was based on the assumption that clients would be prepared to submit their data regularly and completely.

Processing of these complete sets of data would then provide the necessary information to manage FNMD, report back to donors, etc. The idea was that the M&E system would be able to mirror the important performance data of clients. The fact that 62% clients did not report figures is not a fault of FNMD; it was the ambition of having a complete overview that was too high. Given the large number of firms, representative surveys (of, say, 10% of all firms) appear to be a more precise way of canvassing developments. Representative surveys would not be based on actual figures, but on perceived changes, which clients are more likely to provide than hard data. The advantage of representative surveys is that they take less time for clients to respond, and also for the M&E system to process (see also annex 16 for further explanation).

Another important lesson refers to the incremental sales indicator. A value was set (75 Mill. US\$), possibly without much experience of whether this was an ambitious value or whether it was easy to attain. The indicator was over-achieved, but the M&E system did not collect responses from all clients. Therefore the achieved figure is of limited use for comparison with similar projects. It also does not help in comparing achievements of FNMD clients with non-clients.

A more suitable indicator would possibly read: FNMD clients reach growth in sales that exceed that of non-clients by - say - 3 percent. Such an indicator would gear the M&E system towards representative (rather than complete) collection of data, and force it to look at non-clients for comparison. This would then help to measure the project value added as well as attribution. (An even more suitable indicator would not limit itself to sales, but measure performance, which would include sales, success in market development and investments).

6. Recommendations

Recommendations flowing from the evaluation relate to the following:

- The design of future matching grant schemes;
- Implementation issues concerning a future matching grant scheme;
- Recommendations for complementary support measures underpinning private sector development and a future matching grant scheme in particular.

Design

1. The analysis of relevance and effectiveness lead to the recommendation to implement another matching grant scheme of a size similar to that of FNMD and with a similar orientation towards market expansion and innovation. This scheme could be slightly - not significantly - larger in size³⁴. Keeping the budget limited will ensure that demand remains high, allowing for a selection of enterprises with a high desire for performance improvement. An orientation towards strong firms (as opposed to supporting “needy” firms) could be followed.

The target group would be firms with the capacity and interest to absorb additional knowledge, to grow and to achieve, i.e. enterprises which have the competence to open doors towards new markets, applying international best practice and constantly innovating products and processes. Entering a new terrain, attracted by more profitable markets, these firms would then leave some of the space they are occupying now to weaker firms, allowing them to enter the easier - albeit less profitable - markets which the strong ones served so far. In this “development by pull” scenario, weaker firms can learn from what stronger firms have demonstrated, following their examples in market and product development. The rationale for a new scheme should be that of “opening the way” and creating larger space for private sector growth, which is a logical and complementary expansion to the FNMD rationale, which was focused on overcoming risks.

This model of private sector development is neither cynical nor unfair to the smaller and weaker firms, but more effective for all. An approach directed at “needy” firms, applying a “development by push” approach (for example assisting small enterprises to become formalised or more productive) could possibly achieve some improvements for some of the firms being supported; however, this might be at the detriment of those who do not receive support. In this scenario, stronger firms would defend their market positions, and the impact for the small enterprise sector as a whole would be smaller.

A future scheme should have the ambition to reach higher levels of service provision, i.e. reach one step above FNMD. This would mean that more emphasis would have to be laid on strategic

³⁴ Research has shown that support schemes in Europe reach an up-take of approximately 10% to 15%, and that at most 5% of all SMEs actually grow significantly. This has to do with entrepreneurial attitudes. There is no apparent reason why this should be very much different in Palestine. If Palestine is home to 80000 firms (as FNMD’s BDS market analysis suggests), and 15% of those are in service or production, 10% of which would possibly take up support offers, the potential market of clients should be around 1200.

counselling, innovation-related advice and support as well as high quality of consulting and support services. The selection of companies should follow criteria that increasingly leave operational BDS (standard web-site design, advertisement, software, development of lower value added levels, etc.) to the market. A new scheme should be propagated and marketed showing the ambition of strategic development. This will add pride to the motivation of applicants to participate.

2. The analysis of effectiveness and Value for Money leads to the recommendation that, in principle, the 50%:50% sharing of costs should be kept. Limits of lowering the grant element are explained in the text box.

A slight exception to this could be considered and tried out to introduce a complementary scheme, supporting operational BDS, which could apply a lower element and operate at lower levels of BDA involvement. The scheme would distinguish from the “one step up” scheme in that its objective would be clearly market development of operational BDS. Lower contributions would go along with less or no counselling offered and lesser efforts in follow-up and M&E. The maximum grant amount would also be considerably lower. a complementary scheme (it would in fact be complementary window) would require less terms of overheads cost, and also the combination of the regular with the lower scheme cost could be saved.

Limits of lowering the grant element
 Lowering the grant share of a matching grant scheme has limits. Matching grant schemes can only operate in a formal market, following transparent procurement rules. These rules are meant to protect suppliers and buyers of services, which is an important function for BSPs as well as firms taking part in such a scheme. However, this formality of matching grant schemes comes at a cost to participating firms. If they deal directly with BSPs, negotiated prices would most likely be lower. The subsidy element needs to balance this price difference. Secondly, a part of the operational BDS market is an informal one, i.e. not all services are officially invoiced for. Full invoicing would also present an additional cost to some firms. Such additional costs of formality need to be reflected in the grant element. Another cost factor for firms is the volume of work connected with application, definition of ToR, tendering and reporting, which can be saved in a private-to-private relationship. Because of these aspects, the grant part cannot be lowered below a threshold (possibly 25%) below which firms are no longer interested to participate.

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Higher than 50% grant shares (say, 70%) should be possible if they are well justified. It would be difficult to find a clear line of distinction between firms deserving the higher level of grant and others that do not. One criterion could be the “pioneer” character of the proposed project, such as a first time export of a product to a country to which similar Palestinian products have not been exported before. Another criterion could be the relative level of investments made into product development (similar to the high-tech definition of the OECD, which requires a minimum of 16% of production costs invested into R&D).

A further criterion for higher grant shares could be that of employing international consultants in cases where the required know-how is not available in Palestine. The difference in price between fees for an international consultant compared to that of a Palestinian consultant could then be borne by the matching grant scheme up to the ceiling where the 70%:30% share is reached.

International consultants should be involved only in cases where innovation levels and market expertise fulfils the “pioneering” criterion and demand cannot be met by local providers.

Whatever the criteria, they must be combined with greater efforts in M&E and follow-up than the regular scheme.

Implementation

3. Based on the analysis of Value for Money and the positive experience from FNMD, counselling should become an integral part of a new scheme. However, counselling needs to be documented, so that its value added can be assessed and compared against costs. A simple way of recording the extent and contents of counselling needs to be devised.

4. The analysis of impact suggests that a new scheme should be designed with macro level impacts (see Chapter 5.5.) in mind. Respective indicators need to be defined and monitored in a suitable way. The scheme should also include perception indicators observing changes of entrepreneurial behaviour. Competitiveness improvements should be gauged as well. How this can conveniently be done without much effort needs to be developed. An example how a survey form observing these factors could look like can be found in Annex 16.

M&E should follow the KISS principle (Keep it Smart and Simple). FNMD spent much effort on collecting data which was later not fully used in guiding the programme. It is, for instance, not always necessary to collect absolute figures as data on sales. As long as baseline data have been recorded, only percentage changes of sales figures are important. A suitable monitoring form, which might be applied on an annual basis, is contained in Annex 16, which also suggests other elements of effective, yet economical monitoring. Monitoring should include a control group from the beginning (ensuring that members of the control group are not excluded from applying, which requires that it is large enough in order to ensure that also a reduced group is still representative), for which baseline data have to be collected as well. A similar monitoring form as that proposed for clients (with appropriate adaptations) could be used for the control group.

5. Discussions, interviews and surveys during the evaluation suggest that a new scheme should include elements of capacity building both for counsellors (i.e. the matching grant schemes BDAs) and particularly for local BSPs. Capacity building efforts for the latter should be incentivised. A system of a quality seal for BSPs might be developed, for which participation in essential trainings could be considered. BSPs should pay for participation in capacity building measures (though this should not be developed as a profit earning scheme for the project).

6. With regard to the analysis of sustainability, the implementation of a new scheme should be planned with an exit route in mind. Though it should not be expected that at the end of the term of the project (based on the FNMD experience a duration of 4, better 5 years is suggested) an institution or organisation of public or public-private character would be in a position to carry on

with this a similar scheme, possible scenarios should be studied jointly with stakeholders during implementation. Knowledge management should become an integral part of the exit route design, in a way that knowledge and experience gained as well as success factors are documented (in a concise way that avoids lengthy texts). A depository for knowledge and experience gained must be found, where this valuable added knowledge is kept and can be accessed.

Private Sector Development (PSD)

7. As a general introductory recommendation informed by discussions during the evaluation, donor coordination should be enhanced, including guidelines and criteria with regard to enterprise support. Firms are sometimes supported by multiple programmes, offering conflicting conditions (such as 100% subsidies). This can lead to market distortions and endanger market oriented projects such as FNMD.

8. Discussions with opinion leaders and stakeholder further suggest that the new matching grant scheme should be underpinned with a private sector support package that is directed at decision makers of the public and private sector, at the levels of enterprises, business representative organisations, institutions as well as government. This support package could have the following elements:

a) Though it is recommended to remain flexible with regard to sectors to be supported, leaving it up to enterprises to decide whether to join the matching grant scheme or not, it is recommended, keeping the specific situation in Palestine in mind, to add an approach that can transfer knowledge to sectors of strong development potential as well as to strengthen their structures to disseminate such knowledge to individual firms. This could be achieved through targeted marketing rather than explicit exclusion criteria.

b) When opportunities are evident and comparative advantages of Palestinian firms exist (as in the case of exportable IT-based services in view of large numbers of IT-specialized young Palestinians being available to enter the job market) a new project should support the systematic search for new opportunities and for information that is relevant for enterprises connected to the sector. For instance, it would be helpful if the project helps to systematically scan what other countries are doing in enhancing specializations in IT-services, how they are supporting such enhancements and how the public and private sector collaborate to improve the institutional / organisational infrastructure necessary to strengthen sector growth.

The IT-sector in Mauritius may be a case in point and of interest to Palestine, because the country, with only 1.2 Mill. inhabitants, was able to create 30,000 jobs in the IT-based sector over a relatively short period of about 15 years. Mauritius has (though completely different to those of Palestine) difficulties of geographic access to other markets.

It is recommended to extend such periodic scans to a broader range of sub-sectors that are developing in smaller economies (e.g. through periodic visits of the web-sites of investment promotion agencies), in order to know what is on the global agenda for private sector development related to smaller enterprises and smaller economies.

The output of this approach would be documented advice, underpinned by figures and analysis, to be brought into the public-private dialogue and for the consideration of private sector representative organisations. This suggested project component would be far from imposing opinions on the Palestinian private sector, but could try to better inform about what is going on globally that could be relevant for Palestine.

c) Connected to this “scanning mechanism”, it is also recommended that, in complement with the matching grant scheme, market research in potential export countries is carried out, establishing the potential for Palestinian products and sub-sectors, quality demands, price structures as well as distribution systems. The character of these market studies would be pre-competitive, i.e. they would have to be followed-up with specific studies if an enterprise decided to actually enter such markets. The pre-competitive market research would, however, make it much cheaper for Palestinian enterprises to conduct their individual research, and they could go a long way in encouraging Palestinian firms to study such markets in more detail for eventual exports. If, say, 5 or 6 such studies in potential markets were conducted, this could help several sectors and their enterprises to make informed decisions, before investing larger amounts. It would be advisable to involve highly knowledgeable experts in these studies, in order to set high quality standards.

d) It appears important for Palestine to strengthen the collaboration between universities and the private sector. Universities could assist small and medium enterprises with specific research, and vice versa universities could transfer their scientific knowledge towards SMEs. A mechanism of “translating” SME requirements into topics that universities can work upon, and translating research results into applicable know-how that SMEs can use would be needed. This would require a small organisational set-up. The advantage of closer cooperation with the private sector for universities would be that they are confronted with case studies that are highly relevant to students, while SMEs would benefit in that research conducted by a public organisation is of course much cheaper than employing a consultant to do this. Engineering students could well do value analysis and design improvements in the form of a thesis, while economy students could carry out applied market research, even if this is limited to information available through web-sites only. The collaboration could even help professors to orient their teachings towards SME requirements. Possibly, linkages could be built up that help students to find employment.

e) As a further support to knowledge transfer to Palestinian SMEs, it is recommended to install a business-oriented web-site for Palestine, i.e. an interactive web-site which SMEs can access

in order to find relevant information and to plan their business. The site would contain toolkits in order to develop a business plan, help SMEs to set-up an adequate book-keeping system, contain advice and best practice processes for human resource development, the establishment of job descriptions, etc. Such tools are available on web-sites around the world. A particularly good web-site is that of Business-Link in the UK, which is very popular among small firms.

f) It is advisable that efforts are made in support of structuring the Palestinian consulting market. Business service suppliers could associate in a Palestinian consultants association. The association would ensure that members meet standards, which would provide clients with the assurance that they can expect good quality. The conception of a quality seal could be introduced. It would equally be important that the association offers a mechanism for arbitration in case of client complaints.

g) During the evaluation field work it was mentioned several times that Palestine lacked vision for economic development and if such vision was articulated, it was either motivated by political interests or viewpoints associated with specific donor interests. It would be helpful, if an independent group of competent economic experts, with thorough understanding of private sector needs and potentials, would provide neutral advice to the government and the private sector alike. Such “councils of wise wo/men” exist in many countries. Neither the government nor the private sector is obligated to follow their analysis and advice, but if such a group could be supported in Palestine, it would be able to produce well-informed advice. This could help decision makers in government to set strategies and policies, institutions and organisations to orient their activities towards specific desirable outcomes, and enterprises to make investment decisions. Maybe it would be possible for a new project to support the emergence of such a group, starting with a small group of outstanding local experts, and underpinning their work through short-term international expertise, establishing relations with universities abroad as well as providing a possibility to study important areas of research through a small special fund.

One small step in this direction could be regular investment climate surveys (web-based surveys that can be answered by firms within a matter of a few minutes, an example is annexed (Annex 17). The climate surveys would keep the “finger on the pulse” of the private sector. The results of such surveys would inform decision makers as well as the private sector about the general perception of sector prospects, interests of entrepreneurs to invest into equipment and skills, the back-log of orders and expected orders, etc. The council of the wise would sit over the interpretation of data coming from such surveys, making them public and connecting the results with proper advice to decision makers (the suggested climate survey would, by the way, make it quite easy to compare the effectiveness of schemes such as FNMD with that of other sectors).

f) Still in support of the matching grant project, the campaign for import substitution should be supported. A project could sensitise entrepreneurs for opportunities, educate the public at large about the quality that Palestinian enterprises are able to produce and make direct recommendations as to the areas in which Palestinian products could successfully replace imports, based on case studies and success stories. If the project can build up a higher momentum, this would equally trigger more applications from interested enterprises for support, leading to a situation where more firms can work together to support local market development.

9. A last recommendation refers to the comparatively low density of the SME population in Palestine. When comparing the number of SMEs with the population of grown up Palestinians (above the age of 24), one arrives at a figure of 55 firms for every 1000 adults. The comparable figure for France would be 73, and 116 for Italy, always counting only micro enterprises with an average employment of around 4. It would therefore seem that there is room for more start-up support in Palestine, which would add to the capacity of Palestinians to help themselves with regard to products and services for the local population. Conscious that start-up support projects are already being developed, supporting for instance start-ups led by women, it is still recommended to seriously approach the issue of increasing the SME population, possibly through programmes directed at different strata of the population (such as university graduates, rural people, youth in urban areas, etc.). Start-up support must be provided responsibly, keeping in mind that beneficiaries have to invest their own funds (or use funds from family members) and that failures could have disastrous impacts on their own economic situation as well as their self-esteem. Nevertheless, a renewed effort into start-up support appears timely.



**The Palestinian Facility for New
Market Development
(FNMD)**

Final Evaluation

Annexes

Triple-Line Consulting

May 2012

Annexes

Annex 1	Terms of Reference
Annex 2	Documents
Annex 3	Contacts
Annex 4	Questionnaires used
Annex 5	Results of surveys (graphs)
Annex 6	Clients' comments and recommendations
Annex 7	Methodology of measuring FNMD outcomes
Annex 8	Evaluation framework and answers/references
Annex 9	Observations regarding clients' performance
Annex 10	List of FNMD Staff
Annex 11	Scope of work for BDAs
Annex 12	List of client who entered international markets
Annex 13	List of new products
Annex 14	Women-owned/managed firms
Annex 15	Suggested Competitiveness Assessment Form
Annex 16	Suggested M&E Methodology and Form
Annex 17	Suggested Business Climate Assessment Form

Annex 1 Terms of Reference

TERMS OF REFERENCE-DRAFT

**FINAL EVALUATION OF THE FACILITY FOR NEW MARKET DEVELOPMENT
(FMND)**

FUNDED BY DFID AND THE WORLD BANK

PALESTINE

2012

1. INTRODUCTION

1.1. SUMMARY

The Palestinian Facility for New Market Development (FNMD) respectfully submits these Terms of Reference (TOR) for the engagement of a Consultant to conduct a final evaluation of the FNMD project. The background of the FNMD project and details of the TOR are described below.

1.2. FNMD BACKGROUND

While there have been recent signs of improvement in the occupied Palestinian territory's economic growth, the Palestinian economy continues to perform well below its potential. The economy is held back by a weakened tradable goods sector, uncertain regulatory environment, the Israeli closure policy, and continued erosion of the productive base. Within this business environment, Palestinian companies face substantial risks to investing in new product development and new market access.

These and other risk factors facing the private sector in Palestinian were identified in the World Bank's Investment Climate Assessment (ICA) 2007 report 'West Bank and Gaza Investment Climate Assessment: Unlocking the Potential of the Private Sector. The ICA report underlined the importance of investing in marketing plans and developing commercial contacts in new markets. The report recommended support mechanisms to offset some of the risks associated with growing small and medium enterprises (SMEs).

Specifically, the report suggested that a matching grant, that directly supports individual Palestinian enterprises to upgrade their internal capabilities, could help jump-start more private investment. This instrument should target specific market failure and focus on opening new markets.

As a response to the ICA report, DFID and the World Bank launched the Facility for New Market Development (FNMD) in April 2008 as a three-year matching grant scheme to support Palestinian SMEs. In April 2011, FNMD was extended for a fourth year and is now schedulable to conclude at the end of March 2012.

DAI manages FNMD with offices in Ramallah and Gaza City. FNMD's purpose is to contribute to Palestinian SME growth through the development of new markets, new products and influencing change on movement and access. FNMD aims to:

- Encourage SMEs to expand into new markets, locally, regionally, and internationally;
- Encourage SMEs to develop new products and improve existing products;
- Promote first time exporters;
- Build the local market for business development services; and
- Gather data on local obstacles to growth

The FNMD matching grant scheme has separate windows in the West Bank and Gaza. In the West Bank, FNMD provides 50% grant funding for individual companies up to a ceiling of \$50,000, or 70% funding for consortiums of companies up to a ceiling of \$100,000. In Gaza, FNMD provides 70% grant funding for individual companies up to a ceiling of \$50,000, or 70% funding for consortiums of companies up to a ceiling of \$50,000. Firms can receive multiple grants up to the above grant ceilings. Grant funding does not cover capital items such as machinery or recurrent costs such as staff salaries and rent.

By January 2012, the FNMD extension had approved 150 grants totalling £1,082,775 to 100 firms and business representative organizations (BRO)³⁵ in the West Bank and Gaza (representing 120 different firms). The breakdown of grants and clients in the West Bank and Gaza is shown in the table below.

	West Bank	Gaza
Number of Grants	77	73
Value of Grants (£)	600,000	482,775
Number of Clients	52	48

In addition to the grants, the extension phase of FNMD has placed a greater emphasis on monitoring and evaluation and looking at systemic issues in the Palestinian environment. In this process, it has:

- carried out more complete analysis of the data from Phase I and the extension to look at key issues of return on investment and distribution of grants;
- commissioned a study on agricultural value chains in Palestine and their potential for stimulating pro-poor growth and greater economic expansion;
- commissioned two analyses of the market for business service in Palestine – one in the West Bank and one in Gaza (which builds off the West Bank study).
- Commissioned a survey on risk perception in Palestinian companies and will have completed a detailed analysis of the findings by the middle of March, 2012.

1.3. OBJECTIVES OF FINAL EVALUATION

In keeping with its commitment to accountability and promoting development effectiveness, DFID has commissioned a final evaluation of the FNMD project. The FNMD final evaluation has the following four objectives:

1. Evaluate the effectiveness of FNMD in achieving its stated goals and objectives;
2. Evaluate the impact of FNMD on grantee firms and its value for money;
3. Evaluate the impact of FNMD on cross cutting issues including gender and environment
4. Identify lessons learned; and
5. Make recommendations to guide future DFID private sector development programming.

2. SCOPE OF WORK

2.1. GEOGRAPHIC AREAS COVERED

The final evaluation covers FNMD grant making activities in both the West Bank and Gaza. Due to travel restrictions to the Gaza Strip, it might not be possible for the consultant to access Gaza. If not able to get to Gaza, the Consultant will conduct all research related to Gaza from his/her base in the West Bank. FNMD will assist the consultant to establish contacts and set up phone interviews with key stakeholders located in Gaza.

2.2. TARGET GROUPS

The target groups for the evaluation include:

Beneficiaries: grantee firms and firm consortiums, business service providers including female entrepreneurs across geographic areas. Identify the extent to which programme implementers have worked with women as well as men, and whether data have been disaggregated.

³⁵ BRO include more than one firm in the grant.

Other stakeholders: DFID, FNMD staff, PA Ministry of National Economy, and donors (World Bank, EU, USAID, etc..)

2.3. EVALUATION QUESTIONS

The Consultant is expected to perform an in-depth and detailed evaluation of FNMD operations and results. He/she will focus the evaluation on investigating questions covering the five OECD/DAC evaluation criteria of Relevance, Efficiency, Effectiveness, Impact, and Sustainability.³⁶ Evaluation questions to be addressed under each of five OECD/DAC evaluation criteria may include, but are not necessarily limited to, those listed below. The Consultant may at his/her discretion add or subtract questions from this list as deemed appropriate. The rationale for adding or subtracting questions from this list will be explained in the Consultant's Inception Report.

Relevance is the extent to which the intervention is suited to the priorities and policies of the target group, implementing partners, policymakers, and DFID. Evaluation questions related to relevance include the following:

- Is the project consistent with the local stakeholders' priorities and effective market demand?
- To what extent are the objectives of the project still valid?
- Are project activities and the outputs and outcomes in its logical framework consistent with the overall goal and the attainment of its objectives?
- To what extent have different project stakeholders participated in the project and contributed to project results.
- What was the role of the Ministry of National Economy in project governance? Was this appropriate, given the private sector, transactions based orientation of FNMD?

Effectiveness is the extent to which the project achieves its objectives. Evaluation questions related to effectiveness include the following:

- To what extent does the project have clear set of objectives with verifiable indicators, a structured set of quantitative or qualitative indicators, systematic and regular processes for data collection and management, or an effective feedback system from performance monitoring?
- To what extent did the project achieve its targets related to the outputs, outcomes, objectives, and goals as found in its logical framework?
- What internal factors (e.g., quality of project management and implementation) contributed to project results and how?
- What external factors contributed to project results and how?
- What might have been done to make the project more effective?
- What were the differences in demand for and results from the grants going through BROs and to individual companies, including a comparison between the West Bank and Gaza?

³⁶ The Development Assistance Committee (DAC) at the OECD brings together 32 bilateral donors and multilateral development agencies for the purpose of promoting effectiveness of international development programs by supporting robust, informed and independent evaluation. DAC members include: Australia, Austria, Belgium, Canada, Denmark, the European Commission, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States, the World Bank, the Asian Development Bank, the African Development Bank, the Inter-American Development Bank, the European Bank for reconstruction and Development (www.oecd.org/dac/evaluationnetwork).

- How effective was the project in generating a balanced geographic spread of its activities? Could this have been improved?
- What was the distribution of returns by private sector firms and by sectors? What were the factors involved in this?
- FNMD made special efforts to promote exports from Gaza through its Trade Facilitation activity. To what extent were these effective in addressing the constraints?
- What was the effectiveness of the Radio Show on success stories on stimulating change in risk perceptions? Could it have been enhanced?
- What were the lessons learned from the project activities about reaching out to women owned/managed businesses in Palestine?

Value for Money is the extent to which the project's benefits exceeded its costs, and whether it could have been possible to increase benefits and/or reduce costs. This will include consideration of the impact on value for money, if any, of the closing down of project activities between phase I and the extension. It will be assessed in terms of the following metrics:

- **Economy:** were the inputs procured at the right price? This will include assessment of procurement processes used.
- **Efficiency:** were the outputs produced at the lowest cost? This will include consideration of whether the project design used inputs in the most efficient way. It will draw on analysis produced by the project M&E on the cost per new market entered and cost per product improved/developed.
- **Cost effectiveness:** were the outcomes produced at the lowest cost? This will include consideration of whether the project design used outputs in the most effective way, based on the analysis of Effectiveness above. It will draw on analysis produced by the project M&E on the cost per incremental dollar of sales generated and the cost per new job created. This will include analysis which sector provided the best Value For Money.
- **Economic return:** did the incremental benefits exceed the incremental costs? This will go beyond the cost effectiveness analysis by considering costs borne by firms as well as by donors, and benefits in addition to sales as assessed under Impact. It will draw on the cost benefit analysis conducted for the evaluation of Phase 1, and any update of it that is available.

Impact is the positive and negative changes produced by the project, directly or indirectly, intended or unintended. This involves the main impacts resulting from the activity on the local social, economic, environmental and other development indicators. Evaluation questions related to impact include the following:

- What has been the impact of the project on its grantee firms? To what extent can these impacts be plausibly attributed to project operations?
- To what extent did the grants to FNMD clients stimulate the development of a market for business service provision? Elements to be looked at will include:
 - Repeat use of services by the firms themselves (without additional grant funding);
 - Increased delivery of services by service providers to other non grantee firms, following delivery of services to FNMD grantees;
 - Demand for FNMD grants from business service providers to explore new market opportunities following services rendered to other FNMD grantees.
- What do the grantee firms perceive to be the effects of the project on themselves?
- What has been the impact of FNMD on the environment (to what extent did the implementation team screen their projects for negative environmental impact)?
- What has been the impact of FNMD on women? How they were affected and involved in the project?

Sustainability is concerned with measuring whether project benefits are likely to continue after project funding has been withdrawn. This can be measured from several perspectives: the uptake of other funders to continue the project activities (sustainability of the project through replication); sustainability of the investments made at the firm level (measured by the continued expanded sales generated by the grantees), or the systemic sustainability generated by project investments (extent to which private actors have adopted the objectives of the project and are now funding them on their own). Priority evaluation questions related to sustainability include the following:

- To what extent do positive impacts of the project justify continued investments by external stakeholders (donors)?
- Does the project have potential for replication or scale-up?
- Do project benefits appear likely to continue among grantee firms after the project closes? If so, which ones?
- What elements of the project have been picked up by the private sector or their representative organizations to continue to mitigate risk and drive investment?

The consultant will be supplied with all background material including original FNMD Terms of Reference including the project memorandum and Logframe, annual and quarterly reports, grants manual, monitoring reports, evaluation reports, DFID's how to note: reviewing and scoring projects, etc. prior to mobilization.

3. MANAGEMENT, LOGISTICS AND TIMING

3.1. MANAGEMENT

DAI-FNMD is the contracting Authority for the final FNMD evaluation. FNMD Team Leader is the Consultant's primary point of contact for the evaluation, including questions related to the design and implementation of the evaluation. FNMD Monitoring and Evaluation Officer is the Consultant's primary point of contact related to logistical arrangements for the evaluation, including in-country travel, lodging, access to resources, etc.

3.2. LOCATION

The operational base for the final evaluation is Ramallah. Travel within the West Bank is expected, with perhaps a trip to Gaza.

3.3. COMMENCEMENT DATE AND PERIOD OF EXECUTION

The intended commencement date is March 8, 2012 and the period of execution of the contract will be a maximum of 6 weeks with an anticipated completion date of April 19th, 2012 (submission of final report).

4. CONSULTANT QUALIFICATIONS

4.1. QUALIFICATIONS AND SKILLS

- Post graduate university degree in economics or related discipline
- Excellent command of English, both spoken and written
- Good organisational and coordination skills

- Good analytical, appraisal and planning skills
- Computer literacy (MS Office applications)

4.2. GENERAL PROFESSIONAL EXPERIENCE

At least 10 years professional experience related to socio-economic development

4.3. SPECIFIC PROFESSIONAL EXPERIENCE

- Experience in monitoring and evaluation of private sector development projects, with a focus on building sustainable market systems
- Experience in questionnaire design, and general evaluation management.
- Experience working in the Middle East on donor funded private sector support actions is preferred, but not required
- Matching grant scheme evaluation experience is preferred but not required

4.4 REPORTING AND DFID TEAM SUPPORT

The Consultant will report directly to DFID Wealth Creation Officer. He/She is also expected to work closely with other DFID staff members who will be available to provide support to the evaluation. Their specific role will be determined during the mobilisation period. In general they will:

- Provide quality assurance role in terms of agreeing the specific design and methods for the evaluation to ensure the evaluation meets its objectives given the limitations of budget, time and availability of data and that it brings in the views of beneficiaries and specifically looks at the role of women.
- Participate in the fieldwork to ensure it produces credible, reliable results and that it adheres to the agreed methodology, providing views to the consultant, with the consultant taking responsibility for writing the report
- Provide detailed input to the draft report and final report to quality assure the end product to ensure it demonstrates impartiality and objectivity by consistently maintaining the principles of independence, neutrality, transparency and fairness throughout.

5. REPORTS AND DELIVERABLES

5.1. INCEPTION REPORT

The Consultant will submit an Inception Report within five days after the mobilisation. To help the Consultant prepare the Inception Report, DAI will provide electronic copies of all relevant project documents, including origination documents, logframe, quarterly reports, annual reports, monitoring data/reports, other evaluation reports, special study reports, etc.

The Inception Report shall include a description of the following:

- The evaluation questions to be investigated
- The evaluation methods to be used for each research question
- The organizations/persons to be interviewed for each research question
- Any additional documentation required
- Evaluation workplan

- Any possible commitments required from the Contracting Authority
- Timeframe for conducting and completing the evaluation

The Inception Report will list and comment on any developments that have taken place since these Terms of Reference were drafted and which might have an impact on the evaluation design.

If there are proposed changes to the original Terms of Reference due to change of circumstances after arrival on site, these are to be discussed and agreed with the Contracting Authority. The Inception Report should not exceed 5 pages.

5.2. DRAFT REPORT

The Consultant will submit a Draft Final Report to the Contracting Authority prior to departure from Palestine. This report should include a complete overview of all activities implemented during the performance of the contract. The report will also contain the analysis, findings, conclusions, lessons learned, and recommendations related to each of the research questions addressed by the evaluation.

Along with the draft report, the consultant will complete DFID's Project Completion Review (PCR) template using DFID's How to Note: reviewing and scoring projects guidelines (both documents will be supplied).

5.3. IN COUNTRY PRESENTATION, DEBRIEFING AND VALIDATION WORKSHOP

The consultant will prepare a detailed presentation on the preliminary key findings, conclusions and recommendation for the direct stakeholders and interested parties (private sector associations, other donors) prior to departure from country (approximately 4 weeks from start of project). This workshop will allow the consultant to get feedback on his results to inform the final report.

5.3. FINAL REPORT

DFID, FNMD and the Government will have two weeks to provide comments on the Draft Final Report, after which the Consultant will have one calendar week to complete and submit the Final Report. The Final Report, the core of which should not exceed 50 pages, should be structured according to the following format:

1. Title Page
2. Table of Contents
3. Acknowledgements and Disclaimers
4. Glossary
5. List of Acronyms
6. Executive Summary
7. Introduction
8. Evaluation Methodology
9. Evaluation Findings
10. Conclusions
11. Lessons Learned
12. Recommendations
13. Annexes

Note: A lesson learned is a learning from experience that is applicable to a generic situation rather than to a specific circumstance. Lessons learned are to be specific and clearly supported by the findings and conclusions of the evaluation. Generic or overly general lessons learned are not helpful and are to be avoided.

Note: In the Recommendations Section, the Consultant's presents his/her recommendations for modifying or supplementing the project or similar projects in the future in order to improve their ability to meet their objectives and increase their success. Recommendations are to be specific, clearly supported by the findings and conclusions of the evaluation, and actionable. Generic or overly general recommendations are not helpful and are to be avoided.

The final invoice, expense report, and expenditure verification must accompany the Final Report.

5.3. SUBMISSION AND APPROVAL OF REPORTS

The final report shall be written in the English language and submitted electronically to the Contracting Authority as follows:

Mr Michael Sansour
DFID Jerusalem
4 Es'af Nashashibi St.
Sheik Jarrah
Jerusalem
P.O. Box 19869

6. LEVEL OF EFFORT

The level of effort (LOE) for the final evaluation is 25 days to be allocated approximately as follows:

- Inception Report: 3 days
- Field work (including travel and initial draft report): 20 days
- Final Report (revisions based on feedback): 2 days

Annex 2 Documents

Documents

1	DFID: The engine of development: The private sector and prosperity for poor people, policy paper, 2011
2	Project Memorandum, Palestinian Facility for New Market Development, (PFNMD 4th year Extension), 1 April 2011
3	Project Memorandum, Palestinian Facility for New Market Development (FNMD), Amendment No. 1, "Gaza: Back to Work", August, 2010
4	Project Memorandum, Palestinian Facility for New Market Development (PFNMD), 2007
5	James C. Hanna, FNMD Annual Review 2010
6	James C. Hanna, FNMD Mid-Year Review December, Aide Memoire 2008
7	Establishing the State, Building out Future, National Development Plan 2011 - 2011, Palestinian National Authority, 2011
8	Poverty Reduction and Development Plan 2008-2010,. (2007): PSCC (2007): Palestinian Private Sector Recovery and Resilience Plan
9	Progress Report on the Implementation of the PRDP 2008-2010, Palestinian National Authority, May 2008
10	The Palestinian National Early Recovery and Reconstruction Plan for Gaza, (ERDP) 2009-2010, Palestinian National Authority, 2009
11	Ministry of National Economy, Gaza Economic Strategy, March 2011
12	Palestinian Central Bureau of Statistics, National Accounts 2010
13	Human Development Report 2009/10 Investing in Human Security for a Future State, Occupied Palestinian Territory, UNDP, 2010
14	FNMD Success Stories: Gaza, Centre of Excellence and AMC
15	FNMD Final Report, March 2011
16	FNMD Quarterly Report, Jan 2012
17	Evaluation of FNMD Phase 1, Final Report, July 2011
18	FNMD risk perceptions survey analysis and findings, Draft Report, DAI, 2012
19	FNMD Evaluation, DFID Economist Contribution, L. Hlanze, 2012
20	FNMD Cost Effectiveness Analysis, DAI, 2012
21	FNMD Case Study: Building effective Markets for BDS, 2008
22	FNMD Cases Study: Implementing a Complete Multi-phased Market Entry Plan was more sustainable than the old Ad-hoc Initiatives,2009
23	FNMD Case Study: Measure Before You Dive: How SMEs can leverage participation in International Trade Shows to achieve sustainable increase in exports, undated, 2008
24	FNMD: Value Chain Analysis Of The Agribusiness Sector, 2012
25	FNMD: FNMD Grant Manual, Updated Version, 2011
26	FNMD: Market Analysis Of The Business Services Sector, 2011
27	DAI Europe Ltd, Environmental Policy Operations Manual, 2012
28	DAI: Monitoring & Evaluation Handbook, FNMD, 2008
29	World Bank: Stagnation or Revival? Palestinian Economic Prospects, Economic Monitoring Report to the Ad Hoc Liaison Committee, March, 2012
30	World Bank: Sustaining Achievements in Palestinian Institution-Building and Economic Growth, Economic Monitoring Report to the Ad Hoc Liaison Committee, September 2011
31	World Bank: Movement and access restrictions in the West Bank: Uncertainty and inefficiency in the Palestinian economy, 2007
32	World Bank: Peace through prosperity: Examining the impact of movement restrictions on the Palestinian Economy, 2008
33	World Bank, West Bank and Gaza Trade Rules, December 2008
34	World Bank: West Bank and Gaza Investment Climate Assessment – Unlocking the Potential of the Private Sector, 2007
35	World Bank: Palestine at a glance, 2011
36	IMF: Macroeconomic and Fiscal Framework for the West Bank and Gaza. First Review Of Progress Of The PRDP, 2008

37	IMF Recent Experience And Prospects of the Economy of the West Bank and Gaza, Staff Report Prepared for the Meeting of The Ad Hoc Liaison Committee, March 2012
38	CIA: West Bank, Gaza Data, 2012
39	USAID: Cluster competitiveness assessment. Eight Industrial and Services Clusters in the West Bank and Gaza, 2006
40	USAID: Current status of industry in Palestine, 2009
41	Matching Grant Funds for Business Development Services to Enterprises, ASIAFCO, November 2001
42	Evaluation of EBAS, European Commission, INTEGRATION, 2005
43	UNDP: Human Development Report 2011, 2012

Annex 4 Questionnaires used

Questionnaire for FNMD Clients (questionnaire for non-clients is based on this, changes are indicated)

This questionnaire is anonymous; however, if you would like to be given feedback of the results, please leave your e-mail address:.....

1. Where is your firm located?
 - Ramallah
 - Nablus
 - Jenin
 - Hebron
 - Bethlehem
 - Tulkarem
 - Qalqilya
 - Gaza
 - Jerusalem

2. When was it established?
 - 1 - 3 years ago
 - 4 - 6 years ago
 - 7 - 12 years ago
 - 12 - 22 years ago
 - Before 1990

3. In which sector are you?
 - Agro-processing
 - Construction
 - IT
 - Light manufacturing
 - Media
 - Pharmaceutical/Medical
 - Other Services
 - Tourism
 - Textile/garments
 - Stone and Marble
 - Other

4. Number of employees:
 - 3 years ago
 - Now
 - 3 years from now (estimate)

5. Average annual change of sales during past three years
 - Decline
 - No change
 - Up to 5% growth
 - Between 5% and 10% growth
 - Between 11% and 15% growth
 - Between 16% and 25% growth
 - Beyond 25%

7. What annual change of sales do you expect for the coming 3 years?
- Decline
 - No change
 - Up to 5% growth
 - Between 5% and 10% growth
 - Between 11% and 15% growth
 - Between 16% and 25% growth
 - Beyond 25%
8. Changes in investments during **past 3 years** (only fixed assets such as machinery, equipment, furniture business vehicles)
- No tangible investments into assets
 - Up to 15% of the assets was added or replaced
 - Between 16% and 25% of assets was added or replaced
 - Between 26 and 35% of assets was added or replaced
 - Beyond 35% of assets was added or replaced
9. Planned changes in investment in the **coming 3 years** (only fixed assets such as machinery, equipment, furniture business vehicles)
- No tangible investments into assets
 - Up to 15% of the assets will be added or replaced
 - Between 16% and 25% of assets will be added or replaced
 - Between 26 and 35% of assets will be added or replaced
 - Beyond 35% of assets will be added or replaced
10. Past investments into skills, knowledge and human resources (**last 3 years**)?
Investments into knowledge may be consultancy, own efforts such as visits to congresses, payments for licences, investments into human resources may be training, hiring specialists, etc.)
Please state the total investments, including grants from FNMD or other donors!(non clients: including grants from donors, if any!)
- Little (below 5% of profits to be invested into knowledge/HR)
 - Reasonable (between 5% and 15% of profits invested into knowledge/HR)
 - Substantial (between 16% and 25% of profits invested into knowledge/HR)
 - High (beyond 25% of profits invested into knowledge/HR)
11. How much do you intend to invest into knowledge and human resources in the **next 3 years**?
- Little (below 5% of profits into knowledge/HR)
 - Reasonably (between 5% and 15% of profits invested into knowledge/HR)
 - Substantial (between 16% and 25% of profits invested into knowledge/HR)
 - High (beyond 25% of profits invested into knowledge/HR)

12. What have you done in the **past 3 years** to improve business performance (including the support from FNMD)?/**non clients:** including support from any donors?

	Significant effort/investment	Medium effort/investment	Little effort/investment	No effort/investment
Search for market information				
Visits to trade fairs/new markets				
Advertised				
Improved existing products/services				
Added new products/services				
Improved processes/technologies				
Improved business organisation				
Other				

Please specify “others” if applicable.....

13. What will you do in the **next 3 years** to improve business performance?

	Significant effort/investment	Medium effort/investment	Little effort/investment	No effort/investments
Search for market information				
Visit to trade fairs/new markets				
Advertise				
Improve existing products/services				
Add new products/services				
Improve processes/technologies				
Improve business organisation				
Other				

Please specify others if applicable.....

14. Which of the following has changed following support facilitated by FNMD?/**non clients:** Which of the following has changed over the last few years? Please rank changes in the order of significance?

	First most significant	Second most significant	Third most significant	Fourth	Last/no change
Cost reduction					
Sales increase					
Competitiveness of the business					
Preparedness to take calculable risks					
Strategic business planning					
Other (please specify)					

Please specify "Other"

15. With regard to these areas of change, who contributed most to them?

	Mostly FNMD's contribution Non clients: mostly donor's contribution	Mostly own entrepreneurial effort	Both FNMDs /donors and own contribution, but more on FNMD's/ donors side	Both FNMDs /donor's and own contribution, but more of own entrepreneurial effort
Cost reduction				
Sales increase				
Competitiveness improved				
Preparedness to take calculable risks				
Strategic business planning				
Other (please specify)				

Please specify "Other"

16. **Only for Non-clients:** Have you ever had support from a donor programme?

- None
- Little (such as a few short trainings)
- Medium (such as some support in business planning or technical advice)
- Significant (several steps of support measures)

16. Are you going to invest into business support services in the future without FNMD support?
Non clients: without donor support

- Yes
- Maybe
- No

17. If an organisation helps you to identify and organise good consultancy support for you, is this a service that you would pay for?
- Such a service is not needed
 - Such a service is needed, but very little should be paid for it
 - I am prepared to pay what for it what it costs
18. If you are prepared to pay for it, how much would, in your view, be reasonable?
- Up to 10% on top of the actual service costs
 - Between 10% and 20% on top of the actual service costs
 - More than the above, if the service is very much needed
19. Which of the following describes best how you got into contact with FNMD?
- By chance, thought of trying it out
 - I was looking for an opportunity of such support and actively followed when I got to know about it
 - A service provider advised me
 - Advice through another donor programme
 - Other

Question 19 was left out for Non clients

20. Please feel free to comment on the value of FNMD for your business

Question 20 was left out for Non clients

21. Please feel free to recommend what could be improved with regard to any future support measures

Questionnaire for BSPs

1. This questionnaire is anonymous. If you are interested in feed-bak, please leave your e-mail address

2. How long have you been working as a Business Service Provider

- Less than 2 years
- Between 2 and 5 years
- Between 6 and 10 years
- More than 10 years

3. What is the size of your firm?

- Myself as consultant (with or without administrative assistants)
- Up to 3 consultants, plus administrative assistants
- Up to 5 consultants, plus administrative staff
- More than 5 consultants, plus administrative staff

4. How is the gender distribution among consultants of your firm (not counting administrative support)?

- Only female
- Mixed, more female
- Mixed, about 50%: 50%
- Mixed, more male
- Only male

5. What is your field of expertise?

	Primary expertise	Secondary expertise	Some expertise
General technical advice/training	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product development/innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Process development/innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quality/standard systems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
General management advice/training	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Marketing advice/training	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial advice/training	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Energy/Environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)			

6. What percentage of your sales were with FNMD, including Get back to Work in Gaza?

- Less than 10%
- Between 11% and 25%
- Between 25% and 50%
- Between 51% and 70%
- Beyond 70%

7. How much of your sales are directly or indirectly supported by public or donor funding (including FNMD)?

- Up to 10%
- Between 11% and 25%
- Between 26% and 50%
- Between 51% and 70%
- Beyond 70%

8. In what way have you benefitted from working with FNMD, apart from the direct business aspect? Please, check only one main benefit!

	Main benefit	Secondary benefit	Third level benefit	Minor additional benefit	No benefit
Significant addition of experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Was able to deepen my specialisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Winning new customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Getting to know new methods/approaches	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had opportunity to learn from colleagues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Broadened my network with colleagues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9. In your perception, what were important firm level benefits for your client? Please only check one main benefit and differentiate as much as possible!

	Main benefit	Secondary benefit	Third level benefit	Addition/minor benefit	No benefit
Increase of sales	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase of profits (e.g. through better paying markets)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lower costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improved management control	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improved customer relations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improved employee - management relations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Energy/environment improvements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

10. What were, in your perception, the main "soft" benefits for your FNMD clients? Please check only one main benefit and differentiate as much as possible!

	Main benefit	Secondary benefit	Third level benefit	Additional minor benefit	No benefit
Clearer vision for the future	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Greater self-confidence as entrepreneur	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhanced competence to judge risks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
More systematic approach to strategic planning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Greater appreciation of business development services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. In how far did your support at firm level in the framework of FNMD/GBW result, in your view, in benefits at national economic level?

	Clearly measurable benefit	Tangible benefit, but not measurable	Some benefit	No real benefit
Products so far imported into Palestine were replaced with local products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Additional exports of services or products were realised	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Additional jobs were created	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall national competitiveness improved	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The image of Palestine abroad improved	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

12. Where you mentioned "measurable benefit" in the above question, could you provide percentage or absolute figures, please?

13. How are you looking at the market for the services you are providing?

	Fully agree	Mostly agree	Partly agree	Partly disagree	Mostly disagree	Disagree
Firms are increasingly willing to pay full costs of such services in future	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Firms are getting prepared to pay a greater share than half of service costs in future	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The 50% : 50% share is just right, otherwise interest in matching grant schemes will reduce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A lower than 50% : 50% share for firms will definitely increase the uptake of support services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14. Without the organisational interaction of schemes such as FNMD and the formalities involved, how much cheaper could you sell your services in a direct client-service provider relation?

- No difference in price
- Up to 10% cheaper
- Up to 20% cheaper
- Up to 30% cheaper

15. What could, in your view, improve the marketability of consulting services in Palestine?

	Fully agree	Mostly agree	Partly agree	Partly disagree	Mostly disagree	Disagree
More capacity building/training of consultants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better feed-back from schemes like FNMD to service providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
More joint assignments with international consultants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Downward price adjustments (make it cheaper for clients)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Less formality required of matching grant schemes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better PR of consulting benefits through media	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

16. What are your plans for the future?

- More specialisation
- More diversification
- Significant expansion of my firm
- Mainly continue the way I work
- Look for a different career

17. What are your recommendations for schemes similar to FNMD?

Thank you for your assistance.

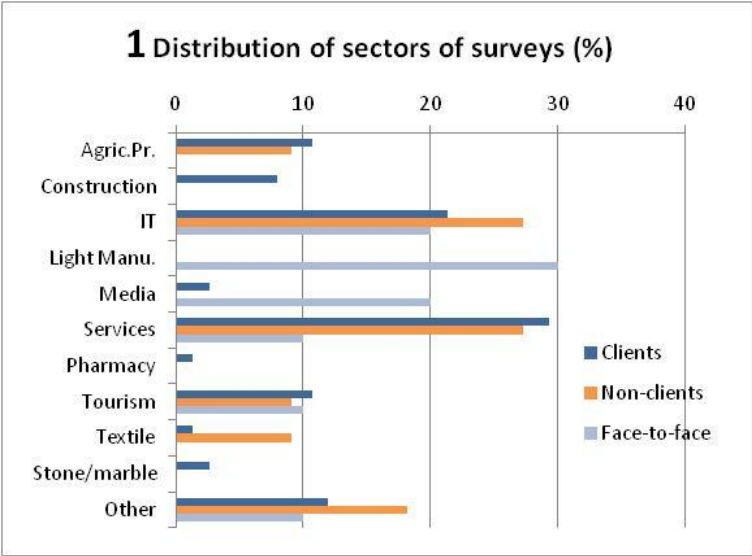
Please press on Done in order to send the survey back to us.

Annex 5 Results of surveys (graphs)

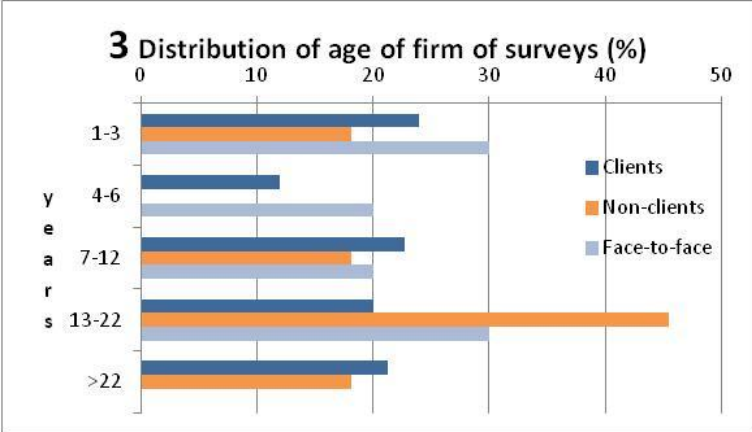
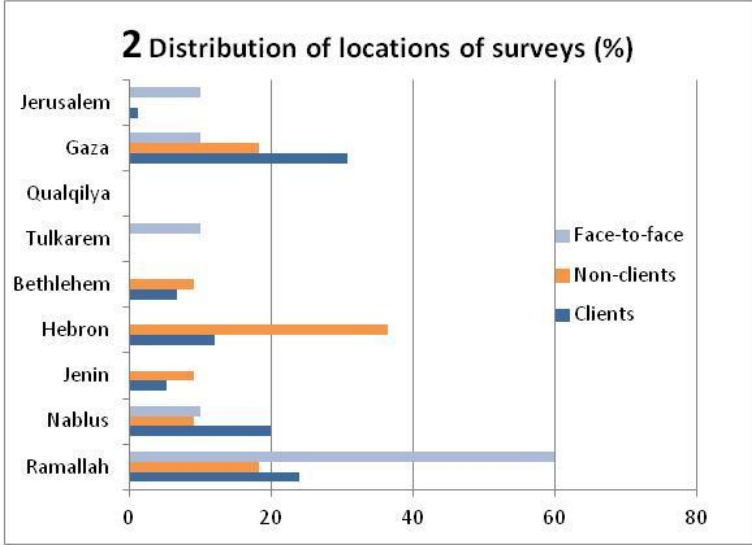
Results from surveys carried out during the evaluation

A) Characteristics of samples of surveys

Average employment, web-based survey of clients: 39
 Average employment, face to face interviews with clients: 36
 Average employment, web-based survey, non-clients: 24

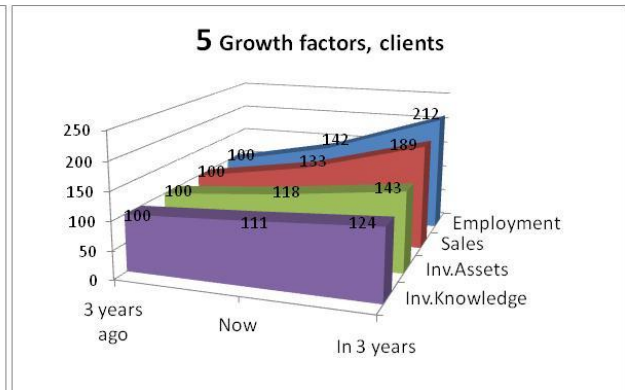
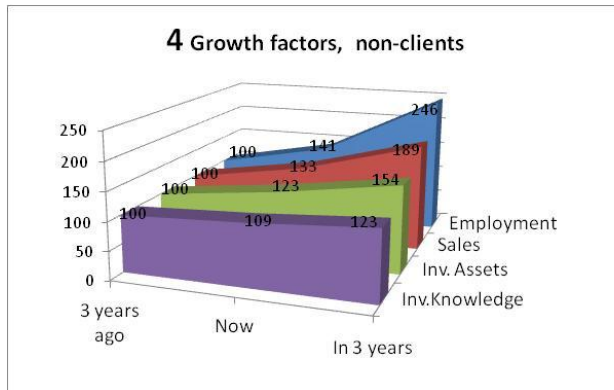


Responses:	
Web-based, clients:	75
Web-based, non-clients	11
Direct Face to face:	12
Direct, telephone	9

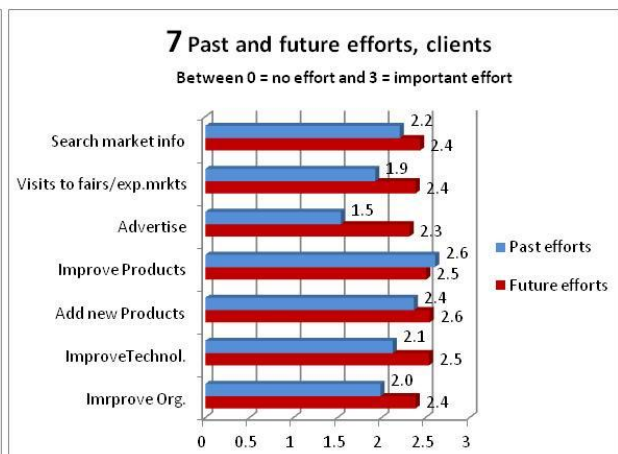
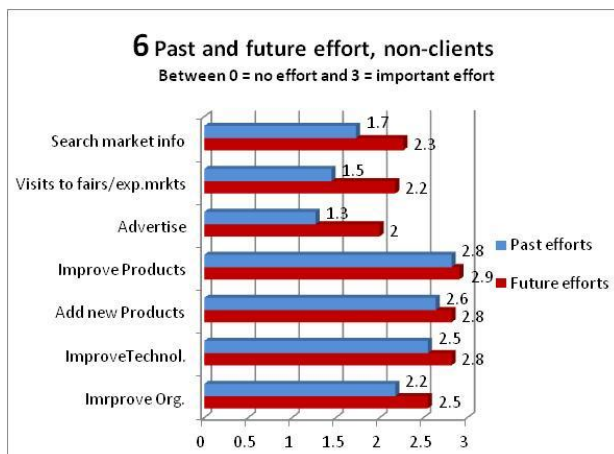


B) Results from web-based surveys of clients and non-clients

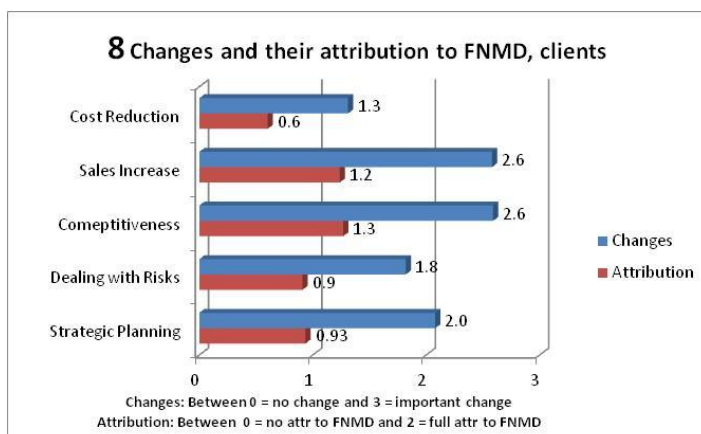
Growth factors (clients and non-clients): How have employment, sales, investments into fixed assets and investments into knowledge and HR developed over the last three years, and how are they expected to develop over the next three years?



Efforts (clients and non-clients): What efforts did you make to improve the performance of your business over the last three years, and what efforts will you make during the coming three years?



Changes and attribution (clients) In what areas has the performance of your business changed since you cooperated with FNMD, and how much of this change do you attribute to FNMD and how much to their own entrepreneurial effort?



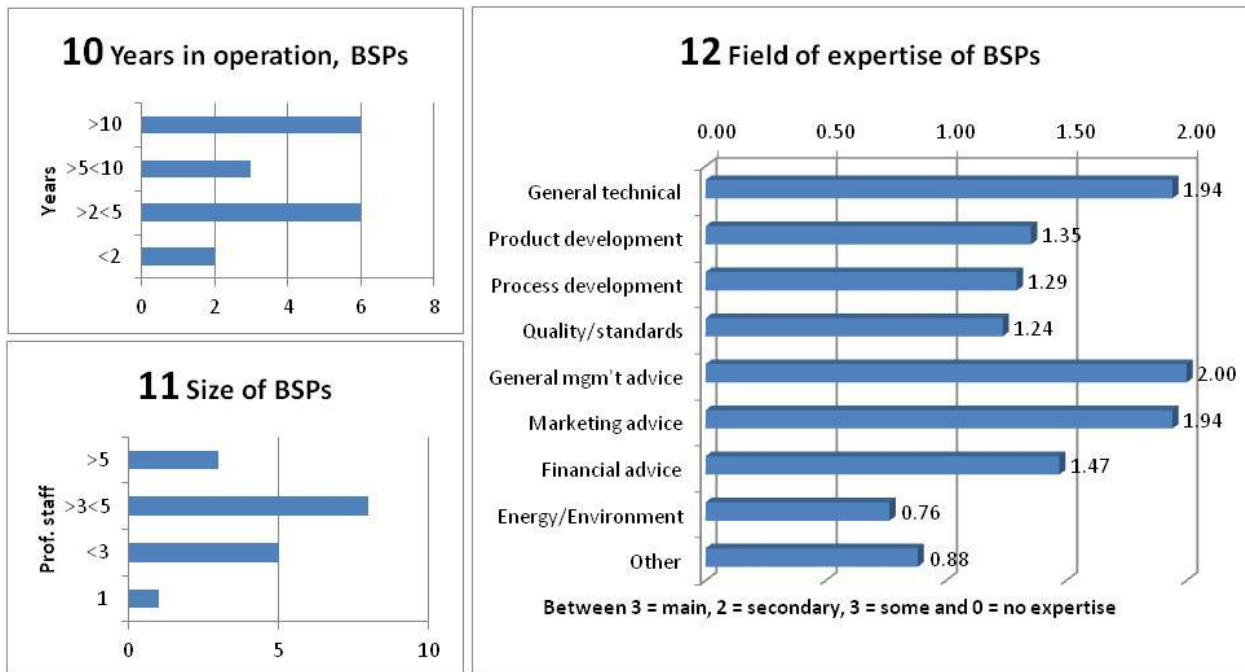
Attribution to areas of change	Mostly FNMD	Mostly Entrepr.	Both, but more FNMD	Both, but more Entrepr.
Cost reduction	16.7	26.7	21.7	35
Sales increase	22	23.8	19	34.9
Competitiveness	19.7	26	29.5	24.6
Dealing with risks	20	23.3	31.7	25
Strategic planning	16.9	40.7	25.4	16.9

9 Answers to selected questions: BDS and Counselling/signposting:

	Clients			Non-clients		
	Yes	Maybe	No	Yes	Maybe	No
Are you going to buy BDS in future?	25%	56%	19%	36%	46%	18%
Is a service of helping to find a good consultant necessary	Yes, and it should be paid for	Yes, but little should be paid	No	Yes, and it should be paid for	Yes, but little should be paid	No
	30%	66%	4%	27%	55%	18%
How much should be paid for it? (as% of the cost of the actual service)	< 10%	>10 <20%	>20%	< 10%	>10 <20%	>20%
	44%	35%	21%	88%	12%	

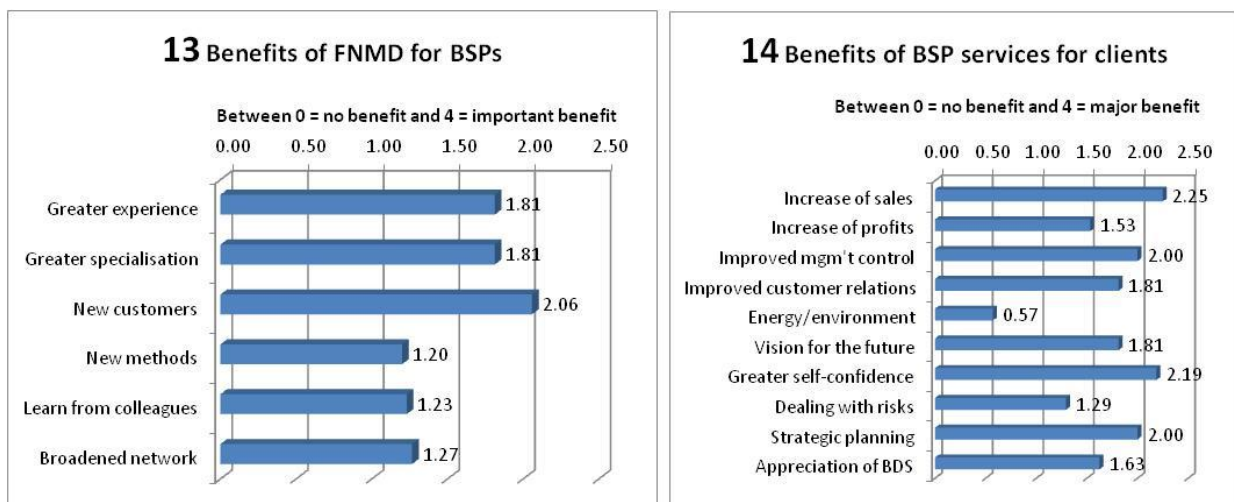
C) Results from web-based survey of Business Service Providers (17 responses)

Characteristics of sample:



What were in your view the benefits for you as BSP?

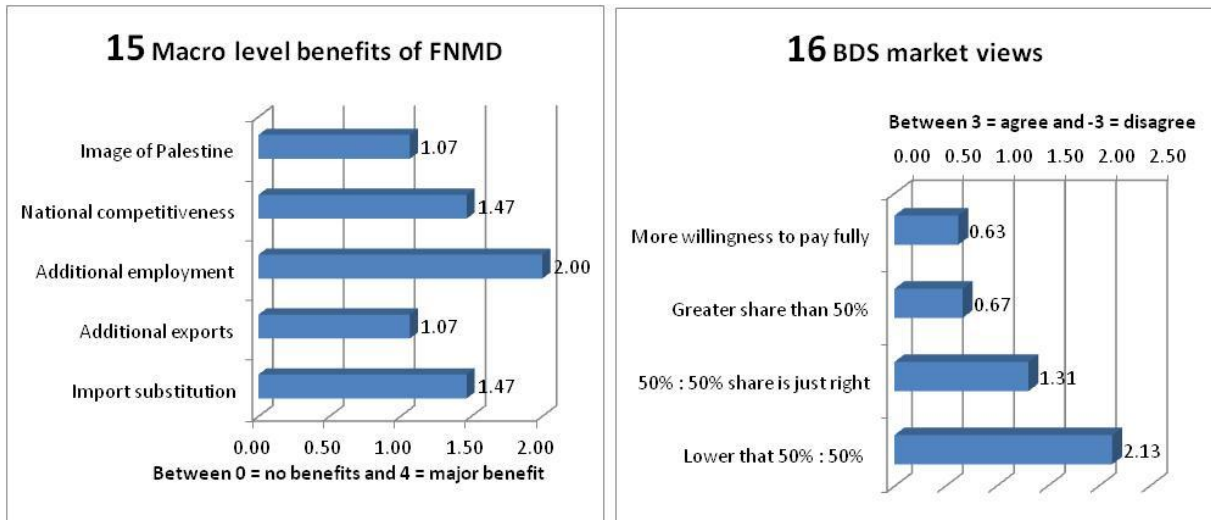
What were, in your view, the benefits of your services for FNMD clients?



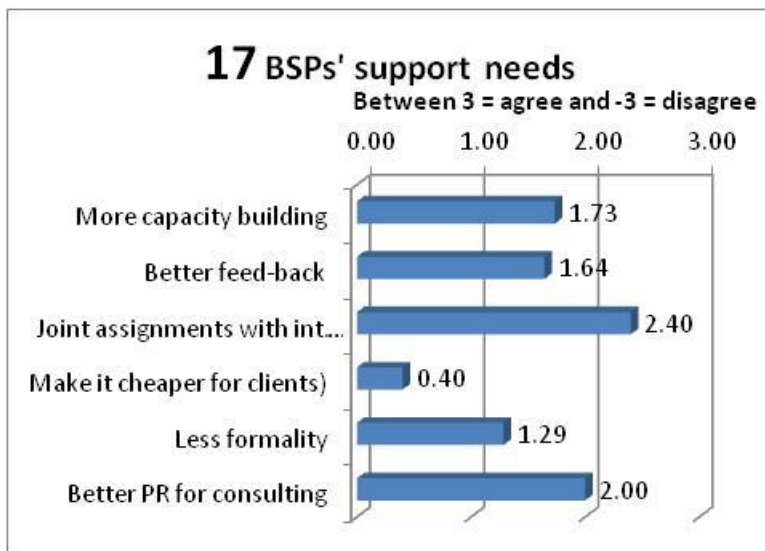
15: What were, in your view, the macro level benefits of FNMD?

16: What are your views with regard to the BDS market?

- Are clients increasingly prepared to pay full costs?
- Is it feasible to increase the clients share?
- Should the 50% : 50% share be kept?
- Would sales increase if the share of clients is lowered?



What are BSP support needs?



Annex 6 Clients' comments and recommendations

Comments/recommendations made in the web-based survey of clients:

Some of the positive comments (total positive comments were 45)

- The project was very important and opened our eyes to new things and encouraged us to improve
- It helped switch the investments towards the market needs, therefore the project had great impact and the results will show soon
- Did not help me directly but I gained helpful experience
- One of the most successful projects, provided well studied support and provided us with great benefits
- Opened new markets for us that was very difficult for us to open
- The project gave a great push and supported us with provided us with a great competitive advantage in the local and international markets
- The project was very helpful, reduce the cost for companies, and helps companies in using the saved funds to improve the business and increase the assets
- It was good; I was able to get experts at half price
- Helped in adjusting and improving the personal vision that had a fast and effective impact on their performance
- The project helped in entering the Israeli market. However, there is a need for extra efforts to enhance the achieved success that will require investment and risk
- For me it was the knowledge and experience through the project how you can reach the trading world
- Has taken us to the next level, because of the project was able to travel internationally to learn about the market where our products are sold and learning about the customers' requirements
- The project was very important to us, we were looking for ways to open new markets and conducting market research and the project supported that
- Help in Exporting Services via participating in international exhibitions
- I think it supports Palestinian Economy in the way it should. Supporting Private small and Medium Business boosts the economy
- It was great idea, and added new markets for us
-

Some of the negative comments

- Not well studied in a practical manner
- The percentage of coverage was very low and we paid the difference, we hope the percentage of coverage is higher in the future
- The value of the project is very low for in regards to the local market
- Follow up only via survey and information you required, you don't send us your results nor do we trust your research because you don't listen, you put up the money and we use it , follow up is very weak on your side
- It takes too long for the Reimbursement payment, this puts a cash burden on our company
-

Negative comments, but not related to FNMD

- Nothing because the samples did not make it to Russia
- The companies did not get a chance to leave the country because of the siege

Recommendations for the future (47 recommendations were made, many referring to increasing the grant share):

- Please go on with your Project, make it more professional and emphasize on companies that provides exports in terms of IT or manufacturing to the region
- I just hope that you continue your programme, so others can benefit.
- Continue, and focus on ICT services to encourage the ICT diffusion in the local market.
- Increase project that support employee expenses, consulting services, participation in international trade shows, and managerial support such as ISO certificate
- Focus the support to industrial projects
- We hope that there will be technology support
- Create awareness to the public in regards to measuring quality
- Increase the communications with the producing companies
- Finding the right partner to increase the chance of success of the project

- Focus the donors on the local products
- Increase investments in infrastructure
- More flexibility is needed in contracting BSPs especially after deciding on a BSP. Sometimes after the decision is made there might be a need to change the BSP if they do not deliver.
- Increase focus on the agricultural sector and represents 35% of the business and can provide a lot of jobs and there is an increase in the international demand for the agricultural products introducing new products to the sector such as herbs. Support in finding alternative energy (green) for the agriculture sector that will reduce cost and protect the environment and also support introducing new technologies in watering systems and fertilizing that will reduce the water and fertilizer usage that will increase profits and protect the water.
- I recommend the each company submits a plan on its own and you brain storm the plan with each company separate
- Opening the borders for the exporting companies is my only request
- Nothing, just best wishes

Annex 7 Methodology of measuring FNMD outcomes

How effects were measured in the course of the evaluation:

FNMD M&E System	Evaluation
<p>Baseline data were recorded as figures for all firms prior to receiving their first grant, including: annual sales, exports, employment (permanent, part time, male, female) Total baseline sales: 640,471,908 US\$</p> <p>Sales increments: Were collected from each individual firm every quarter, response rate of clients reporting regularly was 38% FNMD checked data on plausibility and made corrections. Total additional sales were accordingly: 109,087,150 US\$</p> <p>Attribution: Reported incremental sales were recorded as fully attributable to FNMD if they fell into the category of either export support or local market support. Product development support was rendered only in very few cases without market development support; in these cases all reported sales were recorded as fully attributable under local sales. Questions: Plausibility of some reported incremental sales? How to treat non-reported sales?</p> <p>Additionality: Beneficiaries were asked what they would have done if no support had been available, the collected answers are representative</p> <p>The risk perception survey, a draft report of which became available at the end of the evaluation mission, produced few differences between risk perceptions of clients and non clients.</p> <p>Unit costs: The M&E system supplied all the necessary data to calculate unit costs Ratio overheads/grants: The M&E system supplied all necessary data</p>	<p>Baseline data of the M&E system for sales and export were used.</p> <p>Sales increments: Were collected from a representative sample of 75 firms Only average annual percentage increments (6 categories) over the last three years were recorded, no information on exports was collected, all respondents answered. Reported annual increase in sales was 11%</p> <p>Attribution: Respondents were asked to what degree they would attribute increases of sales to FNMD (four categories were offered, roughly representing 75%, 60%, 40% or 25% attribution). Reported average attribution of sales was: 47%</p> <p>Average growth x attribution x allowance of 8% for inflation over 3 year yielded approximately 88 Million US\$ (this was meant as a plausibility check, a proper calculation would have to be more refined)</p> <p>Additionality: Was not specifically surveyed (sufficient information from FNMD M&E system, but questions were asked with regard to future purchase of services without grant support, and the value of counselling, which suggested high levels of additionality. A small group of non-clients was surveyed. The results are not representative (only 11 responses), but in comparison to the survey of clients there is some indication that additionality can be found in the development of entrepreneurial qualities of clients; clients achieved growth of sales without investing as much as non-clients into fixed assets, and by investing more into knowledge. Unit costs: were taken from M&E system</p> <p>Ratio overheads/grants: Was calculated on the basis of M&E data, overhead costs were broken down into three categories: FNMD administration, general project related administration (M&E, selection procedures, report writing, etc.), direct project administration (counselling, individual follow-up,</p>

<p>Economic return: Was calculated in the course of an earlier evaluation on the basis of unknown data</p>	<p>etc,)</p> <p>Economic return: An attempt to calculate the economic return was not undertaken, because reliable information about inputs/raw materials and investments was not available and informed estimated could not be made on the basis of available data.</p> <p>A cost-benefit analysis is being produced by a DFID economist, which will form an additional annex.</p>
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Annex 8 Evaluation framework and answers/references

Evaluation Question	Methods applied	Answer
1. Relevance		
1a) Is the project consistent with the local stakeholders' priorities and effective market demand?	Document study, interviews with opinion leaders/stakeholders, interviews with/web-based surveys of SMEs	Yes, elaborate discussion in chapter 5.2
1b) To what extent are the objectives of the project still valid?	Discussions with opinion leaders/stakeholders in private sector development	Are still valid, elaborately discussed in chapters 5.2, 5.7, and 6 (Recommendations)
1c) Are project activities and the outputs and outcomes in its logical framework consistent with the overall goal and the attainment of its objectives?	Own analysis of planning documents, discussions with FNMD team and stakeholders	Not wholly, comprehensively discussed in chapter 4.4, Chapter 5.3
1 d) To what extent have different project stakeholders participated in the project and contributed to project results.	Project documentation, analysis of minutes of meetings, discussions with project stakeholders	Other donor: yes, other private organisations/NGOs: yes, government: to a limited extent. Some observations made in chapter 5.2, more in 6 (Recommendations)
1 e) What was the role of the Ministry of National Economy in project governance? Was this appropriate, given the private sector, transactions based orientation of FNMD?	Discussions with representatives of the MoNE, analysis of minutes of meetings and related correspondence, discussions with other members of the steering committee	Could have been stronger, Shortly described in chapter 4, 5.2, more elaborate recommendations (6)
2. Effectiveness		
2 a) To what extent does the project have clear set of objectives with verifiable indicators, a structured set of quantitative or qualitative indicators, systematic and regular processes for data collection and management, or an effective feedback system from performance monitoring?	Analysis of project documents, discussions with FNMD monitoring specialists, own analysis of data collection methods as well as monitoring and evaluation system	Not fully satisfactory. Elaborately discussed throughout the report: chapters 5.3, 5.5. 5.7
2 b) To what extent did the project achieve its targets related to the outputs, outcomes, objectives, and goals as found in its logical framework?	Evaluation of monitoring data, personal and web-based surveys of SMEs	Fully achieved. Elaborately discussed in chapter 4.4., 5.3, 5.4
2 c) What internal factors (e.g., quality of project management and implementation) contributed to project results and how?	Discussions with opinion leaders, stakeholders and FNMD staff	Comments made in chapter 5.7
2 d) What external factors contributed to project results and how?	Discussions with opinion leaders, stakeholders and FNMD staff	Little contribution, some remarks in chapter 5.3, 5.7
2 e) What might have been done to make the project more effective?	Discussions with opinion leaders, FNMD staff, BSPs, otherwise answers to this will be deduced from the overall findings	No reason seen to discuss this, as effectiveness was rated high, more discussion in chapter 5.2 (relevance)
2 f) What were the differences in demand for and results from the grants going through BROs and to individual companies, including a comparison between the West Bank and Gaza?	Results of interviews with firms, surveys and M&E data will reveal the differences, the causes for the differences will be discussed with stakeholders, opinion leaders and FNMD staff	No strong differences, Reference to project reports, more discussion under 5.7

2 g) How effective was the project in generating a balanced geographic spread of its activities? Could this have been improved?	M&E data will reveal the balance achieved, the causes for imbalances will be discussed with stakeholders, opinion leaders and FNMD staff	Spread was balanced, Discussed in chapter 5.4
2 h) What was the distribution of returns by private sector firms and by sectors? What were the factors involved in this?	M&E data will reveal the distribution of returns; these will be analysed according to sub-sector, size of firm and location, the causes and factors involved will be analysed with FNMD staff and discussed with stakeholders	No clear answer possible, discusses in chapter 5.4
2 i) FNMD made special efforts to promote exports from Gaza through its Trade Facilitation activity. To what extent were these effective in addressing the constraints?	Discussions with opinion leaders/stakeholders, web-based surveys and telephone interviews	Very effective, discussed in chapter 5.3 and 5.7
2 j) What was the effectiveness of the Radio Show on success stories on stimulating change in risk perceptions? Could it have been enhanced?	Discussions with opinion leaders/stakeholders, person to person interviews with beneficiaries	Was effective in a way, elaborate discussion in chapter 5.3
2 k) What were the lessons learned from the project activities about reaching out to women owned/managed businesses in Palestine?	Discussions with opinion leaders regarding gender issues, person-to person interviews with women-led SMEs	Discussion in chapter 5.7
2 l) Additional indicators might be proposed in order to gauge outcomes such as (at micro level): <ul style="list-style-type: none"> – Increased self-confidence of SME owners, preparedness to take calculable risks – Enhanced capacities of SME owners to innovate – Enhanced capacities of BSPs to deliver quality support At macro level: <ul style="list-style-type: none"> – In how far did FNMD interventions contribute to enhance national exports or contribute to import substitution – In how far has awareness for business support be raised in the public 	<p>Web-based surveys and person to person interviews with beneficiaries, discussions with opinion leaders/stakeholders</p> <p>The risk perception analysis of FNMD will be a good basis for answering the question</p> <p>Analysis of FNMD data, discussions with opinion leaders</p> <p>Analysis of the radio programme and other interventions aimed at public opinion. Discussion with opinion leaders</p>	Elaborate discussion in chapter 5.3
Value for Money		
Were the inputs procured at the right price?	Assessment of procurement processes and project documents.	Yes, see chapter 5.4
Efficiency: were the outputs produced at the lowest cost?	Analysis produced by the project M&E on the cost per new market entered and cost per product improved/developed. Project documents, discussions with stakeholders	Yes, chapter 5.4

Cost effectiveness: were the outcomes produced at the lowest cost?	Analysis produced by the project M&E on the cost per incremental volumes of sales generated and the cost per new job created.	Yes, chapter 5.4
Economic return: did the incremental benefits exceed the incremental costs?	Using M&E data and results of cost effectiveness.	Not really possible to calculate, observations in Chapter 5.4
Impact		
What has been the impact of the project on its grantee firms?	Web-based surveys, person-to-person interviews with beneficiaries, discussions with opinion leaders	Mostly in terms of entrepreneurial decision making quality, details in chapter 5.5
To what extent can these impacts be plausibly attributed to project operations?	Web-based surveys, person-to-person interviews with beneficiaries, discussions with opinion leaders	About 50%, chapter 5.3, 5.5
To what extent did the grants to FNMD clients stimulate the development of a market for business service provision?	Analysis of project data, web-based survey and person to person interviews with beneficiaries as well as FDGs with BSPs with regard to: <ul style="list-style-type: none"> – Repeat purchase of services (without grant) – Service sales by BSPs to non-grantees – Increased demand for FNMD grants 	In a little measure, more discussion in chapter 5.3. 5.5
What do the grantee firms perceive to be the effects of the project on themselves?	Person-to-person interviews, web-based surveys, analysis of case studies	Entrepreneurial decision making quality, see chapter 5.3, 5.5
What has been the impact of FNMD on the environment (to what extent did the implementation team screen their projects for negative environmental impact)?	Discussion with FNMD staff, interviews with BSPs, discussion with beneficiaries in one or the other case	No negative impact, chapter 5.5
What has been the impact of FNMD on women? How they were affected and involved in the project?	Discussions with opinion leaders/stakeholders, relevant questions will also be part of the surveys and person-to person interviews	Between neutral and positive impact, chapter 5.5
Sustainability		
To what extent do positive impacts of the project justify continued investments by external stakeholders (donors)?	Discussions with opinion leaders/policy makers, other donors	Is justified, chapter 5.6
Does the project have potential for replication or scale-up?	Will be deduced from the analysis of effectiveness and VfM	Yes, chapter 5.6
Do project benefits appear likely to continue among grantee firms after the project closes? If so, which ones?	Person to person interviews with grantees, web-based survey	Yes, entrepreneurial qualities, chapter 5.3 and 5.6
What elements of the project have been picked up by the private sector or their representative organizations to continue to mitigate risk and drive investment?	Discussions with BROs	No much yet, chapter 5.6

Annex 9 Observations regarding performance of clients

Observations regarding performance of clients:

- 63 percent of companies that made the highest sales are from West Bank
- 56 percent of companies that made the highest sales are in the agribusiness and manufacturing sectors.
- 71 percent of companies that made the highest sales received grants in year 1 and 2 of the project.
- The companies that generated the highest sales benefited from multiple activities.
- Medium and large sized companies that benefited from local marketing campaigns made the highest sales.
- The companies that generated the highest sales through entering new international markets received more than three grants
- More than 50% of the companies that made the highest sales and benefited from product design and re-design activities are from the manufacturing sector.
- 86 companies that made the largest sales obtained 48% from the total grant amount.
- Companies from West Bank that received support in specialized trade fair generated more results than those who benefited from Gaza
- 43 percent of companies that benefited from specialised trade fairs were through PALTRADE
- 75 percent of companies that benefited from international marketing campaigns were through international BSPs
- 50 percent of companies from Gaza that benefited from local marketing campaigns were through Mashareq BSP
- 50 percent of companies from Gaza that benefited from Marketing Plans and Strategies were through Tatweer Company
- 50 percent of FNMD clients that prepared their companies for certificates were assisted through BESCO
- 75 percent of companies from Gaza that benefited from packaging designs were through Mashareq
- 50 percent of companies from Gaza that benefited from product design and redesign were through Zawayya
- All companies that benefited from knowledge transfer activity and generated the highest sales amount are from West Bank

Annex 10 List of FNMD Staff

List of FNMD Staff

Removed.

Annex 11 Scope of work for BDAs

FNMD Scope of Work for Business Development Advisor

Serve as Business Development Advisor for the Palestinian Facility for New Market Project (FNMD) working under the direction of the Team Leader or under the direction of other project staff as designated by the Team Leader.

Main duties:

- Identify and reach out to Palestinian firms and groups of firms to stimulate demand for FNMD grant funds
- Contribute to the development of marketing and communications materials for the FNMD
- Working with the Grants Manager, develop monthly projections for the estimated demand of FNMD grant funds
- Develop workshops, conduct formal training and provide coaching to local businesses on the FNMD grants scheme and in particular, the application requirements
- Provide assistance to firms and groups of firms with the development of applications for FNMD funds, including the development of costed business plans and workplans to enter new markets and/or develop new products
- Make recommendations regarding FNMD applicants to the Decision Making Body
- Hold and/or facilitate information sessions on potential business opportunities for local business associations and firms, as requested
- Identify and negotiate with local business associations to agree joint FNMD promotion activities
- Identify and reach out to local financial institutions to generate linkages and facilitate a referral system between the FNMD project and financial institutions
- Providing special strategic advice to the project as well as linkages to local market clients and vendors
- Producing reports and maintaining project and client information in TAMIS, the FNMD project information system, according to project standards.
- Providing technical assistance to client firms aimed at improving marketing, sales, profitability, and capacity utilization, as requested
- Contribute to the implementation of surveys and data collection, as requested by the Team Leader and/or the M&E Unit.
- Other duties, as requested by the Team Leader.

Annex 12 List of clients who entered international markets

List of all FNMD Clients who entered the international market, West Bank Clients

	Company name	Sector	Export markets
1.	Removed.	Light Manufacturing	Israel
2.		Agro Business	Malaysia
3.		Light Manufacturing	Malaysia, Sweden, Norway, Canada, France, Yemen, Lebanon, Israel, Saudi Arabia, UAE
4.		Light Manufacturing	Israel, Jordan
5.		IT	UAE
6.		Pharmaceutical	Algeria, Jordan
7.		Light Manufacturing	Algeria, Iraq, Jordan, Saudi Arabia, Yemen
8.		Agro Business	Saudi Arabia
9.		Stones & Marble	Taiwan, United States, Italy, Korea,
10.		Construction	Jordan
11.		Tourism	India
12.		Construction	Jordan
13.		Agro Business	US, Saudi Arabia, Bahrain, UK, Israel
14.		Stones & Marble	Saudi Arabia
15.		Light Manufacturing	Israel, Jordan
16.		Stones & Marble	UAE, Italy, Israel, Jordan
17.		Light Manufacturing	Israel
18.		Media	Israel & Jordan
19.		Agro Business	Israel
20.		Agro Business	Jordan
21.		Light Manufacturing	Jordan, Saudi Arabia, Israel
22.		IT	Jordan
23.		Tourism	Israel
24.		Agro Business	UAE
25.		Agro Business	Belgium, UAE, Germany, Israel
26.		Agro Business	Israel, Jordan, Turkey
27.		IT	Israel
28.		Light Manufacturing	US, Malaysia, Israel
29.		Light Manufacturing	Saudi Arabia
30.		Light Manufacturing	Jordan, Israel

31.		Textile and garments	France
32.		Light Manufacturing	France, Spain
33.		Agro Business	Jordan and SA
34.		Light Manufacturing	Algeria
35.		Light Manufacturing	Turkey
36.		Textile and garments	Jordan
37.		Handicrafts	Algeria
38.		Agro Business	Malaysia, Jordan
39.		Handicrafts	Malaysia, Egypt, Israel, UK, Sweden
40.		Services	Israel, Jordan, USA, Saudi Arabia
41.		Agro Business	Jordan, Qatar
42.		Agro Business	Jordan
43.		IT	US
44.		Agro Business	Israel
45.		Services	Israel
46.		Services	Jordan
47.		Services	Sweden
48.		Light Manufacturing	Israel
49.		Light Manufacturing	Turkey
50.		IT	UK, Germany

List of all FNMD Clients who entered the international market, Gaza Clients

	Removed		
1.		IT	Israel, USA, UAE
2.		IT	Sudan, Saudi Arabia
3.		IT	Egypt
4.		IT	Saudi Arabia, Libya, Oman
5.		Light Manufacturing	Egypt
6.		Media	Germany
7.		IT	Jordan, Saudi Arabia
8.		Services	Saudi Arabia, Dubai

Annex 13 List of new products

List of new Products

- Islamic jewellery
- Automatic switch box - elevator part
- Concentrated juice
- 23 types of decorative paints
- Beverages
- Nursery
- Maintenance service (CRM, warranty systems)
- New furniture designs
- E-trading system in place
- 2D animation service
- Software - virtual visit of Muslim holy site
- Packaging for fruit juice
- Stainless steel grinding wheels
- Women's prêt à porter
- News reports, reportage and documentaries
- Roof tiles from clay
- Manufactured marble
- Customer Loyalty Card
- Halal certification services
- Ethical Hacker Training
- New medicine
- Men's slippers and sandals
- Ready made cartoons
- 3 child seats
- Construction cost calculation software
- CIPA and CSAA Certificates / "Islamic Auditing and Supervisory Certificates"
- Vocational Training Centre
- Lemon juice and ketchup
- Guide Book
- Shoe Moulds
- News agency & internet video radio
- Internet based home delivery service
- English course
- New maintenance service
- Cisco training
- Online brokerage services
- New products design for sofa
- Logistics
- Contemporary furniture
- IT Training
- Designs and characters
- IT softwares

- 2D animation
- E-trading; financial manual
- Real estate software
- Maintenance service (CRM, warranty system)
- New furniture designs
- Packaging for 2 new products
- Shoes and sandals
- Layout of park
- Clinic software
- Automatic switch box - elevator part
- Medicine
- CISCO training
- Ready-made curtains
- Internet-based home delivery service
- Standard embroideries kits
- Nursery
- Roof tiles from clay
- English course
- Logistics
- IT Training
- Designs and characters

Annex 14 Women-owned/managed firms

Women owned/managed firms, West Bank

	Name of firm	Sector	Location	Function	
1	removed	manufacturing	Nablus		co-owner
2		pharmaceutical	Bethlehem	CEO	
3		ICT	E. Jerusalem		co-owner
4		tourism	Bethlehem		co-owner
5		tourism	Bethlehem		owner
6		stone & marble	Bethlehem	Marketing Manager	
7		services	Ramallah		owner
8		services	Ramallah	Marketing Manager	co-owner
9		pharmaceutical	Ramallah	Q.A. Manager	co-owners
10		manufacturing	Hebron		co-owner
11		Textile	Hebron	Production Manager	
12		ICT	Ramallah		co-owner
13		agribusiness	Raam		co-owner
14		manufacturing	Nablus		co-owner
15		ICT	Ramallah		co-owner
16		tourism	Bethlehem	GM	
17		manufacturing	Nablus		co-owner
18		manufacturing	Ramallah		owner
19		ICT	Ramallah	Sales Manager	
20		Financial Services	Ramallah	GM/Fin. Manager	
21		ICT	Nablus	Sales Manager	
22		Food manuf.	Nablus	Fin/Admin/Prod. Manager	
23			Ramallah	Marketing Manager	
24		manufacturing	Nablus	Q&A, R&D Manager	
25		ICT	Ramallah	Admin. Secretary	
26		services	Nablus		co-owner
27		services	Ramallah		
28		services	Ramallah	Executive Manager	Partner
29		services	Ramallah	Board Member	
30		manufacturing	Hebron	Manager Assistant	
31		Construction	Nablus		co-owner
32		ICT	Ramallah	Marketing Manager	
33				GM Head Consulting	
34		pharmaceutical	Ramallah	Technical Manager	
35		agribusiness	Jenin		Partner
36		Light Manufacturing	Ramallah	Manager	
37		Tourism	Bethlehem		Partner
38		Telecom.	Ramallah	GM Assistance	
39		services	Ramallah		Partner

Women owned/managed firms/Gaza

	Name of firm	Sector	Location	Function	
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40	Removed	ICT	Gaza	Eng. dept mgr	
41		ICT	Gaza		co-owner
42		ICT	Gaza		co-owner
43		construction	Gaza		co-owner
44		handicrafts	Gaza	PR & Mark. Mgr	
45		Pharmaceutical	Gaza	Board member	
46		light manufacturing	Gaza		Partner
47		Services	Gaza	Exec& fin. Mgr	co-owner
48		Services	Gaza	GM	
49		agribusiness	Gaza	Exec. Manager	
50		Services	Gaza	Director	

Annex 15 Suggested Competitiveness Assessment Form

To be administered yearly to clients in turns with the M&E form, (i.e. half a year later), also to non-clients

Client Number:

(base line data must have been collected at the beginning)

Competitiveness is commonly defined by the ability of a firm to maintain or expand its market shares. How do you rate your competitiveness compared to competing firms in Palestine on the local market?

- Top
- Among the best 10 percent of similar firms
- Among the best 25 percent of similar firms
- Average
- Below average

How do you rate your competitiveness compared to competing firms in your most important export market?

- Top
- Among the best 10 percent of similar firms
- Among the best 25 percent of similar firms
- Average
- Below average

In what aspects do you intend to become more competitive? Please tick the 2 most important aspects

- Become the best in terms of quality
- Become the best in terms of profitability
- Become the best in terms of modern technology
- Become the best in terms of customer satisfaction
- Be the one with the highest sales volume
- Be the most innovative one
- Be the most flexible one

What have you done during the last year to improve your competitiveness? (please mention the two most significant changes)

- Hired more competent staff
- Invested into training of staff
- Invested into modern technology
- Integrated the production process in order to become more flexible
- Improved my relation with customers in order to be more demand oriented
- Other

What percentage of your profits have you invested into knowledge during the last year?

Acquisition of market knowledge

< 5%	>5 - < 10%	>10 - <15%	>15 - <20%	>20%

Improvement of product design/specifications (including investments into certification)

< 5%	>5 - < 10%	>10 - <15%	>15 - <20%	>20%

Development of new products

< 5%	>5 - < 10%	>10 - <15%	>15 - <20%	>20%

Improvement of production processes/business organisation (including investments into certification)

< 5%	>5 - < 10%	>10 - <15%	>15 - <20%	>20%

How much did you invest into modernising technology? (as percentage of the total of your assets)

Production machinery

< 5%	>5 - < 10%	>10 - <15%	>15 - <20%	>20%

What certifications have you acquired?

- ISO 22000
- HACCP
- Halal
- Kosher
- GAP
- ISO 9001
- ISO 14001
- ISO 18001
- Other (please specify)

Annex 16 Suggested M&E system and form

Monitoring of matching grant schemes:

A monitoring system must be guided by the results one wants to obtain from it. Important for M&E of matching grant schemes are:

1. **Input data:** The number of firms being supported, by sizes of firms, sub-sectors they belong to, locations, and fields of support and amounts of grants. Data should include information on gender of owners/managers/employees, the age of the firms, the legal status of the firms and the age of the owner.
2. **Outcome data:** The effects of support on the performance of firms, which are more complex and difficult to obtain. Such data are usually regarded as confidential; for a variety of reasons, owners of firms are not always able or are reticent to supply them.
 - a) The notion of performance is a somewhat fuzzy. It encompasses sales, profits, success in markets, innovation of products and others, each of which alone could not sufficiently convey that a company is doing well:
 - Sales figures could, for instance, grow if a company switches from producing to trading, i.e. a different competitive scenario, which might impinge on profits. The sales figure alone is therefore not a good indicator for a company's performance.
 - Profits could grow if a company reduces investments, because this reduces depreciation and hence costs. Lack of investments would render a company vulnerable to competition using new technologies.
 - Success in new markets alone is not a sufficiently good indicator if this does not go along with growing profits (at least in the medium and long term).
 - Innovation of products alone is not a sufficiently good indicator if it does not go along with success in markets.
 - b) Rather than sales, "value added" ($VA = \text{Sales} - \text{inputs} - \text{depreciation}$) could be taken as a more suitable proxy for progress. This would require that information on consumption of inputs as well as investments is collected.
 - c) Performance does not include the employment effects, which are of importance to stakeholders investing into a matching grant scheme.
3. **Required M&E data:** In order to measure performance effects, the following monitoring data are required:
 - a) Base line data: these need to be known for each supported firm and include:
 - Annual sales, divided into local sales and exports (or the percentage of exports in total sales)
 - Employment (broken down by gender, full/part time)
 - Amount of inputs into raw materials/subcomponents (conveniently as a percentage of sales)
 - Investments into fixed assets (machinery/production equipment, land/buildings, vehicles/office equipment)
 - Investments made into innovation/knowledge (as a percentage of profits)
 - Sub-sector and type of products/services offered

- Markets, in particular export markets
 - b) Changes in base line data; these relate to all of the above
 - c) The attribution of effects to support: There is no algorithm to calculate attribution; it is not easily measured, because two parties, the owner of a firm and the project providing support contribute to effects. The only practical way is to canvass the well reflected perception of beneficiaries.
 - d) The development of a market for support services without matching grants (would beneficiaries buy similar services in the future with less or without support?)
 - e) The additionality of support (would a supported firm have implemented measures anyway, or how would it have behaved differently if no support were available?)
4. **M&E system design:** The following should be considered when establishing a M&E system:
- a) Rather than asking for exact figures (of sales, investments and inputs/raw material consumption), one could ask for a range into which the figures would fall. This would make it easier for respondents, who would just have to tick the appropriate box. This method would be adequate for M&E purposes.
 - b) It takes time for support measures to take effect, a year at least (meaning M&E should be carried out throughout the project and until a year after the close of a project)
 - c) Additionality can be measured by asking respondents what they would have done without support, but in order to know what difference the scheme has made, one would need to compare performance changes to those of a control group. Such comparisons need to be built into the M&E system from the beginning; they also need a base line.
5. The monitoring system would therefore consist of:
- The input data
 - The baseline data (partly in terms of range values)
 - The data of annual changes of the baseline
 - Data on the attribution of changes to the matching grant scheme
 - Information on changes with regard to success in new markets and innovation of products
 - Data on market development for support services and
 - Additionality
 - All counselling and direct support to clients should be recorded in terms of time spent and results (e.g. if it was agreed that a different service than the one originally demanded by the clients should be supported, and why)
6. **Data collection:** The means by which this data/information can be obtained:
- Input data are recorded by the project
 - Baseline data are collected as part of the application form
 - Annual changes of baseline data can be collected through annual surveys (web-based, telephone or face-to face interviews), all based on a questionnaire (see end of annex 15). It is not necessary to collect annual changes from all clients as long as

the survey is representative.

Questionnaires must be applied professionally. Employing enumerators is discouraged because of the risk that data are misunderstood or entered without cross-checking with the firms' owners.

- Attribution can practically only be measured by asking beneficiaries (what percentage of changes to sales, profits, exports, competitiveness, etc. do you credit to the matching grant scheme?). This could be in the form of two questions inserted in the annual survey, see end of annex 15)
- Market development can equally be measured by asking beneficiaries in how far they are prepared to pay a greater share for services in future (multiple choice question)
- Additionality: checks on additionality can already be made during application. Comparing grant amounts with sales figures provides some indication. Applicants should also be asked when they apply what they would do if grant support were not available. The same should be asked after support has been implemented. A more revealing way of measuring additionality is through a survey of a control group (surveys of baseline data and annual changes)

7. Reporting: A monitoring report would include the following:

- a) Number of firms applying and their characteristics;
- b) Increases in sales and value added of beneficiaries (disaggregated by sectors, sizes of firms, locations);
- c) Increases in exports achieved (disaggregated by sectors, sizes of firms, export destination countries);
- d) Increases in investments made into physical assets and into knowledge/skills (investments into assets are always a good indicator of improved business prospects, investments into knowledge are a proxy for innovation);
- e) Changes in employment;
- f) Attribution of changes (sales, profits, exports, competitiveness and soft factors such as self confidence, dealing with risks) to support (as a percentage figure);
- g) BDS Market development (number of firms interested in buying support services and percentage of costs to be paid (if not fully paid)
- h) Additionality: percentage of firms that would have postponed, reduced or not undertaken investments into support services.
- i) Unit costs:
 - cost per job created (total cost of scheme/number of new jobs
 - cost per new market entered (grants and related overheads into market development/ number of new markets entered)
 - cost per product developed (grants and related overheads into product development/ number of products developed)
- j) ratio between overhead costs and volume of grants (with special consideration of time spent on direct support to clients by the project itself)

k) economic return: value added/total annual costs of matching grant scheme including matching investments made by firms

$ER = VA/TAC$, whereby the formula for value added would be:

$VA = TAS - TIM - TD$

TAS (total of additional sales) = baseline total sales x average percentage annual growth of sales

TIM (total input materials) = TAS x percentage of inputs in sales (baseline data) (provided no major changes of the type of production/service have been undertaken, for firms where this has happened the different ratios have to be calculated year by year)

TD (total depreciation) = baseline investments into machinery/equipment x percentage increase in investments in machinery/equipment x depreciation factor (taxable factor is maybe 15%) + baseline investments into land/buildings x percentage increase in investments in land/buildings x depreciation factor (taxable factor is maybe 5%) + baseline investments into office equipment/vehicles x percentage increase in investments in office equipment/vehicles x depreciation factor (taxable factor is maybe 25%)

TAC = all annual overhead costs of the matching grant scheme + all costs of grants + all matching investments by firms.

Regular monitoring data

Every year, the following should be requested:

Client No.

1. How has employment changed? (please enter absolute figures:)

Full time employees	Added male	Reduced male	Added female	Reduced female
Part time employees	Added male	Reduced male	Added female	Reduced female

2. How have total annual sales changed? (do not make adjustment for inflation)

>- 20%	-<20 -->10%	-<10%	0	+<10%	+>10-<20%	+>20-<30%	>30%

3. How have export shares in total sales changed (including Israel)

Export country 1 (please name)

>- 20%	-<20 -->10%	-<10%	0	+<10%	+>10-<20%	+>20-<30%	>30%

Export country 2 (please name)

>- 20%	-<20 -->10%	-<10%	0	+<10%	+>10-<20%	+>20-<30%	>30%

Export country 3 (please name)

>- 20%	-<20 -->10%	-<10%	0	+<10%	+>10-<20%	+>20-<30%	>30%

Etc.

4. Did you add another export country? If yes, which one and what share of total exports are you exporting there? Please also state the main reason why you added this country

5. Did you stop exporting to a country you used to export to before, if yes, which one and what is share of total exports that was affected? Please also state the main reason why you dropped this country

6. How much did you add to your investments into machinery/equipment/vehicles during the last year? (value of new assets over value of assets at the beginning of the year)

0	+<10%	+>10-<20%	+>20-<30%	>30%

7. How much did you invest into knowledge/training/advice last year (as a percentage of the profits you earned)

0	+<10%	+>10-<20%	+>20-<30%	>30%

8. What did you do to improve sales last year? (to be put as a matrix question, forcing the order of priority)

- Visited trade fairs
- Visited export destination countries
- Invested into advertisement
- Ordered market study to be made
- Informed myself about new markets (only if more than 5% of your total time was spent on research)
- Other (please specify)

9. What have you done to improve your competitive position? (to be put as a matrix question, forcing the order of priority)

- Reduced prices
- Improved quality
- Diversified product range
- Specialised on specific product
- Invested into more competitive technology
- Invested into know-how
- Other (please specify)

10. What have you done to improve your earnings? (to be put as a matrix question, forcing the order of priority)

- Reorganised operations
- Procured cheaper inputs
- Reduced overhead costs
- Increased prices
- Other (please specify)

11. How do you assess changes of your competitive position in comparison with your competitors?

Local market: Competitive position has

Worsened at lot	Worsened a little	Remained the same	Improved a little	Improved a lot

Export market: Competitive position has

Worsened at lot	Worsened a little	Remained the same	Improved a little	Improved a lot

14. Which of the following has changed following support facilitated by the matching grant scheme?

	First most significant	Second most significant	Third most significant	Fourth	Fifth	Last/no change
Higher profits						
Local sales increase						
Export increase						
Competitiveness of the business						
Preparedness to take calculable risks						
Strategic business planning						
Other						

Please specify "Other"

15. With regard to these areas of change, who contributed most to them? (possibly two more categories: Mainly MG, mostly MG, both but more MG, both but more own effort, mostly own effort, mainly own effort)

	Mostly MG project contribution	Mostly own entrepreneurial effort	Both MG and own contribution, but more on MGs side	Both MG and own contribution,, but more of own entrepreneurial effort
Higher profits				
Local sales increase				
Exports increase				
Competitiveness				
Preparedness to take calculable risks				
Strategic business planning				
Other (please specify)				

Please specify "Other"

16. Are you going to invest into business support services in the future without matching grant support?

- Yes, without any grant
- Yes, but with a reduced amount of grant
- Maybe, depending on need
- Maybe, depending on condition
- No

17. What would have happened without MG support? (Please chose two answers)

- Project would not have taken place
- Project would have taken place at substantially reduced scale
- Project would have taken place at slightly reduced scale
- Project would have been delayed/taken much longer to implement
- Other: please explain

Annex 17 Suggested Business Climate Assessment Form

Questionnaire for Enterprises

(to be administered half yearly, preferably by e-mail with the owner of the enterprise)

A Sub sector:

Agriculture	
Agricultural processing	
Construction	
etc.	
etc.	
..	
..	
..	

B Developments during last half year

1. Employment at end of reporting period (including owner)

2. Change of employment relative to the previous half year

	More	Equal	Less
No. Of Persons			

Changes, compared to previous half year

have risen		are same	have fallen	
>10%	<10%		>10%	<10%

3. New **orders** (demand)

4. Prices of **input materials**

5. **Sales**

6. **Investments** made

total approx. NIS

thereof buildings NIS

B Business Situation

7. Our actual business situation is

Good

Satisfactory

Bad

8. In the future half year it will be

Better

Satisfactory

Worse

C Expectations and Plans for the half year

Compared to actual half year

rise		remain same	fall	
>10%	<10%		>10%	<10%

9. **Employment** is expected to

10. **Orders** (demand) are expected to

11. **Sales** are expected to

12. **Investments** in the next half year

total approx. NIS

thereof buildings NIS

D How would you rate your position with regard to competitors over the last half year?

- Competitive position has improved
- Competitive position has remained unchanged
- Competitive position has dropped

Annex 18 Executive summary in Arabic

ملحق أ: التقييم نهائي لمشروع "تطوير أسواق جديدة" لتعزيز قدرات القطاع الخاص في الأراضي الفلسطينية المحتلة

ملخص تنفيذي

مقدمة/السياق

1. بالنيابة عن دائرة التنمية الدولية البريطانية DFID، تم إجراء تقييم نهائي مستقل للمشروع الفلسطيني " تطوير أسواق جديدة" وهو عبارة عن مشروع مماثلة المنح بحيث يقدم دعماً إلى المنشآت الصغيرة والمتوسطة وممول بشكل مشترك من البنك الدولي ودائرة التنمية الدولية البريطانية.
2. تم هذا التقييم من الفترة الواقعة بين 16 آذار و26 نيسان، وكان الهدف منه تقييم مدى نجاعة وفاعلية المشروع وتأثيره على الشركات التي حصلت على تلك المنح المالية، ومبدأ القيمة مقابل المال بالإضافة إلى التمتع في القضايا المشتركة، وأيضاً للاستفادة من التوصيات لتغذية مشروع تنموي جديد في القطاع الخاص والذي سيتم دعمه بشكل مشترك من دائرة التنمية الدولية البريطانية والبنك الدولي والاتحاد الأوروبي. وبما أن وزارة الاقتصاد الوطني هي شريك رئيسي مهم وجهة مستقبلية، فقد كانت الوزارة جزءاً لا يتجزأ من اللجنة التوجيهية للتقييم التي تتألف من المانحين الثلاثة المذكورين آنفاً.
3. بني التقييم النهائي على أساس مراجعة التقارير والوثائق وبيانات الرصد من متابعة وتقييم، بالإضافة إلى المقابلات التي أجريت مع مدراء الشركات والمؤسسات والأطراف المعنية وأصحاب الرأي إلى جانب المسوحات على الشبكة الإلكترونية لعملاء مشروع "تطوير أسواق جديدة" وغير العملاء ومقدمي خدمات الأعمال. وقد استفاد المشروع من التعليقات والملاحظات و النقاشات مع طاقم مشروع "تطوير أسواق جديدة"، بالإضافة إلى الدعم المقدم من مدراء المشروع في دائرة التنمية الدولية البريطانية حيث قدم هؤلاء المدراء في دائرة التنمية دعماً إلى هذا التقييم. وتم تقديم قراءات أو نتائج أولية إلى اللجنة التوجيهية لتكون على بساط البحث في العاشر من نيسان.
4. سكان الأراضي المحتلة هم في ريعان الشباب ومؤشر التنمية البشرية هو الأقل بين جيرانها العرب، وكان نمو الناتج المحلي الإجمالي الأخير نتيجة لزيادات كبيرة في الدعم المقدم من المانحين، في حين انتعاش القطاع الخاص الفلسطيني منذ الاتجاه النزولي الذي بدأ في عام 1999 كان بطيئاً ونصيب الفرد من الدخل لا يزال الأقل مما كان عليه 13 عاماً مضت.
5. هيكل القطاع الخاص الفلسطيني ضعيف، فقط حوالي 100 شركة لديها قوة عاملة أكثر من 100 والباقي يديرها أفراد العائلة التي لديها قوة عاملة أقل من 5. وفي إطار الضفة الغربية، يتركز نشاط القطاع الخاص على التصنيع الزراعي في منطقة الشمال، وحول أريحا وفي مجال الخدمات حول منطقة رام الله وفي التصنيع في منطقة الجنوب ونابلس. وقد كان للحصار المفروض على قطاع غزة أثراً كبيراً في عزل القطاع عن الضفة الغربية تماماً، وقد بقيت قلة قليلة من المصانع التي ما زالت تمارس عملها في القطاع.

6. ستبقى إسرائيل الشريك التجاري الرئيسي لفلسطين على أرض الواقع، حيث أن تحرير الواردات الى سوق إسرائيل يؤثر بشكل مباشر على السوق الفلسطيني والقدرة التنافسية للمنتجين الفلسطينيين.
7. تعد تنمية القطاع الخاص وتعزيز الشركات الصغيرة من الأهداف التي تحتل الصدارة لدى السلطة الوطنية الفلسطينية حيث أن العديد من مؤسسات التنمية الشريكة نشيطة في تنمية القطاع الخاص في فلسطين.
8. وإذا ما قارننا بين الوضع الحالي للقطاع الخاص الفلسطيني مع سابقه في السنوات الثلاث الماضية، فنلاحظ بأن أصحاب مركز المنشآت الصغيرة والمتوسطة أصبحوا أكثر ثقة من ذي قبل، ويشعرون بمخاطرة أقل ويخططون بشكل مسبق لفترات زمنية مطوّلة.

وصف مشروع "تطوير أسواق جديدة"

9. لقد تم تنفيذ مشروع تطوير أسواق جديدة على مرحلتين منذ نيسان 2008 وأذار 2012 ، وتم رصد موازنة بلغت 7,6 مليون جنيه إسترليني. كان الإطار المنطقي لمشروع تطوير أسواق جديدة استجابة للتحديات الذي يواجهه العديد من المشاريع في فلسطين من حيث استعدادها للمخاطرة بالإستثمار في مستقبل محفوف بالمخاطر كما أشار تقرير البنك الدولي بعنوان " تقييم مناخ الإستثمار لعام 2007" .
10. قام مشروع" تطوير أسواق جديدة" بتوفير منح مالية للمنشآت الصغيرة والمتوسطة تقوم على مبدأ المماثلة، أي أن العملاء كانوا يستثمرون نفس مبلغ المال أما إتحدات الشركات فقد استطاعوا ان يتقدموا لمشاريع مشتركة بنسبة مساهمة أقل تصل الى 30% من مجمل التكاليف. في قطاع غزة، شاركت الشركات بنسبة 30% وفي عام 2010 تم إضافة عنصر آخر للمشروع باسم "غزة، الى العمل ثانية" كان يهدف الى مساعدة الشركات على التعافي من الدمار الناتج من حرب 2009 وانتهى هذا الجزء من المشروع في عام 2011. وبينما كان الدعم المقدم من مشروع تطوير أسواق جديدة محصورا بتقديم خدمات استشارية وتدريب ودعم المشاركة في المعارض التجارية، فقد سمح مشروع" غزة، الى العمل ثانية" بتقديم دعم الى الرواتب ، بالإضافة الى منح استثمارية مقدمة الى إصلاح وصيانة الماكينات.
11. كان الأثر المخطط (الهدف التنموي العام) لمشروع تطوير أسواق جديدة هو النمو الإقتصادي في الأراضي الفلسطينية المحتلة والغاية المخطط لها هي: تطوير أسواق جديدة ، ومنتجات جديدة في قطاعات رئيسة وتحسين مناخ العمل في قطاع غزة. وقد كانت مؤشرات تلك المخرجات هي الزيادة المئوية للصادرات لعملاء مشروع تطوير أسواق جديدة ، بالإضافة الى زيادة حجم المبيعات الإضافية وزيادة في العدد الإجمالي للشركات التي تم تقديم العون لها.
12. فاز بتنفيذ مشروع تطوير أسواق جديدة شركة البدائل التطويرية في أوروبا DAI حيث قام فريق الشركة بتوظيف خبير دولي كقائد للفريق لأول ثلاث سنوات من المشروع، بالإضافة الى 14 خبير فلسطيني متمرس في تطوير القطاع الخاص . وقد تم الإشراف على سير عمل مشروع تطوير أسواق جديدة من قبل لجنة توجيهية من البنك الدولي ودائرة التنمية الدولية البريطانية ووزارة الإقتصاد الوطني. وشملت جهود المراقبة والتقييم تحليل التكاليف مقابل العائد العام، بالإضافة الى تحليل المخاطر الذي تضمّن مسحا للشركات العميلة وغير العميلة.

تقييم الإنجازات

13. يتبع تقييم مشروع تطوير أسواق جديدة" المبادئ الخمسة للمنظمة الإقتصادية للتعاون والتنمية ، بالإضافة الى مبدأ القيمة مقابل المال محللا بذلك الإستخدام الناجع للموارد وفعالية ترجمة المدخلات الى مخرجات.
14. بالنظر الى مبدأ الملاءمة، فإن مشروع تطوير أسواق جديدة كان متناغما بشكل كامل مع السياسات والإستراتيجيات للسلطة الوطنية الفلسطينية والتي تؤكد الحاجة الى نمو إقتصادي من خلال تطوير سوق جديد. وقد اتبع مشروع تطوير أسواق جديدة الإطار المنطقي لدائرة التنمية البريطانية الدولية في العمل مع القطاع الخاص، وبشكل خاص منهجية DFID في جعل الأسواق تعمل من أجل الفقراء" وأكثر من ذلك، استجاب مشروع تطوير أسواق جديدة الى متطلبات ومطالب المنشآت الصغيرة والمتوسطة الفلسطينية.
15. هدف مشروع تطوير أسواق جديدة الى خلق أسواق تعمل على تقديم خدمات تطويرية للأعمال ، وقد عملت دون مؤسسات شريكة. وفي هذا السياق، لا بد من التثاء على المشروع بسبب توجهه الواضح نحو الابتكار وتنمية السوق كمحرك رئيسي للنمو. إن تكيف مشروع تطوير أسواق جديدة مع الوضع الخاص في غزة خلال العالم الثالث من عمله جعل المشروع أكثر فعالية وذا علاقة.
16. بالنسبة لمبدأ الفعالية، فقد كان بالإمكان بلورة غاية المشروع بصورة أوضح، وكان يمكن أن تكون المؤشرات أقوى بربطها بمبرر المشروع للتغلب على المخاطر. وكان نظام المراقبة والتقييم للمشروع شاملا وكاملا في المحاولة للتغلب على قضايا الإسناد ومصادقية المعلومات، ولكن هذه الجهود كانت مكلفة من ناحية الوقت والجهد للمشروع وللنشاطات الصغيرة والمتوسطة المستفيدة.
17. قام مشروع تطوير أسواق جديدة بتحقيق أهدافه حيث تم التخطيط لمجموع 560 من الشركات لكي يتم دعمها وقد كان العدد فعليا 603. وتم التخطيط لزيادة الصادرات بنسبة 40% بينما سجل المصدرون زيادة بنسبة 52% بحيث خلق قصص نجاح رائعة للدخول في السوق الجديد. وبلغ حجم المبيعات الإضافية 100 مليون دولار متجاوزا الهدف المخطط له وهو 75 مليون دولار، وهذه الأرقام لا تأخذ بعين الإعتبار 132 شركة التي ليس بمقدورها بعد أن تخرج تقارير رقمية عن أرقام مبيعاتها تعزى الى مشروع تطوير أسواق جديدة بسبب الفجوة الزمنية بين تقديم الدعم والنتائج الحاصلة.
18. مجمل المبيعات التي تم التبليغ عنها تبدو في حدود 10% سنويا مقارنة مع الوضع الأصلي للعملاء، وهو ما تؤكد دراسة استقصائية تمت خلال فترة التقييم. إن نمو الشركات التي يدعمها مشروع تطوير أسواق جديدة ربما تجاوز النمو الحاصل في قطاعات فرعية أفاد بها جهاز الإحصاء المركزي الفلسطيني بينما تبقى أدنى من غيرها. وأظهرت المقارنة أن زيادة المبيعات للعملاء كانت مماثلة لغير العملاء. ولكن، كان ذلك عن طريق استثمار أقل في الأصول الرأسمالية .
19. إسناد التحسن في الأداء للمشروع تم من خلال نظام المراقبة والتقييم من خلال المسح الذي قام به التقييم. اثناهما اعتمادا على تصور العملاء. تؤكد الغالبية العظمة من العملاء بأن مساهمة مشروع تطوير أسواق جديدة الى نمو

- المبيعات لا شك أنها كانت جوهرية، ولكن مساهمتهم أنفسهم كانت أكبر من ذلك. ويرجع الفضل الى مشروع تطوير أسواق جديدة بمساهماته بالنسبة للمزايا الريادية التي أضافها الى مشاريع الشركات.
20. معظم عملاء مشروع تطوير أسواق جديدة استخدموا خدمات تطوير الأعمال أول مرة حيث ان 80% من العملاء صرّحوا باحتمالية شراءهم لتلك الخدمات في المستقبل دون دعم. وبينما جاءت إجابات غير العملاء على نحو لا يختلف بكثير، فإن العملاء بخلاف غير العملاء يعلّقون قيمة كبيرة على الإستشارات التي يتلقونها من مشروع تطوير أسواق جديدة والتي سبقت التسليم الفعلي للخدمات.
21. إن الدعم الذي يقدمه مشروع تطوير أسواق جديدة وبشكل خاص في قطاع غزة ينظر إليه بعين الرضى من قبل الشركات وفقا لأصحاب الرأي والمعنيين.
22. قام مشروع تطوير أسواق جديدة باستخدام عدة طرق لكي يسوّق خدماته بما في ذلك الإذاعة. وكان البرنامج الإذاعي ناجحا في توعية السكان عن القضايا التجارية وأن البرنامج مستمر بدعم من القطاع الخاص.
23. بالنسبة لمبدأ القيمة مقابل المال، فقد ضمنت قواعد الشراء بأن التعاقد تم بالطريقة الأكثر اقتصادية، و قد ساهم تقديم الاستشارة قبل التعاقد الفعلي للخدمات في استخدام اقتصادي أكثر وجعل الخدمات أكثر فعالية ، وإذا ما قارننا بين مشروع تطوير أسواق جديدة ومشاريع مماثلة من ناحية التكاليف، فإن المقارنة التي يتم تحقيقها هي إيجابية وفي صالح تطوير أسواق جديدة.
24. تكاليف الوحدة كانت 1,811 جنيه استرليني لكل فرصة عمل في غزة و12,020 لكل سوق تم دخوله و5,976 جنيه لكل منتج محسّن و 110,963 جنيه لكل مليون جنيه للمبيعات الإضافية التي تم تحقيقها، وهذه المبالغ التي تظهر هي معقولة، مع أنه يجب الأخذ بالحسبان نوعية الوظائف التي يتم خلقها، وعمق اختراق السوق ومستوى الإبداع عند إجراء أي مقارنة.
25. أما بالنسبة للتأثير على المستوى الوطني، فان نظام الرصد لتطوير أسواق جديدة يشير إلى وجود 2,807 وظيفة إضافية (ربما يكون الرقم أعلى حيث انه لم يتم رصد العمالة طوال فترة المشروع). أما الصادرات الإضافية فلا يبدو أنها تفوق معدلات النمو الاقتصادي العام، على الرغم من وجود قصص نجاح وجود ظاهرة التأثير. وتأييدا للتصورات الذاتية لعملاء تطوير أسواق جديدة، فقد رأى مقدمو الخدمات أن هناك فوائد ملموسة قد تحققت، وإن كان لا يمكن قياسها كميا فيما يتعلق باستبدال الواردات والقدرة على المنافسة.
26. تزايدت نسبة العقود المباشرة مع الشركات ومقدمي الخدمات خلال تنفيذ مشروع تطوير أسواق جديدة، ولكن هذه الزيادة ليست مؤشرا لظهور أسواق مستدامة تزود تلك الخدمات في المستقبل المنظور.
27. أخذ مشروع تطوير أسواق جديدة بعين الاعتبار ما إذا كانت المنشآت الصغيرة والمتوسطة الذي يتم دعمها من المشروع لا تؤثر سلبا على البيئة وطبقا لذلك قدمت النصح للعملاء. ويمكن ان تكون مجالات حماية البيئة وتوفير الطاقة مشاريع مهمة في المستقبل لمنح مالية مماثلة.
28. أخذ مشروع تطوير أسواق جديدة بعين الاعتبار تضمين شركات تملكها/تديرها نساء لتحقيق توازن في النوع الاجتماعي، ولم يتبع المشروع سياسة نوع اجتماعي قائمة على الكوتا.

29. تتميز مخرجات المشروع على مستوى الشركة بالإستدامة. وحيث أن استدامة مشروع مماثلة المنح يتوقف من ناحية على قدرة الجهات المعنية لتمويل الدعم بينما سيأخذ وقتاً أطول لظهور أسواق تجارية لخدمات الأعمال التي قام المشروع بتسهيلها.
30. لن يكون بالإمكان توسيع نطاق المنهجية إلا إذا استمر الدعم، وحيث أن المنهجية تعمل في فلسطين وسارية المفعول، فإنها توفر مفهوماً قابلاً للتطبيق من قبل المانحين، ولكن القدرات الاستيعابية للمنشآت الصغيرة والمتوسطة تحد من نطاق مشروع جديد.
31. يحتاج المشهد المؤسسي الداعم لبيئة مثل هذه إلى تحضير من أجل تولى دور المانح.
32. وكخاتمة، فقد كان مشروع تطوير أسواق جديدة مشروعاً شجاعاً ونجح لأنه (1) تدخل بالرغم من المخاطر الموجودة على مستوى الشركة مخلصاً وراءه نتائج عملية شكلت نواة للمعرفة والتعلم (2) حفز القوى الكامنة ورغبات الشركات الفلسطينية على اقتناص الفرص (3) طبق منهجية العمل القائم على أساس مقترحات مشاريع تتضمن النجاح المتبادل للشركات الفلسطينية. ويجب أن تتوصل مشاريع مماثلة المنح إلى تحقيق توازن بين متطلبات الإستدامة والنتائج التشغيلية والتي نجح مشروع تطوير أسواق جديدة في تحقيقها.

توصيات

33. تم الخروج بتوصيات منها تنفيذ مشاريع مماثلة المنح بحجم مماثل لمشروع تطوير أسواق جديدة، وباستمرارية التركيز على توسيع السوق والإبتكار، فإن التبرير المنطقي للمشروع الجديد يجب أن يكون خلق مجالاً أكثر للنمو الإقتصادي في القطاع الخاص.
34. يجب أن يتسم المخطط المستقبلي بالطموح للوصول إلى مستويات أعلى من توفير الخدمات، ويجب أن يصب تركيز أكثر على الإستشارات الإستراتيجية. وبشكل مبدئي، يجب الحفاظ على تقاسم التكلفة بنسبة 50:50%.
35. يمكن النظر إلى تقديم إطار مكمل الذي يمكن أن يقدم منحة منخفضة يتم توجيهه لتقديم خدمات الدعم التشغيلية على أن يكون لها هدف واضح لتطوير السوق.
36. مساهمة أكثر من 50% لنقل (70%) يمكن أن تمتد إلى مقترحات واضحة لها خاصية "رائدة" ويشمل ذلك الحالات التي تحتاج إلى إشراك مستشارين دوليين عندما تكون الخبرة المحلية غير متوفرة.
37. كمشروع تطوير أسواق جديدة، فإن الخطة المستقبلية يجب أن توفر استشارات قبل التسليم الفعلي للخدمات. ويجب توثيق هذه الاستشارات حتى نستطيع تقييم قيمتها المضافة.
38. من أجل تعزيز نظام الرصد والتقييم، فقد تم إرفاق مقترحات لنظام اقتصادي فعال بالتقرير.
39. يمكن أن يتضمن المخطط الجديد عناصر بناء القدرات لكل من طاقم المشروع ومزودي الخدمات أيضاً على أن يتم تحفيز الأخير.
40. يجب أن تكون المعرفة الإدارية جزءاً لا يتجزأ كمخرج لمخطط جديد، والبحث عن منهل المعرفة والخبرة المكتسبة.

41. مشروع مماثلة المنح يجب أن يركز على رزمة لدعم القطاع الخاص موجه الى صانعي القرار على مستوى القطاع الخاص والعام، وعلى مستويات ممثلي شركات الأعمال والمؤسسات والحكومة. ويجب تحسين أداء المانحين وبشكل خاص بالنسبة للإعانات التي يمكن ان تشوّه تنمية خدمات تطوير الأعمال.
42. بالنظر الى الوضع الخاص بفلسطين، يجب إضافة منهجية تعمل على نقل المعرفة الى القطاعات ذات الإمكانيات التتموية القوية.
43. يجب مسح القطاعات الفرعية الآخذة بالتطور بين المنشآت الصغيرة والمتوسطة في الإقتصادات الصغيرة بشكل دوري على مستوى العالم لفحص ملاءمتها لفلسطين.
44. يجب إجراء بحث للسوق ذات الصلة التنافسية في الدول التي لها قدرات كامنة للتصدير. مثل هذا البحث سيجعل النفقات أرخص بالنسبة للشركات الفلسطينية التي تريد المتابعة ببحث فردي.
45. يجب تقوية أو اصر التعاون بين الجامعات والقطاع الخاص، وهناك حاجة لآلية تترجم متطلبات المنشآت الصغيرة والمتوسطة لتكون مواضيع بحث والعكس صحيح، وترجمة خبرة البحوث الى استخدام عملي للمنشآت الصغيرة والمتوسطة. وتكمن مزايا التعاون الوثيق في الإستخدام الإقتصادي لمصادر المعرفة العامة لكي تم تطبيقها في القطاع الخاص.
46. هناك توصية بإنشاء شبكة إلكترونية لدعم الأعمال في فلسطين بحيث تحتوي على المعلومات والأدوات التفاعلية والتي يمكن للمنشآت الصغيرة والمتوسطة استخدامها. ويمكن ان تكون الشبكة الإلكترونية للأعمال في المملكة المتحدة مثالا يحتذى به.
47. تشجيع إنشاء هيئة للشركات الإستشارية الفلسطينية يضمن أعضائها تلبية المعايير والجودة لذلك.
48. إذا ما استمر العمل بمشروع مماثلة المنح ، فإن دعم حملة بدائل للواردات يمكن ان يحفز تقديم طلبات دعم أكثر من الشركات المهتمة.
49. يمكن لمشروع جديد أن يدعم ظهور مجموعة خبراء اقتصاديين على درجة من الكفاءة يقدمون النصح المحايد الى الحكومة والقطاع الخاص على نحو سواء، ويمكن ان تكون المسوحات الدورية لمناخ الإستثمار أحد الأدوات الفعالة التي تبقي هذه المجموعة متيقظة للمتغيرات من حولها.
50. توصية أخيرة تنسب الى الكثافة المنخفضة نسبيا للكثافة السكانية لمركز المنشآت الصغيرة والمتوسطة في فلسطين والتي تقترح بأن هناك متسعاً لمزيد من البدايات تضع في اعتبارها المسؤولية والمخاطر المحيطة ، والبداية والمحاولة من جديد.

