

# ORET/MILIEV EVALUATION 1999-2004

## FINAL REPORT



**BERENSCHOT**

**SEOR**

**ECOLAS**



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Mission reports

Bolivia  
Colombia  
El Salvador  
Ethiopia  
Ghana  
Tanzania  
Philippines  
Sri Lanka  
Vietnam  
Yemen

Overview scoring table – scores per project

Summary scoring table – scores per dimension

## Abbreviations

BEMO	Beoordelingsmemorandum / Appraisal Memorandum
CIRR	Commercial Internal Rate of Return
DGIS	Directorate for International Cooperation of the Netherlands Ministry of Foreign Affairs
EIA	Environmental Impact Assessment
EIRR	Economic Internal Rate of Return
FIRR	Financial Internal Rate of Return
FMO	Netherlands Development Finance Company
ICB	International Competitive Bidding
IOB	Policy and Operations Evaluation Department of the Netherlands Ministry of Foreign Affairs
LDC	Least Developed Countries
LCL	Low Concessional Loans
NEI	Netherlands Economic Institute
NIO Bank	Netherlands Investment Bank for Developing Countries
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
ORET	Ontwikkelings Relevante Export Transacties / Development Relevant Export Transactions
PSOM	Program for Co-operation Emerging Markets
MILIEV	Milieu en Economische Verzelfstandiging / Environment and Economic Independence

# 1 Introduction

## 1.1 The ORET/MILIEV programme

Developing countries that need to purchase foreign goods and services for investments in social and economic infrastructure (for example, port facilities, roads and public transport, health care, drinking water facilities) can make use of a Dutch grant facility, known by its Dutch acronym ORET (Ontwikkelings Relevante Export Transacties). The grants are awarded to the government of a developing country, but have to be used for payments to the (Dutch) suppliers<sup>1</sup>. In 1979, the Netherlands Ministry of Economic Affairs and the Ministry of Foreign Affairs (Directorate General for International Cooperation, DGIS) launched the ORET programme, while the ‘sister programme for the environment’ MILIEV (Milieu en Economische Verzelfstandiging) was set up in 1993 with the aim of promoting projects that would produce a positive environmental impact. On January 1, 1998, the two programmes were merged to the ORET/MILIEV programme<sup>2</sup>. With the new Regulations of 2005, the distinction between ORET and MILIEV was abandoned, and a unified ORET programme emerged.

The Ministry of Foreign Affairs has invited the consortium SEOR-Berenschot-Ecolas to carry out an evaluation of the efficiency, effectiveness and impact of the ORET/MILIEV programme over the period 1999-2004. The activities to be evaluated were supposed to meet the objectives of the ORET/MILIEV programme at the time, as well as the Regulations as valid over the period 1993-2004<sup>3</sup>.

The following lines describe briefly the objectives and criteria as valid over the evaluation period. These should be mentioned explicitly, since substantial changes have been introduced afterwards. Up to March 2002, the objectives of the programme were threefold:

1. To promote Dutch exports.
2. To promote employment in developing countries by facilitating investment in the economic and social infrastructure.
3. To improve the business climate in developing countries.

A collateral condition was that either the projects would not damage the environment (ORET), or had to result in an improvement of the environment in developing countries (MILIEV). Other collateral conditions were that the activities would not harm the interests of women and the poor strata of the population.

The projects and transactions had to meet the following criteria (applicable ORET/MILIEV Regulations 1993-2004) in order to qualify for a grant<sup>4</sup>:

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<sup>1</sup> New Regulations for the ORET programme are in force since 2005 (FMO, ORET programme per 2005). The new Regulations distinguish the Least Developed Countries, for which the grant has been untied from Dutch suppliers.

<sup>2</sup> Published in the Staatscourant 9<sup>th</sup> July, 1999.

<sup>3</sup> The ‘oldest’ transactions that were completed between 1999 and 2004, were applied for in 1993.

<sup>4</sup> ORET/MILIEV Regulations have been adjusted in 2005, currently the Regulations of 2006 apply.

- Projects must be commercially non-viable.
- A project is regarded as commercially non-viable if, under realistic assumptions about market prices, it would fail to generate sufficient income within 10 years to cover the initial capital investment and ongoing (operating and financing) costs.
- A project is also deemed commercially non-viable if it is financially viable but could not obtain financing on commercial terms.
- The project should tie in with the objectives of Dutch development policy and may not thwart any existing agreements between the Dutch government and the government of the receiving country.
- Although poverty alleviation is a major goal of the Dutch government, the proposed project itself is not required to have direct positive effects on the poor. Nevertheless, it must in no case harm the interests of the poor, or have negative effects on disadvantaged groups and/or women.
- The investments should stimulate sustainable economic, ecological and social development in developing countries. Proposals are assessed on the results they are expected to have regarding financial-economical effects (economical, financial, institutional, and technical sustainability), environmental effects, and social effects.
- The transaction must be beneficial to the Dutch economy (e.g. export improvement, trade relationships).
- The end user must be sufficiently capable, in all respects, of ensuring (long-term) sustainable management of the project.
- Projects appraised under MILIEV should have a significant impact on improving environmental conditions in the recipient countries.
- The share of Dutch origin in the transaction must at least be 60 percent of the total transaction amount. In case the products and services originate for at least 10 percent of the total transaction amount from a developing country, the Dutch share should be at least 50 percent; in case the developing country provides a substantial number of local experts for services (service contract) the Dutch share in the total transaction should be at least 40 percent.
- The price-quality ratio of the proposed transaction must be in keeping with market standards.

At present (2006), the ORET programme pursues different objectives<sup>5</sup>. Nevertheless, since the instrument remained the same, the ‘undercurrent’ of the programme, being the export of Dutch goods, services and works, remained unaltered as well. Table 1.1 presents the main differences between the objectives and criteria as evaluated and those valid at present (May 2006).

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<sup>5</sup> In OECD context, the untying of aid for the Least Developed Countries was agreed upon in 2005. Since May 2006 the programme objectives are:

1. to contribute to sustainable economic development in recipient countries;
2. to improve the business climate in developing countries.

**Table 1.1 Main differences between the objectives and criteria as evaluated and those valid at present (May 2006)**

Objectives and criteria	ORET/MILIEV 1999-2004	ORET 2006
Objectives	Promotion Dutch export; Incentive to employment in developing countries through facilitating investment in the economic and social infrastructure; Improvement of the business climate in developing countries.	Strengthening sustainable economic development and  Improving the business climate in developing countries.
Distinction between LDCs and other countries	No distinction up to 2002. Period of temporary exclusion of LDCs. 2005: special LDC treatment	Support to LDC's untied from Dutch suppliers. Higher grant percentage (50 percent).
MILIEV	Separate conditions. Merged with ORET in 1998, but continued to be registered separately.	Unified to single ORET conditions.
Benefits to Dutch economy	Explicit purpose.	Not explicit.
Sustainable trade relations between Dutch companies and recipients	Explicit purpose.	Not required.
Percentage of Dutch origin	60 percent (with exceptions)	50 percent (with exceptions) for non-LDC's only. LDC's 50 percent local production.
Employment generation	Key criterion to determine economic development.	Among other criteria like time savings and balance-of-payments effects.
Congruency with Dutch development policy at country level	Criterion	Not required
Procurement procedure	Not explicit	For tied aid: either direct negotiation or ICB. Untied aid: ICB <sup>6</sup>
Explicit criteria on women and poor	Explicit collateral criteria	Social policy checklist. Impact on women and poor 'field of attention' in appraisal study <sup>7</sup>
Good Corporate Governance	Implicit	According to OECD guidelines for business principles
Special facility for technical assistance and Special Water Facility		Introduced

<sup>6</sup> ICB = International Competitive Bidding. For untied aid in accordance to the Good Procurement Practices for Official Development Assistance of the OECD.

<sup>7</sup> See: FMO - ORET programma per mei 2006. Annex 3, p 32.



## *Administration*

The Directorate-General for International Cooperation at the Ministry of Foreign Affairs, together with the Ministry of Economic Affairs is responsible for control over the ORET programme. During part of the period under review, the Ministry of Foreign Affairs was also directly responsible for the administration of the programme. Since 22 March 2002, the Netherlands Investment Bank for Developing Countries (NIO Bank) has been authorised to administer the programme in consultation with the Ministry of Economic Affairs. NIO Bank is a subsidiary of the Netherlands Development Finance Company (FMO).

## **1.2 Objectives of the evaluation**

The Terms of Reference (ToR) of the present study define the following twofold purpose of the evaluation:

1. To justify the results realised with the ORET/MILIEV programme.
2. To draw lessons for policy development and improvement (both at the project and at the programme level).

According to the ToR, “this evaluation will focus on the effects and impact of the programme, i.e. the effectiveness (relation output-outcome) and relevance (relation outcome-impact) of the projects and look at the efficiency as far as the market conformity of the investments is concerned”. The major evaluative questions formulated are:

1. Assess the efficiency of the investments (input → output).
2. Assess the effectiveness of the programme, i.e. determine to what extent the completed ORET/MILIEV projects have increased the employment in the recipient country (both directly and indirectly) and the desired longer-term effects stimulating the social and physical infrastructure in the developing country (output → outcome).
3. Assess the relevance of the programme, i.e. have the completed ORET/MILIEV projects had any sustainable effects on the business climate and macro economic indicators in the recipient country? And: did the programme result in sustainable trade relations (recipient country with the Dutch)? (outcome → impact).

The ToR define the evaluative concepts as follows:

- Efficiency relates input to output: how economical was the conversion of the resources into outputs?
- Effectiveness relates output to outcome: to what extent has ORET/MILIEV reached its objectives and did the outputs contribute to the desired outcomes?
- Relevance relates outcome to impact: to what extent does the programme achieve its own objectives and does it contribute to improving the business climate in the recipient country?

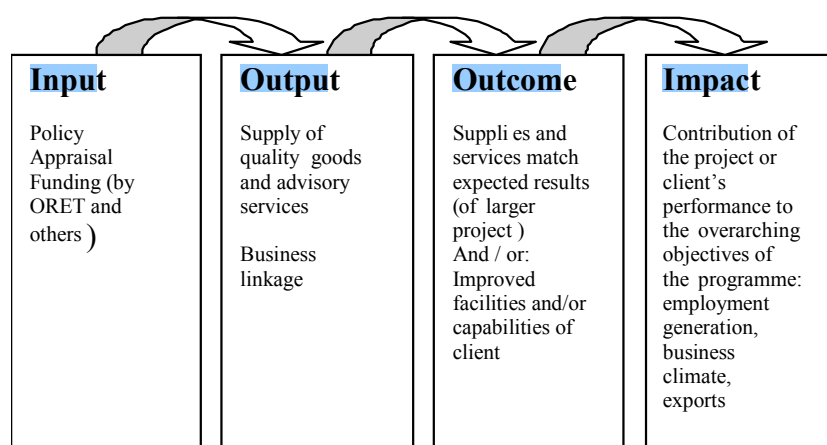
### 1.3 Scope of the evaluation

In accordance to the ToR this evaluation has focused on the results of the transactions, i.e. the effectiveness (relation output-outcome) and relevance (relation outcome-impact) of the projects in achieving the over-arching objectives of the ORET/MILIEV programme.

In the evaluation approach a distinction has been made between the transaction level, the project level and the programme level. The transaction refers to the individual supplies, services or construction works delivered with ORET/MILIEV grants. These may –or may not- form part of a larger ‘project’. A project is defined by the OECD as “the smallest and technically fully integrated productive entity that benefits from the intended investment and reaps the benefits attributable to the investment”<sup>8</sup>. In practice, most transactions were identical to the projects. Individual transactions/projects count with their own specific objectives and hence have their own expected results.

The transactions/projects are the building blocks that together are supposed to construct the ORET/MILIEV programme. The extent to which an individual transaction/project contributes to the programme objectives determines its policy relevance. In terms of the logical framework, this can be shown as follows (figure 1.1):

**Figure 1.1 Logical framework sequence at project-transaction level**



The evaluation was restricted to those transactions that had technically been completed between 1<sup>st</sup> January 1999 and 31<sup>st</sup> December 2004. The ToR indicate that for transactions finalised in the period 1999-2003 the impact had to be assessed, while transactions terminated in the year 2004 had to be reviewed only. However, this report does not analyse the transactions finalised in the year 2004 as a separate group, since field studies revealed that many years could pass between the physical completion of the transaction and the administrative finalisation. In practice, a transaction registered as being closed in 2004 could be ‘older’ in its physical completion than a transaction closed in 2003.

<sup>8</sup> FMO. ORET Regulations as per May 2006.

Field study was carried out to 22 selected transactions<sup>9</sup>, presenting more than one third of the total number of transactions that have been completed between 1999 and 2004, excluding the transactions to China<sup>10</sup>. Annex 1 includes a list of the transactions selected for field study, a description of the methodology used for the selection and the coverage of the sample versus the total population of transactions. Field studies comprised, next to the analysis of the transaction, a brief context analysis. The field studies did not encompass a detailed technical assessment of the subject matter of the transactions other than those indicated in the technical appraisal reports of the corresponding ORET/MILIEV applications. In some cases the qualifications of the local consultant contracted enabled to conduct a more detailed technical study. The consortium partner ECOLAS conducted the studies on environmental aspects based on secondary sources and findings of the field team.

## 1.4 Methodology

Starting point of the evaluative approach has been the concept that the objectives at programme level were to be achieved through the individual projects (of which the ORET/MILIEV transactions form an integral part). In other words, the individual projects are the building blocks for the construction of the ORET/MILIEV programme.

The evaluation method comprised the following four components:

### *1. Policy reconstruction*

A reconstruction of the policy development of the ORET/MILIEV programme has been carried out, based on a study of relevant policy documents and interviews with stakeholders in the Netherlands. One of the inputs has been the recent evaluation of the ORET/MILIEV programme in China, conducted by the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs and the Chinese National Centre for Science and Technology Evaluation (NCSTE).

### *2. Desk-study of the appraisal and administration of 22 ORET/MILIEV transactions; plus the suppliers' perspectives*

File study has been carried out of all 22 ORET/MILIEV transactions subject to field visit. Analysis of the files took place on the basis of a standardised checklist. Prior to the field mission, the corresponding Dutch exporting company was interviewed in order to gain insight into the project. In total eighteen Dutch exporting companies were interviewed<sup>11</sup>, this represents 44 percent of the total number of Dutch exporting companies that have implemented ORET/MILIEV transactions between 1999 and 2004 (excluding companies that have only carried out transactions to China). Annex 1 includes a list of all Dutch companies that have implemented ORET/MILIEV transactions between 1999 and 2004 and those included in the sample. It also includes an overview of the frequency of ORET/MILIEV

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<sup>9</sup> In fact 24 transactions have been evaluated, but three of them, concerning the set up of vocational training centres in Ghana, have been considered as one single transaction.

<sup>10</sup> China was excluded from the evaluation, since a separate evaluation of the ORET/MILIEV programme in China has been carried out by the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs and the Chinese National Centre for Science and Technology Evaluation (NCSTE). "Country-led Joint Evaluation of the ORET/MILIEV Programme in China", 2006.

<sup>11</sup> Some exporting companies were involved in more than one transaction.

transactions implemented during the evaluation period per supplier. Use was made of a standardised checklist for the interviews with suppliers. If necessary, a second interview, or telephone conversation was held after the field mission.

### *3. Study of the implementation of 22 ORET/MILIEV transactions and the recipients' perspectives*

'In situ' visits were made to the projects sampled. The ToR assigned 2-2.5 days per project, but for most projects more time was required. Field visits focused on the implementation process and the achievement of the expected output, outcome and impact. No 'country studies' have been carried out, since the country was considered a contextual factor that could have a bearing on the achievement of the objectives of the ORET/MILIEV programme.

In most, but not all cases, the clients had been requested in advance to produce or submit documentation on effectiveness and impact. The following instruments were used during the field studies:

- Semi-structured interviews (based on standardised checklists).
- In situ check on (visual) operation and maintenance of works, supplies or services.
- Collection of secondary material (documentation) on effectiveness and impact<sup>12</sup>.
- For each individual project, a standardised scorecard form was used.

Each field study comprised a preparatory stage, a field stage and a reporting stage. The field stage consisted of:

- Interviews with the Royal Netherlands Embassy and the national authorities of the host country (being -in general- the Ministry of Finance).
- A field visit for a physical check on operation and maintenance, and interviews with direct stakeholders.
- Interviews with the Chamber of Commerce, research institutes, ministries, public and private agencies in order to collect information for the assessment of impact.
- Study of reports by clients and other written material.

A first pilot mission was carried out to Yemen, where two projects in transport, respectively energy were evaluated.

Reports of the field studies in all ten countries are available on the CD-rom accompanying this evaluation report.

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<sup>12</sup> The Inception report referred to the 'challenge technique', implying that the client would produce 'evidence' on effect and impact. In practice, clients could either refer to existing secondary documentation, or the current administrators had a very limited knowledge of the project / transaction carried out in the past. As evaluation 'technique', the challenge technique was successfully applied in the Cartagena Tidal Inlet project only.

**Table 1.2 Overview field studies (net time in country, exclusive of travel time)**

Country	No. of projects visited	From	To
Yemen	2	4 April	11 April
El Salvador	2	27 April	3 May
Ethiopia	1	28 April	3 May
Bolivia	1	1 June	6 June
Philippines	2	3 June	10 June
Colombia	1	19 June	22 June
Tanzania	3	19 June	25 June
Vietnam	3	2 July	12 July
Sri Lanka	3	31 July	8 August
Ghana	4	17 July	29 July
Total	22	4 April 2006	29 July 2006

#### *4. Analysis of scores from different perspectives*

In order to assess the main evaluative questions, a scorecard had been developed (see Annex 2). The scorecard is based on an ordinal four-point ranking (A-D). Each main indicator is being constructed based on a maximum of four dimensions of that same indicator. These dimensions have been aggregated to a general 'score' using an internationally recognised method<sup>13</sup>. In this method each dimension is considered to have equal 'weight' and in the analysis afterwards it was assumed that each indicator was of equal importance to the evaluation. Furthermore, in the sum of scores across the 22 projects per dimension/indicator, those projects with a score 'not applicable' were not included in the total number of projects on which 'sufficient/insufficient' percentages were based.

The 22 selected transactions were categorised in four different sectors<sup>14</sup>:

1. Environment: environment protection, waste management and water treatment;
2. Transport: ports, roads and railways;
3. Utilities: energy and water supply & sanitation; and
4. Social services: education and medical equipment/supply.

Since the number of projects per sector was unevenly distributed (7, 10, 3 and 2 respectively), the two smallest sectors (3 and 4) were combined to one sector 'Utilities and Social Services' in order to allow for a meaningful sectoral analysis.

The scores per dimension and indicator for each transaction/project can be viewed in the mission reports that are available on the CD-rom accompanying this evaluation report. This CD-rom also includes the filled in scorecard for all 22 transactions.

<sup>13</sup> Method applied by World Bank, European Commission, DfID and some other donors in assessing the quality of the Public Expenditure and Financial Accountability (PEFA) of a country (2005). Use was made of the so-called M2 scoring table. See accompanying CD-rom.

<sup>14</sup> The categorisation into sectors deviates from the ToR, since the required categorisation would lead to very small numbers per category.

## **1.5 Presentation of the report**

The report is structured as follows: after a descriptive chapter on the policy development and main features of the ORET/MILIEV programme, chapter 3 analyses the efficiency. The assessment of efficiency has been restricted to the extent to which the products have been delivered as envisaged, and whether the price-quality relation of the goods, services and works could be considered as those prevailing on the market.

Chapter 4 assesses the effectiveness at transaction/project level and refers to the stated objectives of each individual transaction, as well as to the direct contributions to employment generation, environment, women and the poor. Chapter 5 is related to chapter four and assesses the technical, financial and institutional sustainability of those activities assessed as being (sufficiently) effective.

Chapter 6 refers to the relevance of the various projects in achieving the stated programme objectives. This deals in particular with employment generation, contribution to the business climate, environmental impact and impact on women and the poor in recipient countries. Further, the impact on Dutch exports and trade relations is being assessed.

The last two chapters draw conclusions and make suggestions for the future.

## **2 Policy reconstruction 1993 - 2005**

### **2.1 Introduction**

This chapter describes the reconstruction of the policies that has guided the ORET/MILIEV programme over time and is based on the subsequent Regulations as published in the Government Gazette. It is important to observe that the applications for ORET/MILIEV support to the projects evaluated in this study were submitted to the Ministry of Foreign Affairs between 1993 and 2001. Applications submitted were appraised on the basis of the Regulations of 1993, '94, '96, '97 and '99. No adjustments were made in the Regulations between 1999 and 2001. Adjustments made after 1999 are not relevant for the present evaluation. Nevertheless, this chapter does describe the important changes made in 2002 and 2005/2006.

ORET/MILIEV is a programme open to all (financially solvent) enterprises legally based in the Netherlands. As the name reveals (Ontwikkelings Relevante Export Transacties), the programme finds its origin in enabling developing countries to procure Dutch produce, works and services. The programme facilitates investments in economic and social infrastructure in the recipient countries, but is not tied to any productive or services sector in the Netherlands, nor to any specific sector in the recipient countries.

### **2.2 Objectives of the programme**

During the period 1993-1997, the main objective of the ORET programme was described as enabling developing countries to procure goods, works and/or services of Dutch origin for projects with a positive impact on employment in the recipient country<sup>15</sup>. During the same period, the main objective of the MILIEV programme was to support initiatives by Dutch companies in delivering goods, works and/or services to developing countries with a positive impact on the environment<sup>16</sup>. From the first of January 1998 onwards, the ORET and MILIEV programmes were merged to a single programme, although still with some specific Regulations that distinguished between the two. At the same time, the provision of a support to the business climate in recipient countries was added to the overall objectives.

In 2005, the application of specific Regulations to MILIEV was discontinued, and the name of the programme was simplified to ORET. From that date onwards, all submissions for support are being appraised against a single set of Regulations. In practice however, the administrator FMO continues to register projects with an explicit environmental objective as MILIEV transactions. Since 2005, the main objective of the ORET programme has been formulated as “to promote sustainable economic development and improve the business climate in developing countries by facilitating investment in their economic and social infrastructure”<sup>17</sup>. The main shift in the objectives of the ORET programme has been from

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<sup>15</sup> Description ORET programme 1994, 1996, 1997.

<sup>16</sup> Description MILIEV programme 1996.

<sup>17</sup> Description ORET programme 2005.

promoting employment in the recipient country to promoting sustainable economic development and the business climate.

## **2.3 Appraisal criteria**

The appraisal criteria provide further insight in how the main objectives were interpreted over time. According to the ORET/MILIEV Regulations valid over the period under review, proposals had to comply with three main conditions:

1. The project should be development-relevant;
2. The transaction should be beneficial to the Dutch economy; and
3. The project should not be commercially viable.

These three conditions are being detailed in continuation:

### **2.3.1 Development relevance**

#### *Development relevance 1993-1998*

During the period 1993-1998, the development relevance was perceived in terms of:

- a. Contribution to employment;
- b. Congruence with the development policy;
- c. Sustainability;
- d. Management capacity (Institutional sustainability).

#### **(a) Contribution to employment**

The principal criterion for determining the development relevance of a project (of which the transaction forms part) was the extent to which the project would contribute to employment in the developing country. A minimum condition was that projects should not negatively affect the existing employment, but it was preferable that a project would contribute either directly or indirectly to employment in the recipient country. The direct contribution to employment can be measured in terms of the additional number of jobs generated by the project itself or directly related to it, such as with suppliers or customers.

Indirect employment generation was not precisely defined and is more difficult to determine. The effects on employment by improvements in the physical and economic infrastructure can be estimated at macro-level and within a reasonably short period after completion of the project. The effects on employment of improvements in social infrastructure however are more difficult to determine and may be detected in the long term only. In the appraisal method, both direct and indirect effects on employment were assumed to be implicit in the case of a positive economic return on the investment (the Economic Internal Rate of Return).

#### **(b) Congruence with development policy**

The congruence with the development policy of the recipient country had to be expressed by the government of the recipient country through its explicit and written request for Dutch grant resources.

Poverty alleviation is the overarching objective of the Dutch development policy. Every project that creates employment was implicitly assumed to combat poverty, whenever the



interests of the poor were not harmed. Projects should be -as much as possible- in the interests of the poor (either as employees, consumers of the end product, or local residents). Projects should not harm the interests of women neither and, where possible, enhance the position of women. This formulation implied that it was not required that each individual ORET/MILIEV transaction would contribute positively to the position of either poor strata of the population or the position of women.

Projects had to meet local standards of environmental management or in absence of these, apply the standards as applied in the Netherlands.

#### (c) Sustainability

Projects should be technically, financially and institutionally sustainable.

##### – Financial sustainability

The income generated by the project should be sufficient to pay off debts, to cover the operational expenses and to accumulate reserves for future replacement. This financial sustainability was assessed by calculating the financial internal rate of return (FIRR) for those projects that generate their own income. Infrastructure projects and social provisions also may have the potential to generate income, in the form of for example, harbour fees, tolls, school fees or other charges. Projects needed to have a positive financial internal rate of return in order to be eligible for ORET/MILIEV support.

Projects that do not generate (sufficient) income were assessed on their cost-effectiveness and on whether they had sufficient safeguards for covering at least the operating and maintenance costs, usually by public budget.

The Regulations on financial sustainability over the years 1993-1998 remained unaltered with one exception. In the Regulation of 1996 a project was also considered financially sustainable if it did not generate sufficient income for replacement of the investment. However in the Regulation of 1997, the replacement capacity was included again as criterion for the calculation of the FIRR.

##### – Technical sustainability

The goods, works and/or services had to be of good quality and not too technically complex, so that they could be maintained and repaired by the client or end-user. In principle, goods and works should comply with national standardisation norms, wherever applicable. Sufficient attention should be paid to the future supply of components and spare parts, as well as the eventual local production of parts (under license) and other after-sales services. If local staff needed training and instruction in operation and maintenance, the project should also include provisions for training, either in the Netherlands or on the spot, or both.

##### - Institutional sustainability

The project or transaction should have a well-identified partner responsible for operation and maintenance, accountable for the continuous use of the supplies or works.

#### (d) Management capacity

The organisation responsible for managing the project should have sufficient capacity (staff, internal organisational and management skills) to guarantee full use after completion of the

supply contract. Training in management, financial control, planning and the like was supposed to form an integral part of the project, together with supervision of the project organisation.

#### *Development relevance 1999*

In the Regulation of 1999, development relevance was described as follows: “projects should have sustainable positive effects on employment and the business climate and the environment of development countries”<sup>18</sup>. However, the Regulations did not include any specific criterion to appraise a project’s effects on the business climate of the recipient country.

The 1999 Regulations include two additions as compared to the ones of 1993-1998. First, economic viability became specified as a separate criterion, while in the previous Regulations it merely served as indicator for the effect on employment. Projects were now supposed to have a sufficient positive macro-economic effect on the entire economy of the recipient country. This ‘classical economic cost-benefit analysis’ comprises more than the cash flow analysis used for calculating the financial viability of a project. For its calculation much more assumptions on future effects have to be made. It is the most encompassing and complicated test of the development relevancy of a project.

Second, projects administrated as MILIEV needed to have a positive effect on the environment. Applications for all large infrastructure (ORET) projects should also be accompanied by an Environmental Impact Assessment (EIA), indicating that the project would not lead to any negative environmental effects or that eventual small negative effects would be compensated by more substantial positive environmental effects.

#### *Development relevance 2002*

In the Regulation of 2002, the interpretation of development relevance was amended to: “grants by the ORET/MILIEV programme have to stimulate investments in development countries which make a positive contribution to a sustainable (i) economic, (ii) environmental and (iii) social development”<sup>19</sup>. As part of the economic and social development, a project should contribute to the creation of sustainable employment and have a sufficiently positive overall economic impact.

#### *Development relevance 2005/2006*

In the Regulation of 2005, the overall objective of the programme was formulated in a different way. The employment criterion no longer prevailed, and the focus shifted towards the objectives of sustainable economic development and improvement of the business climate. However, the Regulations did not specify specific appraisal criteria for the improvement of the business climate.

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<sup>18</sup> Description ORET/MILIEV programme 1999

<sup>19</sup> Description ORET/MILIEV programme 2002

### **2.3.2 Benefits to the Dutch economy**

#### *Relevance to Dutch economy 1993-2002*

The ORET/MILIEV Regulations during the period 1993-2002 stated that transactions should be beneficial to the Dutch economy and external trade in particular. Transactions should “promote sustainable relations between Dutch industry and the developing country concerned”. A first criterion was that the transaction should contribute to private sector activity in the Netherlands. At least 60 percent of the production of the supplies should be of Dutch origin (whereby components that contain less than 50 percent foreign value added could be considered as being Dutch). As far as it concerns services, at least 60 percent should either be carried out in the Netherlands or by personnel from the Netherlands posted in the recipient country. In the case a transaction forms part of a larger project, the Dutch contribution should be clearly visible and identifiable in the project.

A second criterion was the quality of the exporting company. The exporter should hold the organisational, financial and technical means and qualifications to successfully implement the transaction and to subsequently establish a structural relationship with the (partner in the) recipient country. The main appraisal yardsticks to that end were a solid balance sheet, as well as the reputation of the company and its products.

The Regulations of 2002 elaborate in more detail what should be understood by a sustainable economic relationship. The applicant had to prove that the envisaged investment would contribute to a lasting relationship with companies in the recipient country with opportunities for spill-over effects to both other Dutch and local companies. The transactions should have a catalysing effect for eventual repeat orders and/or investments by the company or other Dutch companies.

#### *Relevance to Dutch economy 2005/2006*

The Regulations of 2005 and 2006 require a lower share of produce from Dutch origin, namely 50 percent of the transaction value<sup>20</sup>. A foreign component of up to 70 percent might be acceptable if and when most of the parts and services to be procured are not available in the Netherlands, or only at a substantially higher price<sup>21</sup>. The applicant must be capable, in all aspects, to successfully complete the transaction.

The 2006 Regulations do not mention the sustainable economic/trade relations between the Netherlands and recipient developing countries anymore. This criterion, previously of substantial importance, seems to have been deleted from the programme’s objectives.

### **2.3.3 Non-commercial viability**

A third condition of the ORET/MILIEV programme was the non-commercial viability of the transaction and broader project. The so-called OECD Helsinki package led to restrictions on non-commercial financing of commercially viable projects. A project is considered non-

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<sup>20</sup> Only applicable for non LDCs, the programme has been untied for LDCs.

<sup>21</sup> Description ORET/MILIEV programme 2005.

commercially viable in the case of either a low Commercial Internal Rate of Return or the fact that no commercial financing (on market terms) can be obtained.

A project is regarded as non-financially viable if within 10 years it fails to generate sufficient income (cash flow) under free market conditions to recover the initial capital investment and to cover both operating and financing costs. This cash flow analysis should be calculated for the entire project, not just for the transaction. If a project is financially viable, but could not obtain financing on commercial terms it is also deemed to be non-commercially viable.

According to the OECD agreements applicable during the evaluation period, projects in the Least Developed Countries (LCDs) and transactions worth less than SDR 2 million (approx. € 1,7 million) were allowed to be commercially viable. Transactions worth less than SDR 2 million were notified to the OECD and tested on commercial viability under the ORET/MILIEV programme, although this was not strictly necessary under the OECD consensus. If found to be commercially viable, this would not necessarily lead to a rejection for ORET/MILIEV subsidy. In the end of 2000, the ORET/MILIEV Regulations have been adjusted on this point, since then also transactions worth less than SDR 2 million have to be non-commercially viable.

## **2.4 OECD guidelines<sup>22</sup>**

In the early 1970s, the United States, Japan and the members of the then European Economic Community were involved in an escalating battle for offering advantageous credit terms in order to boost their exports. Through various mechanisms, such as state-supported export credit insurance, interest rate subsidies, and other forms of government support, countries strived for improving the position of their enterprises on the world market. The competition in export promotion conditions allowed potential buyers to negotiate even better conditions in terms of interest rates, repayment periods and first instalments. In an effort to put a hold on this escalating competition, OECD member states agreed upon restrictive measures. Commercial interest reference rates and the condition that projects should be non-commercially viable in order to qualify for export with public funds, registered as development aid, were introduced. Member countries planning to tie aid to national produce or services agreed to notify these envisaged transactions to the other subscribers.

In 1991, the conditions of the initial Arrangement had matured over time and were consolidated in the so-called 'Helsinki package'. To member states of the European Union, the arrangement is binding under a European Council decision adopted in 1992.

Guidelines were elaborated and made more comprehensive. The OECD countries signed the OECD guidelines in June 2000. These encompass important issues such as child labour, working conditions as defined by the ILO, human rights, the environment, corruption, competition, taxation and consumer protection. The recipient of any export- or investment-related grant awarded by the governments of OECD Member States, has to declare in writing

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<sup>22</sup> The OECD Arrangement on Guidelines for Officially Supported Export Credits dates back to 1978, but is being updated over time in 1992, 1998 and 2005.

to be knowledgeable of the content of the guidelines and ensure that all efforts will be made to adhere to these guidelines.

### *The use of 'tied aid' to the LDCs*

In October 2001, the members of the OECD/DAC committee decided to untie Official Development Assistance to the Least Developed Countries as from the 1<sup>st</sup> of January 2002 onwards.<sup>23</sup> The aim was to enhance ownership and responsibility of recipient countries, as well as to increase aid effectiveness. The members of the Consensus Group coincided in their opinion that it would be desirable if the total volume of aid would not decrease as a result of this agreement. Following this decision, the Ministry of Foreign Affairs decided to close the ORET/MILIEV programme for LDCs. In order to compensate LDC countries and to open up new opportunities to Dutch companies, a new programme was created, called the 'LDC Fund' ('MOL fonds'). Comparable to ORET/MILIEV, the focus of this LDC Fund was the improvement of the socio-economic infrastructure in LDCs, focusing in particular on a limited number of countries. Since the ORET/MILIEV programme was closed to LDCs, it received less applications from Dutch companies. In consequence, fewer projects were approved and the available budget for the programme was no longer exhausted. The total disbursement diminished from € 95.1 million in 2000 to € 74.7 million in 2003. At the same time, the new LDC Fund did not compensate for the difference since it was more specific in both the type of projects and number of countries eligible. The Regulations of 2005 introduced a change of policy of the Netherlands Ministry of Foreign Affairs. As from the 1<sup>st</sup> of January 2005 onwards the ORET programme became untied for LDCs and the objectives of the programme were amended to that end.

## **2.5 Transaction price**

Over time, the ORET/MILIEV Regulations always required that the prices of the envisaged transactions should conform the market. Prices for a certain product may vary according to the quality of the product. For that reason, during appraisal of an ORET/MILIEV application a price quality check is being carried out routinely. The transaction value is broken down into its individual components, such as cost price, profit margin, contingencies, agent costs and the like. For all components it is assessed whether the prices used in the application conform current (world) market prices. If the appraising surveyor is of the opinion that the price-quality relation is not conform the market, the applicant company can be asked to adjust the prices of the goods, services or works. In the case locally produced goods or works form part of the transaction, the prices of these components are assessed against the prevailing price level in the region or the country.

There are four situations in which the price might have to be adjusted:

1. The initial offer of the applicant is too high according to the assessment carried out by the price consultant;
2. The quality of the goods and services is higher than necessary to fulfil the objectives of the project;
3. The quality of the goods is lowered and prices are reduced accordingly; or

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<sup>23</sup> The Dutch government untied aid already from the 1<sup>st</sup> of October 2001.

4. Ongoing negotiations between supplier and buyer lead to a lower transaction value.

If the project is awarded after a tender procedure, the price-quality check is only marginally carried out. The only assessment made in this case, is whether the tender procedure is transparent and in line with local legislation.

As of 2006, international competitive bidding is obliged for contracts awarded to LDCs.

## 2.6 Budget, expenditures and grant allocations of ORET/MILIEV

### 2.6.1 Budget and expenditures

At the start of ORET in 1991, the programme was in fact still a Low Concessional Loans (LCLs) programme, which means that the budget (€99.5 million) for that year was reserved for loans. The ORET programme actually started in 1992 with a budget of €38.7 million, which grew to €142.9 million in 1998, corresponding to the merging of ORET and MILIEV. The budget was reduced in 2002 following the exclusion of LDCs from the programme<sup>24</sup>. Since 2002 the budget has been more or less fixed at €104 million per annum. In 2005 it was decided to make the ORET/MILIEV programme untied for LDCs.

ORET/MILIEV programme expenditures have fluctuated over the years. Until 1996 the programme did not spend its entire annual budget. In 1997 annual expenditures exceeded the annual budget however, and the programme was closed for some time.

**Table 2.1 Total ORET/MILIEV programme budgets and expenditures worldwide, 1992-2005**

Year	1992	1993	1994	1995	1996	1997	1998
Budget (€ millions)	38.7	63.2	68.2	72.7	74.9	84.0	142.9
Expenditures (€ millions)	8.6	22.1	27.0	37.2	75.6	99.7	96.7

Year	1999	2000	2001	2002	2003	2004	2005
Budget (€ millions)	149.8	149.8	136.0	104.0	104.0	104.0	104.0
Expenditures (€ millions)	95.9	95.1	79.0	63.0	74.7	82.7*	87.9*

Source: Country-led Joint Evaluation of the ORET/MILIEV Programme in China, 2006. Carried out by IOB and NCSTE.

\*: Source 2004: Annual report ORET/MILIEV 2004; Source 2005: FMO.

### 2.6.2 Grant

In the early years of the programme ORET offered a (minimum) grant percentage of 40 percent. Also the costs of financing a commercial loan were often subsidised up to a maximum of 5 percent of the transaction costs, making the total grant percentage 45 percent. At the start of the MILIEV programme in 1993 the grant percentage was 40 percent of the

<sup>24</sup> OECD Member States decided on the 1<sup>st</sup> of January 2002 that tied aid was no longer allowed for LDCs.

transaction amount plus the costs of the credit (up to a maximum of 5 percent); similar to ORET. In special cases the grant percentage could be higher, to be decided on a case-by-case basis. If the environment component was only part of the transaction, it was decided that this part would be 100 percent subsidised. Although the grant percentages have been changed over time, since 1998 the ORET/MILIEV grant has equalled 35 percent of the total value of the transaction, and 50 percent for LDCs.

**Table 2.2 Official grant percentages, 1992-2005**

Year	1992	1993	1994	1995	1996	1997	1998
Grant as % of total transaction	40 or 55 +5 <sup>25</sup>	40 or 55 +5	40 or 55 +5	40 or 55 +5	45 or 60 + 10 <sup>26</sup>	45 or 60 + 10	35 or 50 <sup>27</sup>
Year	1999	2000	2001	2002	2003	2004	2005
Grant as % of total transaction	35 or 50	35 or 50	35 or 50	35 <sup>28</sup>	35	35	35 or 50 <sup>29</sup>

Sources: ORET/MILIEV Regulations of 1993, 1994, 1996, 1997, 1998, 1999, 2002 and 2003. Country-led Joint Evaluation of the ORET/MILIEV Programme in China, 2006. Carried out by IOB and NCSTE.

## 2.7 Findings

During the period under review of this evaluation, the objectives of the ORET/MILIEV programme have been reformulated, while also the Regulations have been updated and amended in a number of occasions. However, the thrust of the programme remained basically unchanged: to support exports from Dutch origin and to enable developing countries in procuring these products, services or works. Over time only one single instrument was used: a subsidy for Dutch supplies in the benefit of a recipient country. The significant modifications in the objectives introduced in 2005 and 2006 are outside the scope of this evaluation.

<sup>25</sup> Grant: 40% for non-LDCs, 55% for LDCs. + 5% costs for financing the commercial loan (valid for years 1992-1995).

<sup>26</sup> Grant: 45% for ORETs in non-LDCs, 60% for LDCs and MILIEVs. + 10% if the company concerned offers an integrated export package which serves both export and development interests (valid for years 1996-1997).

<sup>27</sup> Grant: 35% for non-LDCs, 50% for LDCs (valid for years 1998-2001).

<sup>28</sup> Grant: 35% for non-LDCs, LDCs were not eligible during 2002-2004.

<sup>29</sup> Grant: 35% for non-LDCs, 50% for LDCs.

## **3 Efficiency**

### **3.1 Introduction**

One of the objectives of the evaluation is to assess the efficiency of the ORET/MILIEV transactions that were completed between 1999 and 2004. Efficiency measures how economically inputs were converted into outputs: could more or better outputs be produced with the same inputs or could the same outputs be produced with less inputs? In this evaluation attention has been given to the price – quality ratio of the sampled transactions.

To assess the input, the quality of the ex-ante appraisal of the transaction and larger project was used as an indicator. Output was assessed by the indicators: realisation of planned transaction activities, price-quality ratio of the supplied goods, works and/or services (as perceived by the client) and the extent to which the minimum of 60 percent Dutch content in the transaction amount had been realised.

In accordance to the ToR, the efficiency of the ORET/MILIEV programme administration and -management, has not been subject to this evaluation. However, sideline comments are made on procedural and administrative aspects if and when these were considered to influence the effectiveness or impact of the transactions.

### **3.2 Indicator I: Quality of ex-ante appraisal of transaction/project**

In the appraisal process of the transaction, different documents and indicators play a role. The starting point of the appraisal is the application form of the supplier company, who requests the subsidy. A feasibility study presented by the applicant forms part of the application requirements. The applications for the sampled transactions (submitted during the period 1993-2001) were received by the Ministry of Foreign Affairs (later FMO), who sent them to the Netherlands Economic Institute (NEI)<sup>30</sup> for appraisal. NEI first carried out an assessment on completeness of the required documentation for the application, after which it assessed the eligibility of the request for subsidy and wrote an appraisal report on the proposed transaction.

NEI looked at the (policy) environment to assess whether the respective transaction was policy relevant to a country or region, while a technical feasibility study reviewed the appropriateness of the technical design of the transaction. In the economic-financial appraisal, NEI calculated 1- the Commercial Internal Rate of Return (CIRR), to assess whether the project (of which the transaction formed part) was non-commercially viable, 2- the Financial Internal Rate of Return (FIRR), to assess whether the project was capable to cover its operational- and maintenance costs and replacement investments<sup>31</sup> and 3- the Economic Internal Rate of Return (EIRR), to assess whether the project would have a positive impact on the economy of a country. A price check was also standard part of this assessment.

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<sup>30</sup> Ecorys-NEI since 2001.

<sup>31</sup> Under the Programme Regulations of 1996, the replacement of investments was not considered in the FIRR calculation.



## ***Eligibility***

The Ministry of Foreign Affairs formulated criteria to appraise the eligibility of applications for ORET/MILIEV support. FMO (since 2002) and the NEI on its behalf, apply these appraisal criteria. The evaluation confirms that the eligibility criteria were correctly applied. With one exception: the ORET/MILIEV guidelines indicate that non-commercially viable components should not be isolated from otherwise commercially viable (larger) projects or entities. However, in the sample of 22 transactions, three activities (namely the delivery of a dredger to Sri Lanka, rural electricity supply in Ghana and waste water treatment in Vietnam) have been appraised 'in isolation'. If they had not been appraised in isolation, these transactions would have been considered commercially viable. See box 3.1 below. In the case of the delivery of a second tugboat to the port of Acajutla in El Salvador, NEI concluded the commercial viability in its appraisal report. However, this transaction was in fact exempt from the test on commercial viability under the 'Sector Understanding on Export Credits for Ships'.

### **Box 3.1 Non-commercially feasible components of otherwise commercially viable projects**

In Ghana, the applicant company Holec BV opted for selecting the most marginal geographical areas out of a larger rural electricity supply programme funded by a World Bank loan. These geographical areas were characterised by a population with a low purchasing power, living scattered in remote and small villages. Although the entire network had a calculated positive financial and economic internal rate of return, the selection made by Holec definitely did not have positive rates of return. After an observation by NEI during appraisal, both the government of Ghana and the World Bank considered this a 'non issue' since a substantial part of the potential customers would fall into the 'life line bracket' strata of the population and would not pay for electricity consumed anyhow.

Also in the case of a waste water treatment plant of a textile industry (Vietnam) the feasibility of the treatment plant itself was assessed and not the impact of the plant on the cash flow of the textile industry. Currently, waste water treatment plants to commercial factories are not eligible for ORET/MILIEV funding anymore. In Sri Lanka, the delivery of a 'trailing suction hopper dredger' was assessed in isolation from the rest of the port facilities that generated enough income to invest in a hopper dredger on a commercial basis.

Various erroneous assessments of the institutional and financial circumstances of the client (Ministry, public corporation etc.) were encountered. One example is the Colombo-Katunayake expressway project in Sri Lanka, where the delivery of 4.7 million m<sup>3</sup> of sea sand was financed without any realistic guarantee that the financing of the expressway (for which the sand was intended) was secured. Due to administrative austerity, NEI could not make field visits anymore, so all assessments were based on secondary information only.

It should be noted that the extent to which transactions complied with the non-commercial viability criterion has not been included as a scoring dimension of efficiency indicator I, since the quality of appraisal on this criterion was considered to be of relatively low importance for the extent to which the outputs were realised.

### **3.2.1 Dimension 1: Quality of ex-ante appraisal of project's development relevance for recipient country**

The quality of the ex-ante appraisal of the development relevance of the project (of which the ORET/MILIEV transaction forms an integral part) has been assessed on the basis of NEI's ex-ante appraisal of the respective project's contribution to the economy and employment in the recipient country.

In the NEI appraisal reports, development relevance has been assessed by the Economic Internal Rate of Return (EIRR). For all projects the EIRR has been calculated, which involves a classical cost benefit analysis taking into account all economic benefits and costs in a broad sense. The EIRR of a project has to be above the threshold rate<sup>32</sup> to qualify for a grant. The assumption is that, if the value of the EIRR is above the threshold, the project will have a positive impact on the economy of the recipient country and is therefore development relevant. It was also assumed that if the EIRR is above the threshold, the project would contribute to employment generation. The evaluation team's assessment of the ex-ante appraisal of development relevance has been based on the NEI appraisal reports. Although the EIRRs of the sampled projects have not been re-calculated, the evaluation team did make an assessment of the extent to which the assumptions, used by the NEI to calculate the EIRRs, seemed plausible. During field visits –and as far as information was available- the evaluation also assessed the validity of the NEI's assumptions in practice.

The evaluation shows that for 19 projects (86 percent), the quality of the ex-ante appraisal of development relevance was sufficient. In three cases only (waste water treatment in Vietnam, a dredger in Sri Lanka and briquetting machines in the Philippines) the appraisal of development relevance had been insufficient. For almost all projects, the assumptions for the calculation of the EIRR turned out to be valid in practice.

### **3.2.2 Dimension 2: Quality of ex-ante appraisal of project's policy relevance for recipient country**

Another important aspect to assess is the quality of the ex-ante appraisal of the policy relevance of the project (of which the ORET/MILIEV transaction forms an integral part). This dimension has been measured by NEI's appraisal of the relative importance of the project for the recipient country's national and/or sub-national economic, social and/or environmental policies and strategies.

An indication of the project's relative importance is the (non-)existence of a comprehensive policy- or master plan of which the project formed an integral part. The relevant authorities should have been involved in the formulation of this plan (for instance the Ministry of Finance, line ministries, regional councils, World Bank) and the plan should have been authorised by a competent body.

The quality of the ex-ante appraisal of policy relevance has been assessed, based on the assumption that a project embedded in the policy priorities of a country has a higher chance to become effective and sustainable. Funds for operational- and maintenance costs will be more easily available and the chances that collateral conditions will be implemented, higher. The evaluation team has assessed the quality of the appraisal of policy relevance, based on the information that was available to the NEI at the moment of appraisal.

For 16 projects (73 percent) the ex-ante appraisal of policy relevance has been of sufficient quality, the information available to NEI at the moment of appraisal indicates that the projects

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<sup>32</sup> The EIRR should be higher than the discount- or threshold rate of return applicable to the respective country, for most countries the threshold rate is 10%. The threshold rate is based on the opportunity costs of capital for a country.

fitted within recipient countries' policy plans. In Vietnam, mangrove rehabilitation in the Mekong Delta was of the highest priority at the time of appraisal. This was reflected in the 'National Plan for Environment and Sustainable Development 1991-2000' (UNDP, IUCN-1990) and the 'Bio-diversity Action Plan' (UNDP-IUCN, 1994).

In four cases the ex-ante appraisal of the policy relevance was insufficient. In Bolivia, a general statement had been made that solar energy was considered to be of importance, but no policy frame existed to that end. At departmental level various studies had been carried out, but no regional policy existed. In Sri Lanka the highway between the airport and downtown was already a policy priority for more than 40 years. The first bridge for the road was built in the fifties, but stands idle ever since. The statement that the construction of the road was a priority at the time of appraisal was not sufficiently underpinned with documentation.

### 3.2.3 Summary scores on efficiency indicator I

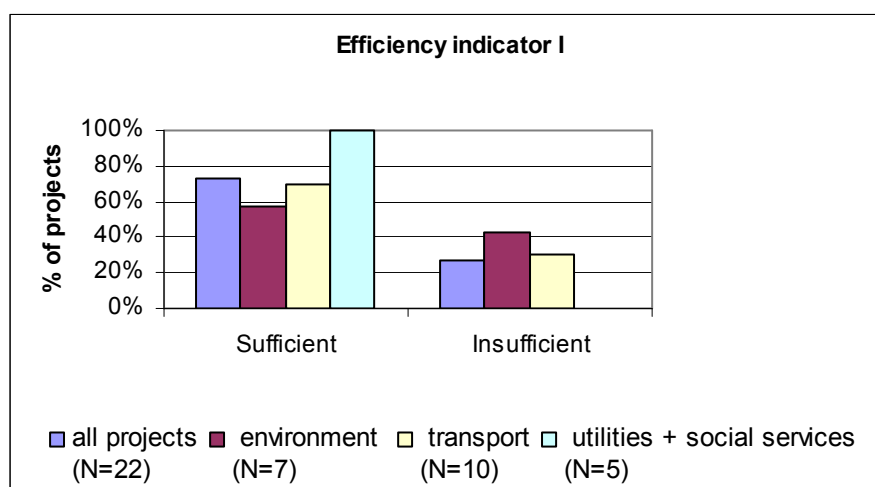
As is shown in table 3.1 and graph 3.1, the quality of the ex-ante appraisal of development- and policy relevance combined was (more than) sufficient (scores A, B+ and B) for 73 percent of the sampled projects. The distribution between sufficient and insufficient projects differed per sector however. For all projects in the field of utilities and social services the ex-ante appraisal was sufficient, whereas this figure was 70 percent for transport projects and only 57 percent for environmental projects.

**Table 3.1 Scores on Efficiency Indicator I, per sector**

Scores	All projects		Environment		Transport		Utilities + Social Services	
	Number	%	Number	%	Number	%	Number	%
A	1	5%	1	14%	0	0%	0	0%
B+/B	15	68%	3	43%	7	70%	5	100%
C+/C	5	23%	2	29%	3	30%	0	0%
D+/D	1	5%	1	14%	0	0%	0	0%
Unknown	0	0%	0	0%	0	0%	0	0%
N/A*	0	-	0	-	0	-	0	-
Total-N/A	22	100%	7	100%	10	100%	5	100%

\* N/A: Not applicable

**Graph 3.1 Scores on Efficiency Indicator I, per sector**



\* Sufficient: scores A, B+ and B; insufficient: scores C+, C, D+ and D

**Box 3.2 Project appraisal in the light of programme objectives**

Appraisal on the three main objectives of the ORET/MILIEV programme received relatively little attention:

- With few exceptions, proposals were not explicitly tested on congruency with the overall Dutch policy on development co-operation, neither on the country specific strategy (if and when applicable).
- The appraisal of the relevance of the transaction for Dutch exports is exclusively based on the assessment of the percentage of products of Dutch origin. Although this is a criterion for 'one of a kind' exports, no criterion was applied to assess the likelihood of sustainable trade relations by assessing the potential repeat orders or spin offs to Dutch enterprises.
- With few exceptions, there was no specific assessment on the contribution to (direct and indirect) employment. In general, it was assumed that whenever a transaction produces a sufficiently positive Economic Internal Rate of Return (EIRR), this would imply a contribution to employment.
- In none of the 22 transactions reviewed, the potential contribution to the business climate in the recipient country was appraised, possibly due to a lack of a suitable instrument. No check was carried out on whether the Dutch exports may eventually harm or jeopardize local production capacity.

**3.3 Indicator II: Realisation of transaction activities and price-quality ratio of goods, services and/or works**

Indicator II on the realisation of transaction activities and the price-quality ratio of goods, services and/or works is scored on three dimensions.

**3.3.1 Dimension 1: Extent to which transaction activities have been realised**

For this dimension the 'appraisal memorandum' (BEMO) for each evaluated transaction formed the benchmark. This document described, among others, the objectives of the transaction, the potential effect and impact of the project (of which the transaction formed an integral part) and motivation for grant approval. It also contained a list of the goods and/or services to be delivered by the Dutch company and/or the works to be carried out. During

field visits (and as far as possible) physical checks were carried out on the deliveries and/or works. If these could not be checked directly, the Final Certificates of Completion provided written information on quantities of goods, works and/or services delivered.

The scores on this dimension are positive. In 15 transactions, between 90 and 100 percent of the planned transaction activities were realised and in five others even more than the planned transaction activities were realised. These were transactions in the fields of environment (Vietnam mangrove rehabilitation and Colombia waterworks) and social services and utilities (Ghana medical equipment and water treatment and Yemen power plant). In two transactions only between 50 and 90 percent of the envisaged activities were realised. In Sri Lanka, a telecommunication and centralised traffic control (CTC) system, part of the railway signalling system, was not put in place as a result of lengthy political debate about the location of the traffic control centre. In the supply of solar systems to Bolivia not all transaction activities were realised, due to a poor project design. In Bolivia, both the distribution of the systems and the fee collection happened to be problematic, due to a lack of understanding of the local circumstances. In addition, from the Dutch side the project was treated and perceived as an environmental project, while to the client it was primarily an energy supply project.

### **3.3.2 Dimension 2: Price-quality ratio of goods, services and/or works, as perceived by client – actual versus agreement**

One of the problems with a tied aid programme is the risk of price escalation. According to the Regulations of the ORET/MILIEV programme, the price is allowed to be slightly above world market prices. During appraisal stage, the price-quality of the transaction was therefore routinely checked by a price consultant. In the present evaluation, during field visits, the price - quality relation of the transaction was discussed with the client and, if applicable, also with the end user of the project. The question was if the ex-post perceived price-quality ratio was equal to the one agreed upon in the contract between supplier and client. In other words, did the client perceive he got 'value for money'?

In 91 percent of all sampled transactions the price-quality ratio was perceived in accordance with the agreement, not lower, not higher. Only in one case (Tanzania road rehabilitation) the client perceived the actual price-quality ratio lower than expected on the basis of the agreement with the supplier. In the Tanzania case, the client complained that directly after completion and transfer of the road to the local authority, the road deteriorated.

### **3.3.3 Dimension 3: Price-quality ratio of goods, services and/or works, as perceived by client – Dutch supplier using ORET/MILIEV grant versus other suppliers, taking into account the 60 percent rule**

Since ORET/MILIEV is a tied aid programme, a certain percentage of the goods, services and/ or works has to originate from the Netherlands. The Programme Regulations, applicable to the sampled transactions, prescribed a Dutch content of 60 percent in the total transaction value. The grant itself (between 40-60 percent of the total transaction value) made the Dutch company competitive compared to other suppliers.

This dimension of efficiency assessed whether a client could have procured more or better quality goods, services and/or works for the same transaction value (including the grant), or

could have procured these at the same quantity and quality against a lower transaction value (and lower grant) if the 60 percent Dutch content rule would be made flexible. The assumption is that the 60 percent Dutch content rule influenced the price-quality ratio, because certain goods, services and/or works could have been procured at a lower price from other, non-Dutch, suppliers. The question is however, whether these deliveries would have been of the same quality.

Although this question is raised easily, addressing it is complicated for a variety of reasons:

- The ‘what if in absence of a grant’ situation is not always known. In particular not in ‘unique’ transactions, or in situations where other bids exist, but all are supported by concessional financing modalities.
- The quality difference cannot always be expressed in a price difference.
- What finally counts to the client is the cash outlay, not the price. What counts to the financier is the most economic offer, in a balance between quality, volume and price in a “levelled playing field”.

Given these complications, this dimension could be scored for 19 transactions. For fifteen of these clients perceived the price-quality ratio of the Dutch supplier equal to that of other suppliers and for one transaction (solid waste management in Vietnam) the price-quality ratio of the Dutch supplier was even perceived higher than that of other suppliers. For three transactions, the price-quality ratio of the Dutch supplier was perceived lower than that of other suppliers (waste water treatment in Vietnam, solar home systems in Bolivia and city buses in Ethiopia).

One of the concerns of providing subsidies in general is market distortion. Among the 22 projects revised, in only one project direct market distortion was observed. The solar systems supplied to Bolivia with MILIEV funds were procured by the local electricity co-operative, because it would require a lower cash outlay than procurement on the incipient local market (supported by German development projects). According to German publications, the quality of the Dutch solar systems was not only inferior to the locally produced ones, it also undermined the further development of the local industry (including local battery manufacturing). In contrast, in the Philippines the delivery of banknote disintegration machines can hardly be assessed on market distortion, since the machines are unique world-wide.

### **3.3.4 Summary scores on efficiency indicator II**

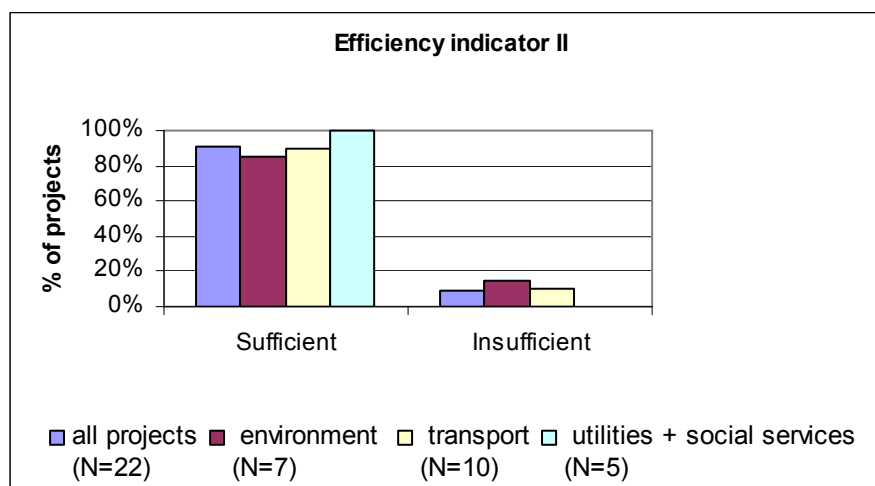
Taking the three dimensions for this indicator together, it can be observed that 91 percent of the transactions scored sufficient (score B). Only two projects scored insufficient (score C) (solar systems in Bolivia and city busses in Ethiopia). No remarkable differences between the sectors are observed.

**Table 3.2 Scores on Efficiency Indicator II, per sector**

Scores	All projects		Environment		Transport		Utilities + Social Services	
	Number	%	Number	%	Number	%	Number	%
A	0	0%	0	0%	0	0%	0	0%
B+/B	20	91%	6	86%	9	90%	5	100%
C+/C	2	9%	1	14%	1	10%	0	0%
D+/D	0	0%	0	0%	0	0%	0	0%
Unknown	0	0%	0	0%	0	0%	0	0%
N/A*	0	-	0	-	0	-	0	-
Total-N/A	22	100%	7	100%	10	100%	5	100%

\* N/A: Not applicable

**Graph 3.2 Scores on Efficiency Indicator II, per sector**



\* Sufficient: scores A, B+ and B; insufficient: scores C+, C, D+ and D

### 3.4 Indicator III: Realisation of Dutch component in the transaction value

In line with the objective to promote Dutch exports, the ORET/MILIEV programme required that at least 60 percent of the total transaction value should be of Dutch origin. The evaluation has assessed the actual versus planned transaction value. This was done on the basis of the Final Audit Certificate, which is obligatory for every ORET/MILIEV transaction after completion.

For 15 transactions (68 percent), the actual Dutch component has been 60 percent or more of the transaction value (scores A and B). In nine of these, the Dutch component was even more than 70 percent of the transaction value (score A) (see table 3.4). In particular, in transactions that mainly existed out of capital goods, the Dutch component was often more than 70 percent

(tugboats in El Salvador, dredger in Sri Lanka, city busses in Ethiopia, trucks in Vietnam and the vocational training centres in Ghana). For five transactions the Dutch component in the transaction value was unknown, due to missing information in the Audit Reports. In one case, no audit certificate was presented, since the supplier company (QTEC) went bankrupt. In the case of the solar panels in Bolivia and one of the road rehabilitation projects in Tanzania, the Dutch component was not addressed in the audit reports. In both cases, doubts exist whether the 60 percent threshold was reached in practice.

In the mangrove forest project in Vietnam, the Dutch component was only 41 percent, but according to the special conditions, this was allowed. Also the delivery of briquetting machines to the Philippines had a Dutch component of less than 60 percent, but this was also accepted in the BEMO.

Although on paper, in most cases the 60 percent threshold was adhered to, it is important to notice that this requirement triggered both ‘creative administration’ and contributed to inefficiencies, since in some transactions up to the most minimum details had to be used to ‘prove’ that 60 percent of the supplies were of Dutch origin. Possibly the most extreme case encountered was the valorisation of stickers –apparently of Dutch origin- on an otherwise German battery. More inefficient was the inclusion of materials that could be procured more economically in the recipient country itself, in particular when it dealt with rather general and bulky materials, such as construction material shipped to Colombia and bitumen and diesel oil to Tanzania. In about a third of all projects Dutch consultants were brought in for tasks that could possibly have been carried out by local staff.

In general, Dutch exporting companies included in the sample express themselves in positive terms as far as it concerns the contribution of the ORET/MILIEV programme to Dutch exports. If assumed that these exports would not have taken place in absence of the subsidy, the sampled transactions have enabled direct exports for a value of €161.5 million for the 18 companies in the sample during the evaluation period (see table 3.3). For all the 58 Dutch exporting companies that have implemented ORET/MILIEV transactions during the evaluation period, the programme has enabled direct exports for a value of €472.9 million during the evaluation period (60 percent of the total transaction value of €788.3 million over the period 1999-2004<sup>33</sup>). It should be noted that these exports only refer to the direct exports that are an output of the programme, exports created by repeat orders and spin-offs of the ORET/MILIEV transactions have not been included here.

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<sup>33</sup> This includes the transaction value of transactions implemented in China during the evaluation period. Excluding the transactions to China, the total transaction value amounts to €628.4 million and the Dutch exports to €377 million. Within the sample of 22 transactions the average Dutch component in the transaction value was 70 percent, higher than the strictly necessary 60 percent. See Annex 1.



**Table 3.3 Dutch component in the transaction value**

Country	Project no.	Project name	Transaction value realised X 1000 €	Grant spent X 1000 €	Dutch component x 1000 €	Dutch component (%)
Bolivia	96/43	Solar Home Systems Santa Cruz	3,901	2,690	Unknown <sup>1</sup>	Unknown
Colombia	97/36	Tidal Inlet Cartagena	21,203	9,533	14,812	69.9
El Salvador	96/54	Tugboat 1 to CEPA, Acajutla port	2,231	997	1,550	69.7
El Salvador	01/78	Tugboat 2 to CEPA, Acajutla port	2,578	639	1,864	72.3
Ethiopia	01/27	City busses Addis Ababa	23,111	11,539	20,684	89.5
Ghana	93/07	National Electrification Project	27,736	11,094	Unknown <sup>2</sup>	Unknown
Ghana	97/28	Water purification installation Winneba	6,952	2,413	4,178	60.1
Ghana	98/29-31	Technical/vocational resources centres project	17,965	8,084	14,695	81.8
Ghana	94/56	Rehabilitation of medical diagnostic apparatus	21,951	8,780	Unknown <sup>3</sup>	Unknown
Tanzania	94/10	Rehabilitation Pugu-Chanika-Mbagala road	8,737	5,240	5,417	62
Tanzania	95/43	Dredging works port Dar Es Salaam	17,996	10,666	10,798	60
Tanzania	96/62	Rehabilitation Kongowe-Mjimwema-Kivukoni road	3,957	2,368	2,631	66.5
Philippines	96/60	Waste management plan Cebu City	282	165	163	57.9
Philippines	99/59	Banknote disintegration system Central Bank Philippines	1,316	461	1,115	84.8
Sri Lanka	00/52	Trailing suction hopper dredger to ports authority	11,197	2,799	10,499	93.8
Sri Lanka	95/56	Railway signalling Kalutara-Ambalangoda	12,401	4,960	9,393	75.8
Sri Lanka	01/12	Expressway Colombo-Katanayake	26,370	9,494	22,135	83.9
Vietnam	94/16	Rehabilitation mangrove forests Mekong Delta (pilot)	3,271	2,647	1,341	41
Vietnam	96/51	Waste water treatment plant Vicotex	2,097	1,515	1,373	65.5
Vietnam	97/37	Solid waste management District 10, HCMC (pilot)	2,317	1,390	1,714	74
Yemen	00/25	Container cranes Hodeidah port	14,858	7,410	10,307	70.6
Yemen	95/64	Power station Mukalla	44,833	26,898	26,923	60.5
Total / average <sup>4</sup>			223,672		161,592	70.4

<sup>1</sup>: The transaction activities were not fully realised, the accountancy statement does not mention the realised Dutch share.

<sup>2</sup>: Due to the bankruptcy of HOLEC, the project was closed without an accountancy statement.

<sup>3</sup>: No accountancy statement in file.

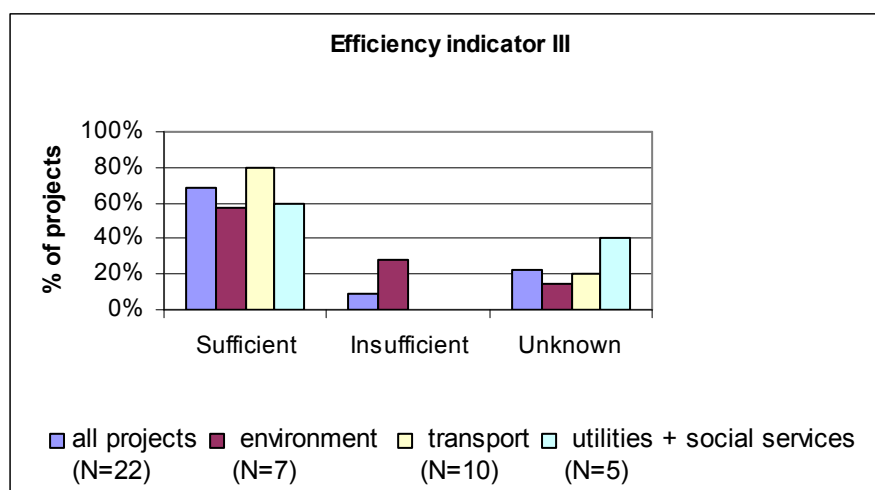
<sup>4</sup>: Excluding those transactions for which the Dutch share was unknown.

**Table 3.4 Scores on Efficiency Indicator III, per sector**

Scores	All projects		Environment		Transport		Utilities + Social Services	
	Number	%	Number	%	Number	%	Number	%
A	9	41%	2	29%	6	60%	1	20%
B+/B	6	27%	2	29%	2	20%	2	40%
C+/C	1	5%	1	14%	0	0%	0	0%
D+/D	1	5%	1	14%	0	0%	0	0%
Unknown	5	23%	1	14%	2	20%	2	40%
N/A*	0	-	0	-	0	-	0	-
Total-N/A	22	100%	7	100%	10	100%	5	100%

\* N/A: Not applicable

**Graph 3.3 Scores on Efficiency Indicator III, per sector**



\* Sufficient: scores A, B+ and B; insufficient: scores C+, C, D+ and D

### 3.5 General findings on efficiency

All applications for ORET/MILIEV subsidy have been appraised ex-ante against the Programme Regulations in force at the time, both on their technical contents and on their commercial, financial and economic feasibility. In general, the quality of these appraisals was very satisfactory. However, three observations can be made. First, the appraisal studies devoted little attention to the potential contribution of a transaction to the overall objectives of the ORET/MILIEV programme, such as employment generation. It was assumed that these contributions would be implicit for each investment that showed an Economic Internal Rate of Return (EIRR) above the threshold level. Second, the ORET/MILIEV appraisal criteria indicate that non-commercially viable components should not be isolated from larger entities of which they form integral part. In a few cases the envisaged transaction had been appraised 'in isolation'. Third, as a result of austerity measures on the administration of the programme, no site visits were made during appraisal (as was the case in previous periods). This site visit

as a 'reality check' could have avoided flaws in the assessment of local circumstances, in particular with respect to the institutional aspects of the envisaged transaction.

Except two, all transaction activities were implemented as agreed upon. Clients perceived the price quality ratio as expected. Dutch companies have shown to be capable of implementing projects according to plan even under difficult circumstances. Only few Dutch companies performed below expectation. Dutch companies satisfy the expectations of the clients. It is the specific knowledge and experience of the Dutch private sector that has contributed to the fact that transactions were efficiently completed. Part of the success is a direct result of the joint design between the client and the Dutch firm, where the potential supplier invests and makes specific knowledge available to the client.

In 15 transactions, the minimum Dutch share in the transaction value was achieved. However, the threshold in itself may invite to inefficiencies, such as export products that could have been procured more economically at the local or regional market.

## 4 Effectiveness

Effectiveness has been defined as the “extent to which input through output contributes to the achievement of the transaction’s/project’s expected results”. These expected results are first formulated by the Dutch supplier in the application and project proposal for an ORET/MILIEV grant and later confirmed in the appraisal memorandum (Dutch term abbreviation: BEMO) written by the Netherlands Ministry of Foreign Affairs.

The evaluation of effectiveness only takes the transaction’s/project’s own expected results into consideration. These expected results relate, on the one hand, to physical and social infrastructure improvement, capacity building, employment creation and environmental improvement in the recipient country. Environmental improvement is an expected result of MILIEV projects only. On the other hand, expected results also relate to collateral conditions aimed at avoiding any harm to the poor, women and the environment (the latter condition only applies to ORET projects). These are two different sets of expected results: the first set intends to achieve a positive change, the second one intends to avoid negative effects. These two faces of effectiveness have been registered across the 22 projects by two indicators, each existing of various dimensions. Only achievements that can be attributed directly to the transaction/project have been taken into account.

The achievement of the overarching objectives of the ORET/MILIEV programme and other, not planned, effects are considered the impact of the transaction/project and will be discussed in Chapter 6.

### 4.1 Indicator IV: Achievement of expected project results

Indicator IV: Achievement of expected results of transaction/project in the field of economic development, employment creation and environment protection.

This indicator comprises four dimensions, discussed below.

#### 4.1.1 Dimension 1: Extent to which the transaction was critical to the success of the (larger) project of which the transaction forms an integral part

An ORET/MILIEV transaction by a Dutch supplier is usually component of a larger project or programme in a recipient country. A transaction is defined as the total of goods, works and services delivered by the Dutch supplier, which is the subject of the ORET/MILIEV grant. In general terms a project is the total of activities and investments, which are used by a recipient country to achieve a certain (economic or social) goal<sup>34</sup>. In those cases where transaction and project were identical, the extent to which the transaction had been critical to (sub-) national economic, social and/or environmental plans and/or strategies was assessed.

This dimension gives an indication of the relevance of the selected 22 ORET/MILIEV transactions for the achievement of development goals in the ten selected recipient countries.

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<sup>34</sup> ORET/MILIEV Regulations of 1999.

14 out of the 22 transactions were found to be critical to the success of the larger projects in which they were embedded, while three out of these were found even more critical than expected during appraisal. These were the mangrove forests rehabilitation in Vietnam, vocational training in Ghana and dredging works in Tanzania. In Ghana, the government's policy to upgrade the vocational and technical education system could never have been achieved without the rehabilitation of 20 vocational training centres, combined with the training of teaching staff, as was realised with the ORET grant.

Three transactions (all MILIEVs) were found to be less critical to the larger projects than expected; these projects might have been carried out without the ORET/MILIEV transactions. One of these, the waste management plan for Cebu City, the Philippines, never resulted to implementation of the plan, since the investment proposal happened to be far too costly and policy priorities changed<sup>35</sup>. The waste management pilot project for District 10 of Ho Chi Minh City, Vietnam did not fully achieve the required 'spread effect' afterwards, since not all components of the transaction happened to be equally effective and successful and further since the equipment delivered was not strictly used for District 10, but 'diluted' over other areas of the city<sup>36</sup>. The third case refers to the waste water treatment plant in Vietnam. Here, the waste water installation had been appraised as a 'stand alone' in stead of in the context of the Viet Thang Textile Company.

#### **4.1.2 Dimension 2: Extent to which the physical and social infrastructure / client's capacity to serve end-users have improved as expected**

Dimension 2 measures the primary objectives of each transaction. Given the nature of the ORET/MILIEV programme, most transactions are directed towards physical or social infrastructural projects that, as a result of their public nature, usually comply with the non-commercial viability condition.

Most transactions that consist of the delivery of goods and/or works are aimed at a direct improvement of physical and/or social infrastructure. This improved physical and/or social infrastructure is expected to enhance the client's capacity to serve end-users. This is underpinned by including technical knowledge transfer in the transaction. Transactions that mainly comprise of the supply of services may have the aim to improve the client's capacity to serve end-users. Through this these projects also contribute (indirectly) to the improvement of physical and/or social infrastructure. For MILIEV projects the aim is furthermore that the improved infrastructure and client's capacity will contribute to environmental improvements. This is assessed in dimension 5.

In 14 out the 22 selected transactions 90 to 100 percent of the expected infrastructural/capacity improvements had been realised. For two other transactions, the tidal inlet in Cartagena, Colombia and the power plant in Mukalla, Yemen, the works exceeded the contracted quantities. In the latter case, Wärtsila installed a 40 MW power station in Mukalla. The availability of electricity in the Mukalla region due to this transaction boosted economic development to such extent that Wärtsila up to date has been contracted to install another 250

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<sup>35</sup> Information from a secondary source, since at the time of mission the original clients could not remember any management plan elaborated with MILIEV support.

<sup>36</sup> However, the Asian Development Bank developed a support programme for solid waste collection and took the District 10 proposal as an example.

MW capacity in Yemen. At present, it is estimated that a minimum of 100 MW of new capacity will be needed to match the demand of investors.

In two transactions, only 50 to 90 percent, and in four transactions less than 50 percent of the expected infrastructural/capacity improvements were realised. In two of these, the transaction activities were not fully realised, while in the other three, transaction activities had been realised but were not effective in improving infrastructure and/or client's capacity. One of these involved the delivery of bank note disintegration machines to the Central Bank of the Philippines, which were operational for only two months. In this case, the agreed upon delivery and installation was realised, but it hardly served the end user<sup>37</sup>. Another example is the dredging of sand for the construction of the Colombo-Katunayake Expressway in Sri Lanka. Although Boskalis supplied the sand as agreed upon in the contract, the expressway has not been constructed. In consequence, the objective of the larger project, being a faster connection between Colombo, the international airport and the industrial areas in the north, has never been achieved.

#### **4.1.3 Dimension 3: Extent to which the improved physical and social infrastructure / client's capacity to serve end-users have been used in practice**

The improvement of infrastructure and client's capacity to serve end-users is one dimension of effectiveness, the other is the extent to which this improved infrastructure and capacity have actually been used in practice. New port facilities or roads are not effective if they are not used. Similarly, the training of trainers in for example mangrove forestry management is not effective if these trainers do not apply their newly learned skills to actually train shrimp farmers in mangrove protection.

Of the 16 transactions for which 90-100 percent or more of the expected infrastructural/capacity improvements had been realised, all but one also scored (more than) sufficient on the extent to which the improved infrastructure and/or client's capacity had been used in practice. The exception is drinking water treatment in Ghana<sup>38</sup>. Remarkable is that for seven of these transactions the expected use of the infrastructural/capacity improvements has been exceeded in practice. An example is the solid waste management pilot project for District 10 of Ho Chi Minh City, where the end users were not only those of District 10, but well beyond that boundary.

In four transactions less than 50 percent of expected use of infrastructural/capacity improvements had been realised, this can be directly related to the fact that the infrastructural/capacity improvements in these transactions had not been fully realised.

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<sup>37</sup> The end user itself decided to transfer the equipment to another place, but at the new location the equipment could not be installed and remained without use.

<sup>38</sup> In this case, Spans Babcock built a water treatment plant in Winneba (Ghana) to the mutual satisfaction of both contract parties. The quality of the drinking water is allegedly the best in the country. However, the plant produces at less than 50% of its maximum capacity and the water reaches only part of the targeted population in the Winneba region, because of problems with the distribution network (broken pipes or no pipes at all) and because part of the water is transported to other areas. Although capacity has certainly been improved, the extent to which end-users benefit of it has been less than foreseen.

It should be noted that dimension 3 has not been included in the scoring of effectiveness indicator IV, because it is mainly an addition to dimension 2 and to include both dimensions would give a disproportionate weight in the overall score of the indicator.

#### **4.1.4 Dimension 4: Number of jobs provided by the project itself and directly related to it (e.g. with suppliers and customers)**

One of the objectives of the ORET/MILIEV programme, as formulated in the programme descriptions valid at the time of appraisal of the sampled transactions, was to promote employment in developing countries. According to the applicable Programme Regulations at the time, employment generation was the most important criterion for determining the development relevance of a project. A minimum condition was that projects should help to preserve existing jobs. A project can contribute either directly or indirectly to employment in the recipient country. Here, direct employment generation is evaluated; indirect employment will be discussed under impact. The direct contribution to employment is measured in terms of the number of jobs provided by the project itself and an estimate of the number of jobs directly related to it, e.g. with suppliers or customers. A distinction was made between temporary employment, during the construction or installation phase of a project, and permanent employment.

Given the importance of the employment generation criterion, one would expect that all individual projects would comprise some element of employment generation in the recipient country. The dimension was therefore scored on the basis of actual number of jobs generated versus the expected number of jobs during appraisal. In seven projects, 90 to 100 percent of the expected number of jobs was created, while in two other projects the expected number of jobs has been exceeded in practice. Within the sampled projects direct temporary employment was found to be more important than the creation of permanent jobs. Only in exceptional cases, such as city buses to Ethiopia,<sup>39</sup> a substantial number of new permanent jobs was created. At least five projects did not contribute to employment generation at all, but aimed at efficiency implying a reduction of permanent jobs, as was the case in the improvement of port facilities in El Salvador and Sri Lanka, railway signalling in Sri Lanka and the delivery of a banknote disintegration system to the Philippines. In seven cases, the dimension could not be scored, because there was no expectation with regard to employment generation formulated during appraisal and/or because the actual number of jobs generated by the project could not be measured.

Of those sampled transactions for which data were available, each person month of employment created has a cost of about €750 (ORET/MILIEV grant in €/number of person months). Each person month of permanent employment<sup>40</sup> created has a cost of €590. However, excluding the extreme of 450 new permanent jobs generated by the delivery of buses to Ethiopia, each person month of permanent employment created has a cost of €6,740 (see table 4.1). As a reference, each direct (temporary or permanent) job created in developing countries by projects financed under the PSOM programme (Programme for Cooperation

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<sup>39</sup> Although the city busses project in Ethiopia has created 450 permanent jobs, much more than other projects, 750 permanent jobs were originally envisaged.

<sup>40</sup> A permanent job has been calculated over the lifetime of the project, being 120 person months.

Emerging Markets)<sup>41</sup>, has a cost of €3,500 per job, per year (PSOM grant in €/number of jobs).

**Table 4.1 Direct employment generated by sampled ORET/MILIEV projects**

Country	Project no.	Project name	Transaction value realised X 1000 €	Grant spent X 1000 €	Direct employment in person months
Bolivia	96/43	Solar Home Systems Santa Cruz	3,901	2,690	720 p.m.
Colombia	97/36	Tidal Inlet Cartagena	21,203	9,533	2,340 p.m. plus 8 full time (=960 p.m.)
El Salvador	96/54	Tugboat 1 to CEPA, Acajutla port	2,231	997	Negative
El Salvador	01/78	Tugboat 2 to CEPA, Acajutla port	2,578	639	Negative
Ethiopia	01/27	City busses Addis Ababa	23,111	11,539	450 full time (=54,000 p.m.)
Ghana	93/07	National Electrification Project	27,736	11,094	Unknown (N/A)
Ghana	97/28	Water purification installation Winneba	6,952	2,413	10 full time (=1200 p.m.)
Ghana	98/29-31	Technical/vocational resources centres project	17,965	8,084	Unknown
Ghana	94/56	Rehabilitation of medical diagnostic apparatus	21,951	8,780	5.5 full time (=660 p.m.)
Tanzania	94/10	Rehabilitation Pugu-Chanika-Mbagala road	8,737	5,240	200 p.m.
Tanzania	95/43	Dredging works port Dar Es Salaam	17,996	10,666	Unknown
Tanzania	96/62	Rehabilitation Kongowe-Mjimwema-Kivukoni road	3,957	2,368	1080 p.m.
Philippines	96/60	Waste management plan Cebu City	282	165	Unknown
Philippines	99/59	Banknote disintegration system Central Bank Philippines	1,316	461	Nil
Sri Lanka	00/52	Trailing suction hopper dredger to ports authority	11,197	2,799	Nil (N/A)
Sri Lanka	95/56	Railway signalling Kalutara-Ambalangoda	12,401	4,960	Nil to negative (N/A)
Sri Lanka	01/12	Expressway Colombo-Katanayake	26,370	9,494	Unknown
Vietnam	94/16	Rehabilitation mangrove forests Mekong Delta (pilot)	3,271	2,647	276.8 p.m.
Vietnam	96/51	Waste water treatment plant Vicotex	2,097	1,515	4 full time (=480 p.m.)

<sup>41</sup> The PSOM programme is financed by the Netherlands Ministry of Foreign Affairs (Development Cooperation) and the Netherlands Ministry of Economic Affairs and is being carried out by the EVD (an agency of the Netherlands Ministry of Economic Affairs). It should be noted that the PSOM programme is different from the ORET/MILIEV programme on various aspects. However, no other benchmark for the cost of jobs created by the ORET/MILIEV programme was available at the time of evaluation.



Country	Project no.	Project name	Transaction value realised X 1000 €	Grant spent X 1000 €	Direct employment in person months
Vietnam	97/37	Solid waste management District 10, HCMC (pilot)	2,317	1,390	Nil (N/A)
Yemen	00/25	Container cranes Hodeidah port	14,858	7,410	Nil
Yemen	95/64	Power station Mukalla	44,833	26,898	Unknown
Total temporary + permanent*				46,725	61,917
Total permanent				33,780	57,300
Total permanent excl 01/27				22,241	3,300

\* Total excluding projects for which direct employment was unknown or nil.

#### 4.1.5 Dimension 5: Extent to which the environment has improved as a direct result of the transaction/project (MILIEV)

Dimension 5 is only applicable for MILIEV projects, since these explicitly aim at environmental improvement/protection. Amongst the 22 selected projects were five MILIEVs. In one of these (water treatment in Vietnam), 90 to 100 percent of the expected environmental improvements were achieved, while the mangrove rehabilitation pilot project in Vietnam even exceeded the expected environmental improvements. In that project the expected treatment area of degraded mangrove forests was exceeded by 12 percent, while a Zoning Plan for 173,000 ha of coastal zone in the Southern Mekong Delta and the implementation of forest-cum-shrimp models ensured the sustainable use of natural resources.

In the solid waste pilot project in Vietnam between 50 and 90 percent and in two other MILIEVs less than 50 percent of the expected environmental improvements were realised, namely the waste management plan in the Philippines and solar home systems in Bolivia. For the Cebu City project, the lack of results is explained by the fact that the Plan was never put in practice (see dimension 1). In the case of the solar home systems in Bolivia, first only 54 percent of the envisaged 10,000 solar panels were actually delivered and later the delivered panels were withdrawn from the end users. Above all, the environmental benefits of solar energy depend on the recycling of heavy solar batteries. This recycling did not take place<sup>42</sup>.

#### 4.1.6 Summary scores on effectiveness indicator IV

The overall score for each project on effectiveness indicator IV (combination of dimensions 1, 2, 4 and 5), leads to the conclusion that only 11 projects scored sufficient (score B) and only one more than sufficient (score A). Seven projects scored less than sufficient (score C),

<sup>42</sup> Each Joule generated by solar energy is benefit, as long as the batteries are being properly recycled. For each 52 NiCd batteries that are used less, one car battery is required. Solar energy batteries contain more lead than car batteries, but have a longer life time. While approximately 338.000 NiCd batteries less have been deposited in the environment, 6,000-7,000 car batteries more ended up in the environment (11% of the energy use). The gains of having less NiCd batteries deposited in the environment has been outbalanced by more car batteries. The total effect is estimated to be neutral.

although it should be noted that all these scored a C+<sup>43</sup>, indicating that they only slightly underperformed. Four projects can be considered as failures (score D) with regard to the achievement of expected results in the field of economic development, employment creation and environment protection. These were the following projects:

- Waste management plan for Cebu City, the Philippines.
- Bank note briquetting installations for the Central Bank of the Philippines.
- Railway signalling in Sri Lanka.
- Supply of sand for the construction of the Colombo-Katunayake Expressway in Sri Lanka.

Table 4.2 summarises the above findings on Effectiveness Indicator IV for the total of 22 selected projects. About half of the projects achieved their own objectives (score A or B) while the other half did not (score C or D). The table also shows the difference in scores between the three ‘broad’ sectors Environment, Transport and Utilities & Social Services. Most significant are the positive scores of projects in the Utilities & Social Services sector. These five projects scored (more than) sufficient on all four dimensions. Of the projects in the Environment sector, only 2 scored sufficient versus five insufficient. Also in the Transport sector, four projects scored sufficient versus six insufficient.

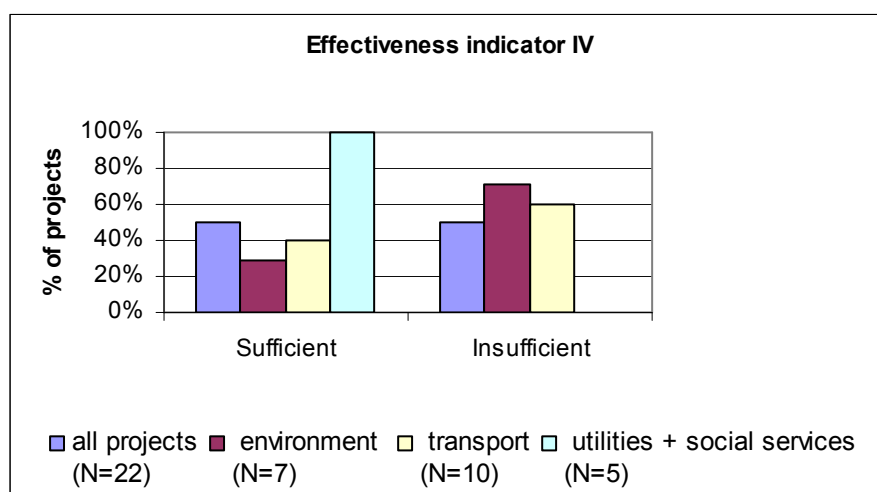
**Table 4.2 Scores on Effectiveness Indicator IV, per sector**

Scores	All projects		Environment		Transport		Utilities + Social Services	
	Number	%	Number	%	Number	%	Number	%
A	1	5%	1	14%	0	0%	0	0%
B+/B	10	45%	1	14%	4	40%	5	100%
C+/C	7	32%	3	43%	4	40%	0	0%
D+/D	4	18%	2	29%	2	20%	0	0%
Unknown	0	0%	0	0%	0	0%	0	0%
N/A*	0		0		0		0	
Total-N/A	22	100%	7	100%	10	100%	5	100%

\* N/A: Not applicable

<sup>43</sup> This score resulted from the combined scores over the four different dimensions of indicator IV. For example D, B, C and B gives a C+.

**Graph 4.1 Scores on Effectiveness Indicator IV, per sector**



\* Sufficient: scores A, B+ and B; insufficient: scores C+, C, D+ and D

## 4.2 Indicator V: Compliance of projects with programme collaterals

Indicator V: Achievement of expected results of the transaction/project regarding the avoidance of harm to women, the poor and environment.

As discussed in the introduction, according to the ORET/MILIEV Regulations valid in the evaluation period, one of the main collateral conditions subject to grant provision was that ORET projects should not have any detrimental effect on the environment. MILIEV projects should result in an improvement of the environment in developing countries.

Moreover, the project should in no case harm the interests of the poor, or have negative effects on disadvantaged groups and/or women<sup>44</sup>. The proposed project itself was not required to have direct positive effects on the poor (notwithstanding the poverty alleviation objective of Dutch development policy). Indicator V provides information on the compliance with these collateral conditions, in as far as direct effects are concerned, indirect effects on the environment, the poor and women are discussed under impact indicator VII.

Because effects on women, poor and the environment are collaterals rather than direct objectives (intending to avoid negative effects instead of stimulating positive effects), the scoring methodology was adjusted accordingly. Whereas for dimensions measuring achievement of direct objectives a score B corresponds to a positive change, for the dimensions of indicator V a score B corresponds to no negative direct effects (no change compared to the situation before start of the project). A score A was given if the project was deemed to have positive direct effects on women, poor and the environment.

<sup>44</sup> In the new ORET/MILIEV Regulation (May 2006), the collateral condition concerning non-harming effects on the environment has been maintained. However, the collateral that the project should have no harming effects on the position of women and poor has been abandoned. This element of development relevance is no longer explicitly mentioned.

Indicator V is composed of three dimensions:

#### **4.2.1 Dimension 1: Extent to which the interests of women have not been harmed as a direct result of the project**

This dimension was measured by the effects on employment opportunities and income generation for women, as well as on access to infrastructure and social services, resulting directly from the project.

We conclude that none of the projects, except for the national electrification project in Ghana, has had direct harming effects on the position of women and even in Ghana this was modest only. Seven projects had positive effects, namely mangrove forests rehabilitation and solid waste management in Vietnam, the tidal inlet in Colombia, vocational training, medical equipment and drinking water purification in Ghana and city buses in Ethiopia. The mangrove rehabilitation project in Vietnam included several trainings specifically directed to women and included the setting up of a credit and loan savings scheme to be managed by the local Women Union.

The positive effects on the position of women in Cartagena, Colombia were realised with the improvement in water quality and living conditions in general. In Ethiopia, about half of the newly created jobs were filled in by women. As a result of the ORET transaction, access to affordable transport increased, which had a particularly positive effect on the position of women as it enhanced their ability to travel for social visits (family visit) and visits to medical or educational institutes.

#### **4.2.2 Dimension 2: Extent to which the interests of poor have not been harmed as a direct result of the project**

Dimension 2 was measured by the effects on employment opportunities and income generation for the poor, as well as on access to infrastructure and social services, resulting directly from the project.

In the majority of cases, the interests of the poor have not been directly harmed. 16 out of the 22 projects scored sufficient or more than sufficient. Six projects in which a positive change could be observed were projects in the field of environment, social services and public utilities. For four projects direct effects on the poor were found to be negative. The interests of the poor were harmed with the delivery of tugboats to El Salvador, where poor unskilled labourers were replaced by skilled labourers of private companies, sand supply in Sri Lanka and the solar home systems in Bolivia. These projects were assigned a C. It should be noted that none of the projects had detrimental negative effects on the poor (score D).

#### **4.2.3 Dimension 3: Extent to which the environment has not been damaged as a direct result of the project (ORET)**

This dimension is applicable for ORET projects only<sup>45</sup>. In general, this collateral criterion was satisfied. Ten projects scored sufficient, meaning that no direct harm had been caused to the environment. For five projects the scores were more than sufficient, meaning the projects had

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<sup>45</sup> The direct effect on environment for MILIEV projects is assessed with dimension 5 of indicator IV.

a positive direct effect on the environment. This was the case for the tidal inlet in Colombia, the two tugboats in El Salvador, the city buses in Ethiopia and dredging works in Tanzania. Two projects were found to have had a negative direct effect on the environment, namely the two road rehabilitation projects in Tanzania, for the reason that road construction and environmental protection are of a conflicting nature.

Combining ORET and MILIEV projects, a total of seven out of the 22 projects had positive direct effects on the environment.

**4.2.4 Summary scores on effectiveness indicator V**

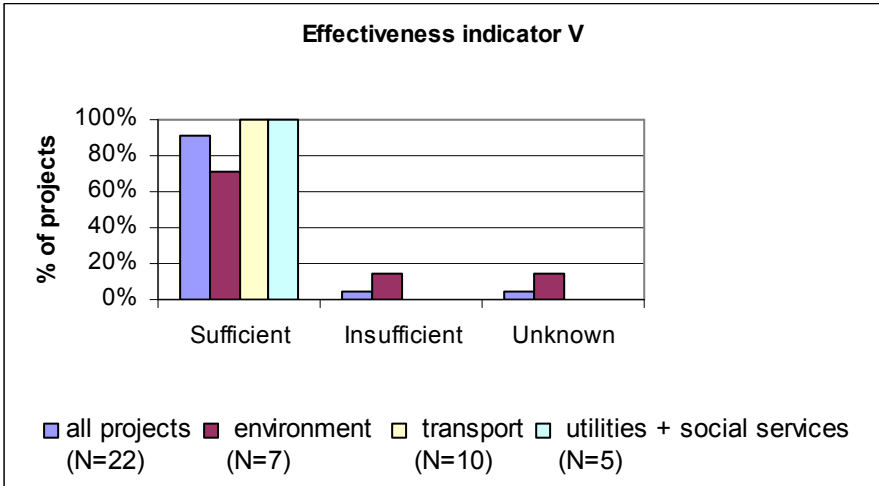
91 percent of the 22 projects scored positively on this indicator. Projects in the sectors Transport and Social services & Utilities all scored a B or higher. In general, no particular differences between the sectors can be observed.

**Table 4.3 Scores on Effectiveness Indicator V, per sector**

Scores	All projects		Environment		Transport		Utilities + Social Services	
	Number	%	Number	%	Number	%	Number	%
A	6	27%	3	43%	1	10%	2	40%
B+/B	14	64%	2	29%	9	90%	3	60%
C+/C	1	5%	1	14%	0	0%	0	0%
D+/D	0	0%	0	0%	0	0%	0	0%
Unknown	1	5%	1	14%	0	0%	0	0%
N/A*	0		0		0		0	
Total-N/A	22	100%	7	100%	10	100%	5	100%

\* N/A: Not applicable

**Graph 4.2 Scores on Effectiveness Indicator V, per sector**



\* Sufficient: scores A, B+ and B; insufficient: scores C+, C, D+ and D

### **4.3 General findings on effectiveness**

The two indicators for effectiveness (IV and V) show that effectiveness of the programme can be perceived from different angles. The indicators are of a different nature, whereby the first one strives for achieving a positive change, while the second one aims at avoiding negative effects. It is not recommendable to draw conclusions about overall effectiveness of the projects based on the sum of these two indicators.

The performance on effectiveness indicator IV (achievement of project results) shows that half of the 22 projects reviewed scored sufficiently (scores A and B), of which only one more than sufficient (score A). Seven projects scored less than sufficient (score C) and four can be considered as failures (score D) with regard to the achievement of expected results in the field of economic development, employment creation and environment protection.

Some difference can be observed between the three 'broad' sectors Environment, Transport, Utilities & Social Services, whereby projects in the Utilities & Social Services sector have been the most effective in relative terms.

The collateral condition that projects should not harm the interests of women, poor and should not harm the environment is generally satisfied. No particular differences can be observed across the sectors.

## 5 Sustainability

Sustainability has been defined as the extent to which the transaction and project activities can be continued independently after completion of the contract between the supplier and the client. Sustainability of the selected projects has been evaluated on three dimensions: technical, financial and institutional sustainability.

### 5.1 Indicator VI: Sustainability of transaction/project

Sustainability is strongly related to the effectiveness of the projects. Namely, if no results are realised, these cannot be continued or sustained either. However, there were also various projects in which part, though not all, of the expected infrastructural and/or capacity improvements were realised. In those cases, although the effectiveness had been low, sustainability scores have been attributed to those parts of the transaction/project that were implemented effectively.

#### 5.1.1 Dimension 1: Degree of technical sustainability

This dimension relates to the technical capacity of the client to continue the project after completion. The dimension was determined by assessing the number of goods, services and/or works that were still operational a few years after completion of the transaction or project. For this assessment the following information was used: presence and use of manuals, training provided or ongoing, spare parts and presence of a maintenance contract.

Out of the 22 projects reviewed, six projects scored high (A) on technical sustainability, being solid waste management in Vietnam, tugboats in El Salvador, the power plant in Yemen and water treatment and rural electrification in Ghana. In these cases, there had been significant knowledge transfer provided by the supplier and the client was well able to continue the project independently on technical grounds. Ten projects scored a B, indicating sufficient knowledge transfer to guarantee the technical sustainability of the project<sup>46</sup>. In one project, technical sustainability had been poor, namely the solar home systems project in Bolivia. In five cases, the degree of technical sustainability could not be assessed, mainly due to the fact that the project had not been completed, or that the equipment was not operational.

In relation to technical sustainability, two particular issues were encountered:

#### *Maintenance contract*

In the appraisal phase, attention is paid to whether the transaction contains elements that ensure the (continued) sustainable effects<sup>47</sup>. Mission findings underline that the sustainability of projects may be enhanced if and when a follow-up is foreseen in the proposal. For example

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<sup>46</sup> It should be noted here that of the sixteen projects that scored (more than) sufficient on technical sustainability, seven projects slightly underperformed (score C+) on the achievement of expected project results. For these seven projects, technical sustainability scores have been attributed to those parts of the project that were implemented effectively.

<sup>47</sup> Later Regulations have increasingly emphasised the importance of technical assistance (TA). Up to 75% of the grant may now be used for TA, and also the grant percentage can be higher if TA elements are included.

in Ghana, both Philips Medical Systems and TNW Export hired a local contractor to look after the provision of spare parts, repair and maintenance of their medical and vocational training equipment. In both cases, the client (Ministry of Health and Education respectively) extended these contracts long after project completion with the result that, to date, the material is well maintained.

#### *Spare parts*

Another factor influencing the technical sustainability of many projects is the provision of spare parts. As a result of the requirement that projects should contain some arrangements for continued impact, the delivery of spare parts is generally foreseen in the proposal. This is not always the most efficient solution. For example, in the case of the 20 vocational training centres in Ghana, every centre received the same equipment and the same amount of spare parts. But because the centres all teach different training programmes, the use (and depreciation) of material differed. Some machines were standing idle due to lack of spare parts, whereas the spares for other equipment were never used.

A different situation was found in Ethiopia with respect to the Anbassa city buses, here the problem was a lack of suppliers of DAF buses in the country, while import from the Netherlands is time-consuming and expensive.

### **5.1.2 Dimension 2: Degree of financial sustainability**

In order to assess the financial sustainability of the projects, a distinction was made between projects that do and projects that do not generate revenues. In the first case, the project's revenues were compared to its financial, operational and maintenance costs (cash flow analysis). In the latter case, the cost-effectiveness was assessed as well as the existence of financial safeguards to guarantee its continuation (for example by allocations from the public budget).

Two projects showed a high degree of financial sustainability, both related to ports. In Sri Lanka, the delivery of a suction hopper dredger to the Port of Colombo sparked off an increase of cargo handled, as well as port revenues. The installation of container cranes in the port of Hodeidah in Yemen generated equivalent effects. Furthermore, six projects were found to be sufficiently financially sustainable<sup>48</sup>. Nine projects were found to be financially unsustainable, of which two projects could be considered as failures, namely drinking water purification in Ghana, where revenues collected from the sale of drinking water were in no relation to its costs, and solar energy in Bolivia, where severe problems with the collection of household fees for the use of solar panels existed. This was mainly an institutional problem, since no system had been put in place to manage fee collection in a region where households are scattered over hundreds of kilometres and transport costs alone were higher than the solar energy fee. In five cases, a score was not attributed due to, either not applicability because the project had not been completed or lack of information.

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<sup>48</sup> It should be noted here that of the eight projects that scored (more than) sufficient on financial sustainability, three projects slightly underperformed (score C+) on the achievement of expected project results. For these three projects, financial sustainability scores have been attributed to those parts of the project that were implemented effectively.



### **5.1.3 Dimension 3: Degree of institutional sustainability**

Institutional sustainability relates to the client's organisational and management capacities to continue the project independently. To assess the institutional sustainability, an assessment was made of the structure of the institutions involved, the management organisation, the financial flows of the organisation and personnel system. This assessment was based as much as possible on interviews with the recipient organisations and secondary sources, but could not be entirely carried out for all projects.

The appraisal process pays considerable attention to the institutional setting of the beneficiary authorities. However, the institutional context in the developing country was not always well understood. The appraisal did not include site visits and the institutional setting of the project was assessed on the basis of documentation. In various cases, the Dutch parties (DGIS, NEI, applying companies) investigated the capacity of the authority directly benefiting from the grant, but not that of other authorities providing financial means after project completion. That implied that at the end of the project, ad-hoc 'solutions' had to be found in order to ensure continuity and to establish (financial) responsibilities.

Nevertheless, 14 out of the 22 projects scored sufficient, of which five more than sufficient (score A) on this dimension. Projects with a high degree of institutional sustainability ('solid institutions') included the Vicotex waste water treatment installation in Vietnam, the two tugboats in El Salvador, the container cranes in Yemen and rural electrification in Ghana<sup>49</sup>. In six cases, the institutional sustainability of the projects was found (very) insufficient. A project in which institutional sustainability failed was the waste management plan for Cebu City, where none of the parties involved in the project in the Philippines could recall what had happened with the plan. In two cases, the institutional sustainability could not be assessed because the larger project (of which the transaction formed part) had not been completed (expressway and railway signalling in Sri Lanka).

### **5.1.4 Summary scores on sustainability indicator VI**

Table 5.1 summarises the findings for the three dimensions, together comprising sustainability indicator VI. As the table shows, 14 projects scored a B or higher on sustainability, indicating that the projects are in general satisfactorily continued after completion. It should be noted that of these 14 projects, six projects slightly underperformed (score C+) on the achievement of expected project results. For these six projects, sustainability scores have been attributed to those parts of the project that were implemented effectively. Six projects showed little or no sustainability. Technical and institutional sustainability were found to be relatively higher than financial sustainability.

Comparing the three sectors, sustainability was particularly low for projects in the Environment sector. Not surprisingly the majority of projects in this sector that scored low on effectiveness, also scored insufficient on sustainability. The majority of projects in the sectors Transport and Social Services & Utilities were found to be sustainable however.

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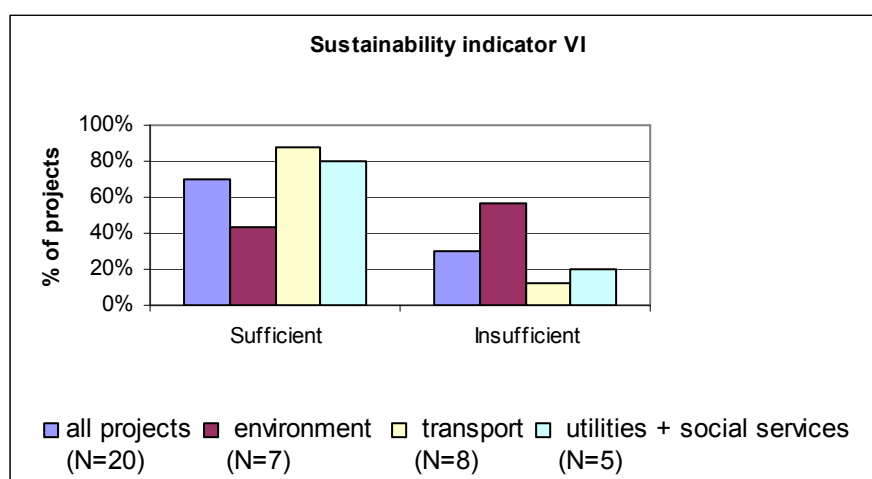
<sup>49</sup> It should be noted here that of the 14 projects that scored (more than) sufficient on institutional sustainability, six projects slightly underperformed (score C+) on the achievement of expected project results. For these six projects, institutional sustainability scores have been attributed to those parts of the project that were implemented effectively.

**Table 5.1 Scores on Sustainability Indicator VI, per sector**

Scores	All projects		Environment		Transport		Utilities + Social Services	
	Number	%	Number	%	Number	%	Number	%
A	4	20%	0	0%	3	38%	1	20%
B+/B	10	50%	3	43%	4	50%	3	60%
C+/C	3	15%	1	14%	1	13%	1	20%
D+/D	3	15%	3	43%	0	0%	0	0%
Unknown	0	0%	0	0%	0	0%	0	0%
N/A*	2		0		2		0	
Total-N/A	20	100%	7	100%	8	100%	5	100%

\* N/A: Not applicable

**Graph 5.1 Scores on Sustainability Indicator VI, per sector**



\* Sufficient: scores A, B+ and B; insufficient: scores C+, C, D+ and D

## 5.2 General findings on sustainability

Seventy percent of the projects reviewed have been satisfactorily sustained after completion, 30 percent showed little or no sustainability. Technical and financial sustainability were relatively higher than institutional sustainability. This can be explained by the investments in training of project staff in operation and maintenance and -to a lesser extent- by the supply of spare parts in the transaction. Nevertheless, the supply of spare parts has also led to some inefficiencies, such as the deposit of large stocks of unused parts.

Sustainability was particularly low for projects in the environment sector. This is mainly due to the fact that environmental issues usually have a low policy priority in developing countries. This is reflected in relatively weak financial and institutional capacities of the authorities involved. In consequence, insufficient budget is allocated to the maintenance of the installations and equipment. This becomes particularly problematic since environmental projects themselves do not (or hardly) generate financial revenues (except for example waste

recollection). Contrary to the environmental projects, the sustainability of projects in the sectors Transport and Social Services & Utilities tends to be high.

Some observations on sustainability can be made from a more generic perspective. The approval of an ORET/MILIEV application is based on the assumptions made on performance during the envisaged lifetime of the project. By OECD convention, this lifetime is at least 10 years. During appraisal, conditions are formulated that should ensure not only the achievement of the expected results, but also the performance throughout the lifetime of the project.

Usually, these conditions are included in the Grant Agreement between the NIO Bank and the recipient government, the Grantee. The Grant Agreement establishes that the grant should be used exclusively for the purpose of financing the activities of the contract, and that the Grantee shall not assign or in any other way transfer any of its rights to a third party. Although the Grantee signs for such a statement, the Grantee is not by definition the client of the transaction. In some cases the Grantee has no legal mandate whatsoever over the property of the client.

Although the conditions are set over the lifetime of the project, the instruments at hand are valid during the financing period only. The validity of the Grant Agreement expires 60 days after the last disbursement by NIO Bank and the relation between the NIO Bank and the supplier finalizes with the final audit and the Final Disposition of Payment<sup>50</sup>. This Final Disposition may be issued up to five years after the last disbursement. The contractual relation between the supplier and the client ends with the issuance of the Final Certificate of Completion by the client.

In consequence, the conditions set to ensure the sustainability of a project cannot be enforced due to the fact that no entity is charged with the task for a follow-up. In practice the Royal Netherlands Embassy may carry out such monitoring, but it is no formal party in the ORET/MILIEV transactions. In addition, in many cases, the Grantee has no legal power to intervene in the relation between supplier and client.

The implication is that conditions set, such as on environmental damage constraints during the operational phase (for example restricted use of heavy fuel in an energy plant, limits in the use of chlorine gas, recycling of solar energy batteries) cannot be enforced. In sum, once the financial transactions have been completed, there are no instruments that may influence the performance of the project. Although this might be regrettable from a development perspective, considering the nature of ORET/MILIEV, being a financing programme, this is a logical consequence.

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<sup>50</sup> 'Vaststellingsbeschikking' by NIO bank.

## **6 Impact on stated programme objectives**

### **6.1 Introduction**

According to the ToR, the objectives of the ORET/MILIEV programme in the evaluation period were:

1. To promote employment in developing countries by facilitating investment in the economic and social infrastructure.
2. To improve the business climate in developing countries.
3. To promote Dutch export.

In addition, there were three collateral aims:

1. Either the project should not cause damage the environment (ORET), or result in an improvement of the environment in developing countries (MILIEV);
2. The project should not harm the interests of women;
3. The project should not harm the interests of poor strata of the population.

In practice, many of the projects evaluated were never appraised on these three objectives. For example, the second objective (improvement of business climate) was introduced in the Programme Regulations as recent as in 2002, while projects in the sample were appraised during the period 1993-2001. The collateral aims 2 and 3 were dealt with in a rather superficial manner, but the environmental aspects received sound attention during appraisal.

In this chapter we assess the extent to which the individual projects have contributed to the programme objectives (a positive impact was expected) and have complied with the collateral conditions (no harm was scored as sufficient here). Impact was defined by three indicators, as presented in continuation.

### **6.2 Indicator VII: Achievement of ORET/MILIEV programme objectives**

Indicator VII: Achievement of programme objectives in the field of economic development, employment creation and environmental protection.

This indicator encompasses three dimensions:

- Indirect effects on employment;
- Improvement of business climate;
- Impact on environment.

#### **6.2.1 Dimension 1: Indirect effects on employment**

The objective of employment generation can be achieved in various ways. One way is the generation of either temporary or permanent employment (or both) as a direct result of the

project. The directly attributable employment generation has been presented in the chapter on effectiveness.

This section focuses on indirect employment generation, which means jobs that have emerged indirectly as a consequence of the changes brought about by the transaction. Nine projects indirectly led to an increase of structural employment opportunities compared to the situation before the start of the project. For example, in the case of improvements in port facilities (such as in Yemen, El Salvador and Sri Lanka) indirect employment was generated in companies related to the port, such as container storage companies, vessel cleaning enterprises, road transport companies and the like. Even more indirect employment creation was enabled in for example the ‘maquila’ (import-export manufacturing) industry in El Salvador, since this industry can only exist if and when good port facilities are available. Other examples of indirect employment creation could be related to the delivery of buses to Addis Abeba, Ethiopia and the tidal inlet in Colombia. The improvement of an urban transport system enables persons to accept jobs in areas at a larger distance from their home, and provides the opportunity to live in neighbourhoods in the periphery, while working down town. And the other way around: businesses can open in areas in the periphery (where the price of land is less). In Colombia, the improvement of surface water quality around Cartagena has increased the attractiveness of the city as a living environment and as a tourist destination. The construction of hotels and restaurants, as well as new apartment buildings next to the open water has created both temporary and permanent employment.

In over half of the projects evaluated, the indirect employment impact was either modest or absent, or unknown. Combining the nine projects that did have a positive indirect impact on employment with the number of projects that generated direct employment gives a total of fourteen projects in which expectations with regard to direct employment generation were realised and/or structural employment opportunities were increased as an indirect result of the project.

### **6.2.2 Dimension 2: Impact on business climate**

‘Business climate’ is an expression widely used in economic development literature and seldom fully defined. The expression lacks a clear definition, although everyone understands its meaning. The typical ‘small’ connotation of ‘business climate’ focuses on taxation levels, on regulation (and sometimes corporate governance), but the ‘broad’ meaning comprises elements like the attitude of society towards change and experimentation; entrepreneurship; institutional capacity and communication levels. In other words it is the total of contextual and environmental aspects that make people eager to do business<sup>51</sup>.

Positive contributions to the business climate are more likely to be expected from investments in economic infrastructure (transport and utilities sectors) than from investments in social infrastructure (education and health sectors) and environmental projects. Field visits confirmed that expectation. Overall, 79 percent of the sampled transactions had some positive impact on the business climate (in the broad understanding of the concept).

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<sup>51</sup> Source: Deller, Steve C. July 2004. Business Climate. In: Community Economics no. 333

Investments in port facilities did contribute to more movement of vessels and related activities, such as establishment or expansion of port-based businesses like container companies, transport companies or insurance brokers. Both the port of Acajutla (El Salvador) and Colombo (Sri Lanka) have witnessed an increase in the volume of cargo handled, while the ratio of cargo per vessel has substantially increased, indicating the growth in size of vessels calling at the port. In Colombo, this translated into an increase in contracts with companies operating vessels of post-Panamax size (Maersk Sealand, Hapag Lloyd, P&O Nedlloyd, China Shipping) since the port now has a sufficient depth to accommodate these ships. In El Salvador, the impact of improved port facilities on the business climate was substantial, although mainly restricted to the 'maquila' (import-export manufacturing) industry.

However, both in Hodeidah (Yemen) and Dar-es-Salaam (Tanzania), the impact of the port improvements on the business climate remained rather modest. The importance of Dar-es-Salaam as transshipment harbour for the landlocked countries of Eastern Africa did not increase, due to the poor quality of the railway connections with the hinterland, while main trunk roads are either still unpaved or of a bad quality.

Also investments in utilities had a positive impact on the business climate. In Yemen, the availability of electricity in the Mukalla region has attracted many investors. The most prominent one has realised a USD 300 million investment through various projects. However, electricity supply did not contribute to business activity in Ghana and Bolivia. In Ghana, the choice for electricity supply to the most marginal rural areas implied that very few people were triggered to use energy for productive purposes, while in Bolivia (MILIEV) the local business climate was even affected negatively since local manufacturers lost market opportunities as a result of the inflow of Dutch manufactured solar panels, while at the end the solar panels installed remained either unused or simply 'disappeared'.

In Vietnam, the solid waste project in Ho Chi Minh City has contributed to an improved sanitary situation in one district. This has attracted both businesses and their customers. In Colombia, the improvement of quality of surface water in and around the historical city of Cartagena was of fundamental importance to the city's economic and tourist industry boom. The explicit expectations with respect to business opportunities were not always realised however. For example, the MILIEV subsidy to the waste water treatment plant in Vietnam was justified by the claim that the client's export opportunities would increase substantially, since it would enable the garment factory to obtain the 'green label', enabling exports to environmentally conscious markets in both Europe and the United States. In practice, however, less than 10 percent of the clients of the Bihn An garment industry ask for a 'green label'.

### **6.2.3 Dimension 3: Impact on environment (MILIEV)**

The programme required that the environmental impact of MILIEV projects was positive, while ORET projects should not cause any damage to the environment. In practice, the difference between ORET and MILIEV transactions is not always crystal clear. The infrastructure works for the tidal inlet in Cartagena, Colombia were registered as ORET, although its aims, effects and impact were predominantly environmental (see box 6.1), while the delivery of solar panels to Bolivia was registered as MILIEV, although the client

considered it as an energy supply project and was not interested in the environmental aspects at all.

In all of the three MILIEV projects in Vietnam, positive environmental impact have been registered, such as replication of systems introduced (forest-shrimp cultivation models, garbage collection models). The high expectations of the environmental benefits of solar energy in Bolivia were never met. From an environmental perspective, solar energy has advantages if and when the solar system batteries are being recycled (or the energy does not require batteries). Although in Bolivia the use of NiCd batteries was reduced by 10 percent, the solar batteries were never recycled, and overall the environmental gains were negligible.

**Box 6.1 Environmental effects of tidal inlet Cartagena, Colombia**

Three quarters of the city of Cartagena discharges its wastewater into semi-natural channels connected to a lagoon. Over time both channels and lagoon became stinking black waters. A tidal inlet (constructed by Boskalis with ORET subsidy) lets ocean water flow in and out the lagoon, enabling a natural rehabilitation of the quality of surface water. The poor strata of the population lived along the banks of the channels and lagoon and considered the water a dumping area for solid waste and wastewater. A positive impact of the improvement of the water quality has been that these neighbourhoods have started to organise themselves with the aim to continue improving their living conditions, for example by putting a halt on depositing solid waste into the channels.

The natural rehabilitation of the lagoon has brought more species of fish and shell-fish and hence provided new opportunities to an increasing number of fishermen. It is in the economic interest of these fishermen to protect the lagoon against intrusions of urban nature (such as road construction and illegal squatters) and contamination. And they do protect the area effectively. But not everybody is pleased with the environmental improvement: the abundant aquatic life has provided a new habitat for large numbers of herons, cormorants and other large birds. This has endangered the aviation of the adjacent international airport, and the National Aviation Authority is looking for measures to reduce the bird population.

The rehabilitation of the lagoon triggered government to fund the construction of a road around the lagoon. This road will protect the lagoon by separating the population physically from the water, avoiding a 'squatting' of the lagoon, and at the same time it will protect the population against the water in periods of tropical storms. The ocean inlet to the lagoon caused morphological changes along the coast. These changes implied sand deposits creating new beaches. These beaches imply a new natural protection against waves in times of hurricanes.

The successful example of environmental rehabilitation in the lagoon has motivated the municipality to start other natural rehabilitation of environment projects, such as the tourist highlight Cerro de la Popa.

#### **6.2.4 Summary scores impact indicator VII**

Combining the different dimensions of impact indicator VII, half of the projects produced a positive impact on the programme objectives. For MILIEV projects, the combined score on impact indicator VII also included the score on environmental impact<sup>52</sup>.

Looking at the different sectors, three quarters of the projects in the Transport sector produced a positive impact on the programme objectives, while this was less in both the sectors Environment and Utilities & Social Services (43 and 40 percent respectively).

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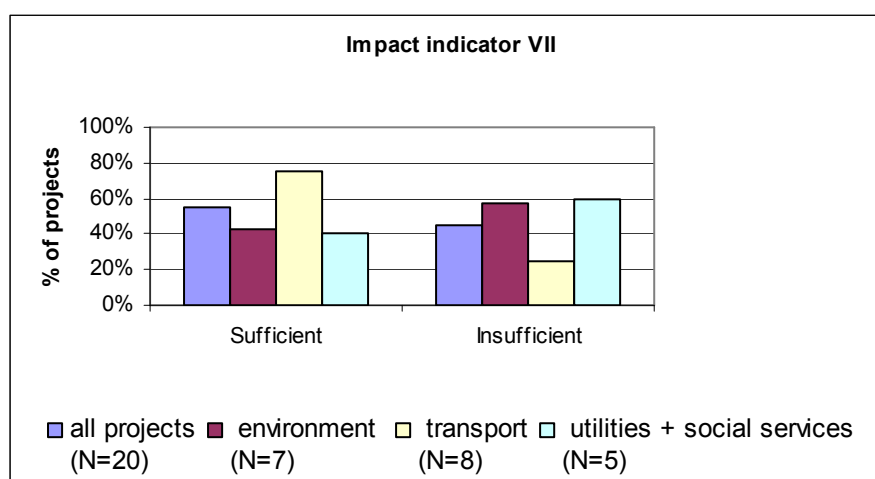
<sup>52</sup> For ORET projects, the dimension impact on environment was not applicable and was not included in the overall score on impact indicator VII.

**Table 6.1 Scores on Impact Indicator VII, per sector**

Scores	All projects		Environment		Transport		Utilities + Social Services	
	Number	%	Number	%	Number	%	Number	%
A	2	10%	0	0%	2	25%	0	0%
B+/B	9	45%	3	43%	4	50%	2	40%
C+/C	7	35%	3	43%	2	25%	2	40%
D+/D	2	10%	1	14%	0	0%	1	20%
Unknown	0	0%	0	0%	0	0%	0	0%
N/A*	2		0		2		0	
Total-N/A	20	100%	7	100%	8	100%	5	100%

\* N/A: Not applicable

**Graph 6.1 Scores on Impact Indicator VII, per sector**



\* Sufficient: scores A, B+ and B; insufficient: scores C+, C, D+ and D

## 6.3 Indicator VIII: Impact on women, poor and environment

### 6.3.1 Dimension 1 and 2: Impact on women and poor

Projects were supposed to avoid causing any direct or indirect harm to the position of either women or poor strata of the population. A positive contribution to poverty alleviation was not an expected direct result or impact, notwithstanding the fact that poverty reduction is the overarching objective of Dutch development co-operation and the ORET/MILIEV subsidies are being registered as Official Development Aid.

In nine projects a positive impact on poverty was registered, while in seven projects the impact on women has been positive. In the other projects, the impact on women and poor



strata has been either neutral, unknown or not applicable<sup>53</sup>. In Colombia the direct and indirect effects on the poor have been in part positive and in part negative, leading to a neutral overall effect: the tidal inlet project had a positive direct effect on the poor by contributing to new opportunities for fishermen and indirectly contributing to new employment opportunities in construction and the tourism sector. The negative impact however, was that many poor families that lived along the banks of the waterways were ‘pushed’ out of their neighbourhoods once the water quality had improved and the banks and shores became attractive to real estate developers.

Combining the projects that had a positive direct effect on poverty alleviation, with those that had a positive indirect effect, gives a total of twelve projects that had positive direct and/or indirect effects on poverty alleviation<sup>54</sup>. Similarly, in eleven projects in total, the opportunities for employment and income generation and/or the access to infrastructure and social services for women had increased compared to the situation before the start of the project as a direct and/or indirect result of the project<sup>55</sup>.

### **6.3.2 Impact on environment (ORET)**

Contrary to MILIEV projects, of ORET projects no positive impact on the environment was to be expected. In practice, most ORET project proposals did pay attention to environmental aspects, such as the introduction of less polluting equipment, or equipment that uses less energy, or the installation of residual oil collectors and oil storage in port facilities. At appraisal stage, environmental conditions were frequently added by the financier, such as the reduction on the use of heavy fuel in energy generation (Yemen), or the requirement of a permanent environmental surveillance (Colombia). Consequently the vast majority of the 17 ORET projects in the sample did not cause any direct or indirect harm to the environment (score B), three projects even had a positive impact on the environment. Only three projects did have a negative impact on the environment (the two road projects in Tanzania and the construction of a power plant in Yemen).

### **6.3.3 Summary scores on impact indicator VIII**

This indicator refers to collateral conditions as stated in the Programme Regulations, being that ‘no harm should be caused’. Contrary to the other indicators the score is ‘sufficient’ if no change with respect to the situation prior to the transaction has occurred. In other words, in this indicator ‘no change’ is positive, while in other indicators that would have been insufficient. Overall, few changes were observed and hence the score B predominates. In five projects a positive impact on the position of the poor, women and the environment (combined) was observed.

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<sup>53</sup> Projects for which these dimensions were not applicable have not been included in the total number of projects on which percentages were based.

<sup>54</sup> Combined effectiveness and impact scores.

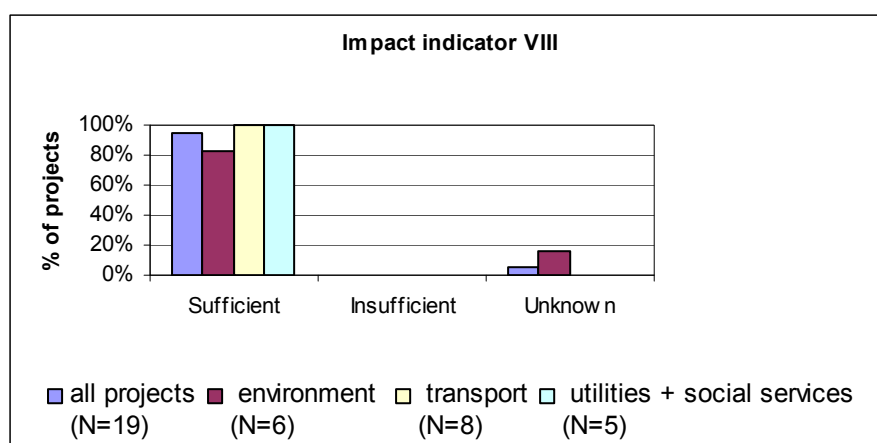
<sup>55</sup> Combined effectiveness and impact scores.

**Table 6.2 Scores on Impact Indicator VIII, per sector**

Scores	All projects		Environment		Transport		Utilities + Social Services	
	Number	%	Number	%	Number	%	Number	%
A+/A	5	26.3%	1	16.7%	3	37.5%	1	20%
B+/B	13	68.4%	4	66.7%	5	62.5%	4	80%
C+/C	0	0%	0	0%	0	0%	0	0%
D+/D	0	0%	0	0%	0	0%	0	0%
Unknown	1	5.3%	1	16.7%	0	0%	0	0%
N/A*	3		1		2		0	
Total-N/A	19	100%	6	100%	8	100%	5	100%

\* N/A: Not applicable

**Graph 6.2 Scores on Impact Indicator VIII, per sector**



\* Sufficient: scores A, B+ and B; insufficient: scores C+, C, D+ and D

## 6.4 Indicator IX: Promotion of Dutch exports

Since, according to the ToR, the promotion of Dutch exports was one of the objectives of the programme, the impact of the ORET/MILIEV transactions on exports has been assessed in each of the 22 cases studied. This refers to both direct and indirect effects on exports.

### 6.4.1 Dimension 1: Extent to which Dutch exports have increased as a direct result of the project

The first dimension of indicator IX assessed to which extent the ORET/MILIEV transaction has contributed to an increase of Dutch exports through repeat orders or spin-offs that directly resulted from the transaction. The focus was not on the direct exports generated by the transaction itself (as was already discussed under efficiency 3.4), but on the impact of the transaction. The Programme Regulations in force over the period under review stressed the importance of generating sustainable trade relations. The evaluator's interpretation of 'sustainable trade relation' was that at least one single commercial contact should have taken

place after finalisation of the ORET/MILIEV transaction. These follow-up activities could encompass repeat orders, maintenance contracts, new deliveries to the same client or to related clients in the same country or spin offs. In six of the 22 transactions sampled, a direct relation between the ORET/MILIEV transaction and follow-ups could be observed. These direct follow-ups consisted predominantly of new ORET/MILIEV funded transactions. The delivery of a 'trailing suction hopper dredger' to the Sri Lankan Port Authority resulted in a follow-up ORET transaction for the Dutch company IHC to deliver a 'grab hopper dredger'. Also in Sri Lanka, the railway signalling company NMA (now Vialis) implemented a second ORET transaction following the evaluated Kalutara - Ambalangoda railway signalling project. In Ghana, Spaans Babcock is building a new water treatment plant in Baifikrom with an ORET grant, while in Tanzania the second road rehabilitation by Aduco International, evaluated in this study, was the direct result of the successful implementation of the first road rehabilitation. Only in one of the 22 transactions revised, a direct impact on exports on non-ORET/MILIEV base could be registered. This refers to the mangrove forest project in Vietnam, where the Vietnamese National Project Steering Committee requested Arcadis Euroconsult to implement an extension of the project, funded by the Netherlands Embassy in Hanoi (waiver). A spin-off was a World Bank assignment for the preparatory study for the Coastal Protection Plan, as well as two other studies.

**Box 6.2      *Employment in the Netherlands***

Next to the contribution to Dutch exports, the ORET/MILIEV programme does have a bearing on employment in the Netherlands. This impact variable was not evaluated in detail. Evaluation would have required special study, since the 'Dutch component' comprises not only elements of directly manufactured products or services by the supplier, but also products or services procured by the supplier from other Dutch firms. More complicated is the fact that components produced in other countries, but consisting for more than 50 percent of Dutch elements, may be considered as entirely Dutch products as well.

Based on file-study, some coarse information about the employment effect in the Netherlands could be compiled for 8 out of the 22 projects only. The arithmetic average over these 8 projects indicates that each transaction implies some 462 person months of employment in the Netherlands. Projecting this average to the total population of 63 projects over the period under review, the ORET/MILIEV programme could have contributed to 29,100 person months (or 2,425 person years). The average cost per person month employment in the Netherlands (of those 8 projects) has been € 7,830. In the case of the delivery of tugboats to El Salvador precise data are available. In those two transactions the cost per person month in the Netherlands has been € 5,900.

#### **6.4.2      Dimension 2: Impact on economic/trade relationships**

Next to the direct effects on Dutch exports, the indirect impact has been added. Remote impacts were registered in Yemen, where the installation of a diesel station in Mukalla contributed to establish some minor, but lasting contacts between Dutch and Yemenite enterprises. And in Colombia, although Boskalis did not receive any repeat order for infrastructure works, the implementation of the tidal inlet project did establish contacts with Colombian construction companies. In a few cases Boskalis has been invited to carry out some dredging work as subcontractor to those Colombian firms. Boskalis is in Sri Lanka one of the main dredgers. In the case of the failed project by Shell Solar Energy in Bolivia, the magnitude of the project has enabled the company to profile itself as a producer of large

quantities of turn-key panels for household level use. This track record helped Shell Solar Energy in tenders in other countries.

Apart from the cases mentioned above, for various clients there were opportunities for repeat orders, but the Dutch bids in the international tenders did not result in purchases from the Dutch companies, even not in those cases where the expectations for repeat order were very high (water management infrastructure in Colombia; water treatment plant Vietnam<sup>56</sup>).

**6.4.3 Summary scores impact indicator IX**

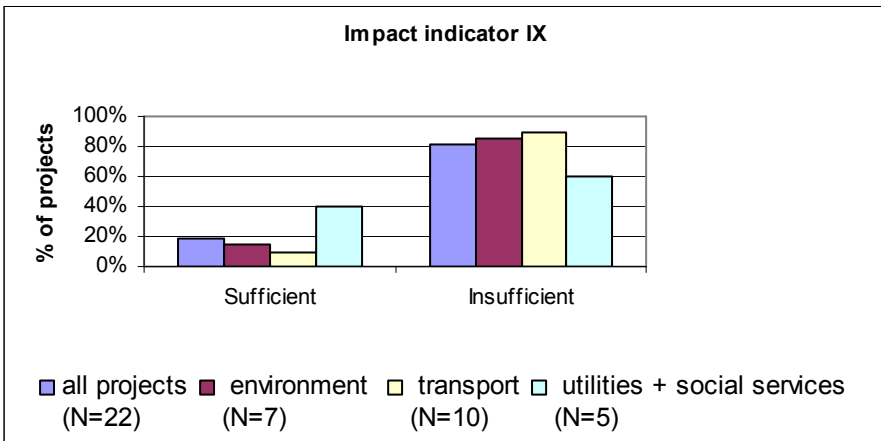
Combining the scores on the two dimensions of indicator IX, leads to the conclusion that the overall impact on Dutch exports has been small. The programme has facilitated exports by means of the direct funding of transactions, but has failed to translate these transactions into lasting relations between the trading partners.

**Table 6.3 Scores on Impact Indicator IX, per sector**

Scores	All projects		Environment		Transport		Utilities + Social Services	
	Number	%	Number	%	Number	%	Number	%
A	1	5%	0	0%	0	0%	1	20%
B+/B	3	14%	1	14%	1	10%	1	20%
C+/C	12	55%	4	57%	7	70%	1	20%
D+/D	6	27%	2	29%	2	20%	2	40%
Unknown	0	0%	0	0%	0	0%	0	0%
N/A*	0		0		0		0	
Total-N/A	22	100%	7	100%	10	100%	5	100%

\* N/A: Not applicable

**Graph 6.3 Scores on Impact Indicator IX, per sector**



\* Sufficient: scores A, B+ and B; insufficient: scores C+, C, D+ and D

<sup>56</sup> Sources: Colombia: interview with Boskalis; Vietnam: interview with Peja Export BV.

### 6.5 General findings on impact

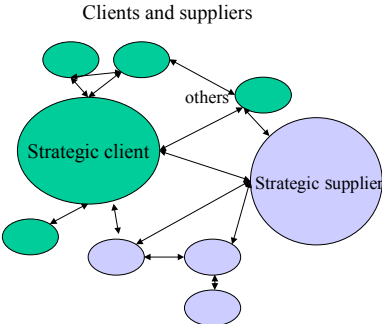
The objectives of the ORET/MILIEV programme are to be achieved through its individual projects. This is a difficult task, since ORET/MILIEV projects are (apart from a few exceptions) not mutually interrelated or connected. With respect to the objective of employment generation, over half of the ORET/MILIEV projects has directly or indirectly generated new temporary or permanent jobs.

With respect to the objective of contributing to the business climate, 89 percent of the projects had some positive effect on the business climate (in the broad understanding of the concept). These contributions were mainly resulting from investments in economic infrastructure (transport and utilities), more than from investments in social infrastructure (education and health) and the environment.

Poverty alleviation is the overarching objective of Dutch development co-operation. Although poverty alleviation was not an expected direct result or impact, in about half of the projects some positive direct or indirect effects on poverty alleviation and the position of women were observed. With respect to environment, about half of the five MILIEV projects in the sample did not have either direct or indirect positive effects on the environment. The vast majority of the 17 ORET projects in the sample did not cause any direct or indirect harm to the environment, five of them even had a positive direct effect on the environment. Combining ORET and MILIEV projects, a total of seven out of the 22 projects had positive direct effects on the environment.

The impact on exports from the Netherlands was mainly restricted to the value of the Dutch component in the transactions. If any repeat orders took place, these were usually supported by ORET/MILIEV funding as well. The ORET/MILIEV programme has hardly contributed to lasting trade relations between partners in the Netherlands and in developing countries. The present evaluation seems to indicate that the improvement of the business climate in developing countries can be achieved by means of a demand driven approach and hence by not connected one-by-one transactions, but the establishment of sustainable trade relations apparently not. A more proactive choice of strategic clients (and suppliers) (figure 6.1) might enhance the likelihood of successful positioning of Dutch enterprises in a certain country, in achieving sustainable economic development and lasting trade relations.

**Figure 6.1 Strategic clients and suppliers**



## 7 Conclusions

The present evaluation of ORET/MILIEV programme comprises activities finalised during the period 1999-2004. The programme has been modified in 2005 and 2006.

**1. Efficiency:** Out of the 22 sampled ORET/MILIEV transactions, 20 have been efficient in producing the envisaged output.

Efficiency compares input with output. The quality of the input was assessed by both the development relevance (86 percent of the sampled transactions was found to be development relevant) and the policy relevance (73 percent of the sampled transactions was found to be relevant to policies of the recipient government). Two distinct indicators measured output: the degree of realisation of the transaction (all but two transactions were realised as envisaged) in combination with the price-quality relation (in all but two cases the price-quality relation was perceived as sufficient) and the price-quality relation as compared to other international suppliers (73 percent of all transactions were perceived to be competitive).

The second indicator referred to the share of products, services or works of Dutch origin in the transaction value. Sixty-eight percent complied with a share of Dutch origin of over 60 percent). Dutch enterprises express themselves in positive terms as far as it concerns the contribution of the ORET/MILIEV programme to direct exports. If assumed that these exports would not have taken place in absence of the subsidy, the programme has enabled direct exports for a value of €472.9 million (60 percent of the total transaction value of €788.3 million over the period 1999-2004<sup>57</sup>).

**2. Effectiveness:** in half of the sampled projects (of which the ORET/MILIEV transactions formed an integral part) the expected results were achieved. In 16 of the sampled projects, 90 percent or more of the expected infrastructural and capacity improvements were realised, but only in nine projects the expected number of temporary or permanent jobs within or directly related to the project were created.

Effectiveness compares the output with the outcome. The outcome is the achievement of the expected results (as formulated during approval) of each individual project, in particular in relation to the criteria set for ORET/MILIEV subsidy. The expected results encompassed the contribution to sustainable physical and social infrastructure (e.g. roads, harbours, electricity supply, solid and liquid waste treatment, medical equipment), capacity of the client, environmental improvement<sup>58</sup> and employment in developing countries. The achievement of the own expected results was the highest within the sectors Utilities and Social Services (all projects achieved their expected results), while projects in the sectors Transport and

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<sup>57</sup> This includes the transaction value of transactions implemented in China during the evaluation period. Excluding the transactions to China, the total transaction value amounts to €628.4 million and the Dutch exports to €377 million. Within the sample of 22 transactions the average share of Dutch content was 70 percent, higher than the strictly necessary 60 percent. See Annex 1.

<sup>58</sup> Environmental improvement was an expected result of MILIEV projects only, for ORET projects the avoidance of environmental damage was one of the collateral conditions.

Environment were less effective, 40 respectively 28 percent of projects in these sectors achieved their expected results.

Over the period reviewed, employment generation was stipulated as the single factor to assess the relevancy of projects for economic development. Ex-ante the potential employment generation was assessed by the calculation of the Economic Internal Rate of Return for each project. The conclusion ex-post is that in only half of the projects, for which an expectation with regard to direct employment generation was made, the expected number of temporary or permanent jobs within or directly related to the project were created.

For MILIEV projects there was also an ex-ante expectation with regard to environmental improvement. In two out of the five sampled MILIEV projects, 90 percent or more of the expected environmental improvements had been realised.

**3. Sustainability:** after completion of the contract between the Dutch supplier and the client abroad, eight effective projects and six projects which were almost effective can be considered sustainable on technical, financial and institutional grounds combined. Sustainability scores have only been attributed to those projects and parts of projects that were implemented effectively, implying an achievement of expected project results.

Of each project of proven (or partial) effectiveness the technical, financial and institutional sustainability have been assessed. For all projects, the technical and institutional sustainability was higher than the financial sustainability. The overall sustainability of projects broadly aggregated in the sectors Transport (88 percent) and Utilities & Social Services (80 percent) happened to be higher than in environmental projects (43 percent). Environmental projects lacked satisfactory continuation, mainly due to institutional and/or financial restrictions.

In order to enhance technical sustainability, the ORET/MILIEV programme encompasses arrangements for operational and maintenance training, as well as on spare parts (as component of the grant agreement). While the technical training did contribute positively to the technical sustainability of the projects, there is no evidence that the delivery of spare parts had the same effect. In most cases there were no provisions for after-sales maintenance contracts.

**4. Programme relevance:** 79 percent of the activities had a positive impact on the business climate in the recipient country. To 27 percent of the Dutch suppliers the ORET/MILIEV subsidy resulted in any repeat order, maintenance contract or spin-off.

The ORET/MILIEV subsidised activities had a positive impact on the business climate of the recipient country (or region). This is expressed by expansion of trade movements (roads, harbours), by manufacturing activity (energy supply, waste water treatment) or more indirect impacts such as real estate development. Nine projects indirectly led to an increase of structural employment opportunities compared to the situation before the start of the project. Combining these with the number of projects that generated direct employment gives a total of fourteen projects in which expectations with regard to direct employment generation were realised and/or structural employment opportunities were increased as an indirect result of the project.

Of the five MILIEV projects included in the sample, three had a (very) positive impact on the environment, compared with the situation before the start of the project, even though the direct effects of one of these projects was less than expected (see effectiveness).

With respect to the impact of the ORET/MILIEV programme on exports, the regulations referred to ‘lasting trade relations’, interpreted in this evaluation as the programme’s expectation that at least one commercial contact would take place after the subsidised supply of goods, services or works. In six cases such follow-up contacts did exist (in all but one case it concerned other ORET/MILIEV activities), but for 73 percent of the Dutch suppliers the ORET/MILIEV transactions neither led to directly related repeat orders and maintenance contracts nor to other spin offs and enhanced trade relations between partners in the Netherlands and in the recipient countries.

**5. Compliance to criteria for development co-operation:** in none of the transactions reviewed, the position of women was either directly or indirectly harmed. In one project some negative direct and indirect effects on the poor was registered, while in three other projects some negative direct effects on a particular group of poor were ‘compensated’ by positive effects on other groups. Three ORET projects caused some direct and/or indirect harm to the environment<sup>59</sup>.

ORET/MILIEV regulations at the time had formulated the criteria ‘position of women’, ‘effect on the poor’ and ‘effect on environment’ as passive collateral conditions. Projects were not designed to lead to a positive change on these issues, although poverty alleviation is the overarching objective of Dutch development co-operation and the ORET/MILIEV subsidies are registered as Official Development Aid. In six projects a positive direct effect on poverty alleviation could be registered, while six other projects had a positive indirect impact on poverty alleviation. This gives a total of twelve projects that had positive direct and/or indirect effects on poverty alleviation<sup>60</sup>. Similarly, in eleven projects the opportunities for employment and income generation and/or the access to infrastructure and social services for women had increased compared to the situation before the start of the project as a direct and/or indirect result of the project<sup>61</sup>. In the design of most ORET projects special attention was paid to environmental aspects (such as the use of energy saving equipment), consequently the vast majority of the 17 ORET projects in the sample did not cause any direct or indirect harm to the environment, five of them even had a positive direct effect on the environment. Combining ORET and MILIEV projects, a total of seven out of the 22 projects had positive direct effects on the environment.

**6. Success next to failure:** Four of the 22 sampled projects scored high on all indicators and almost all the underlying dimensions; four other projects scored low on most indicators and underlying dimensions<sup>62</sup>.

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<sup>59</sup> Two of these were road rehabilitation projects in Tanzania, they scored insufficient on this collateral condition for the reason that road construction and environmental protection are of a conflicting nature. The third project concerns the construction of a power plant in Yemen.

<sup>60</sup> Combined effectiveness and impact scores.

<sup>61</sup> Combined effectiveness and impact scores.

<sup>62</sup> Criterion: “High score”: no score “D” on all dimensions and maximum 2 “C” on indicators. “Low score”: 5 or more times “D” on dimensions + project 01/12.



Factors that have contributed to success were the suppliers' experience with similar projects and/or activities in the same country, as well as the supplier – client joint investment in the elaboration of a well-perceived project proposal.

Projects that scored low on various dimensions suffered from deficiencies or omissions in the design that prejudiced their effectiveness. Among the design problems encountered figure unrealistic hypotheses and/or proposals not based on knowledge of the local circumstances and context. In particular, the institutional context in the developing country was not always well understood. In some cases this implied that at the end of the project, ad-hoc 'solutions' had to be found in order to ensure continuity and to establish (financial) responsibilities.

## 8 Considerations for the future

### 1. The objective of the ORET<sup>63</sup> Programme: towards sustainable relationships and improvement of the business climate

*Recent (2006) changes in the objectives of the ORET programme call for more flexibility of the instrument.*

This evaluation has studied the efficiency, effectiveness and impact of ORET/MILIEV subsidised projects completed during the period 1999-2004. Throughout its history, the programme has experienced various changes in the formulation of its objectives, but the peculiarity of the programme has remained unaltered over time: the combination of contributing to physical and social infrastructure in developing countries and supporting Dutch exports. To achieve both goals simultaneously one sole instrument was being applied: export transactions of Dutch goods, services and works.

Since 2006, the objectives of the ORET programme are formulated exclusively in terms of sustainable economic development and the improvement of the business climate in developing countries<sup>64</sup>. This change in perspective calls for a revision of the instrument in terms of enhanced flexibility<sup>65</sup> towards the provision of incentives to establish durable partnerships with clients in developing countries ('twinning agreements'<sup>66</sup>).

### 2. Towards a more strategic use of the programme

*The worldwide, multi-sector and demand driven character of the ORET programme restricts its strategic use.*

The ORET programme is perceived as a programme open to all Dutch enterprises and aimed to 'level the playing field' with other international suppliers offering products and services to clients in developing countries. The objectives of the ORET programme are to be achieved through individual transactions scattered over many countries and sectors. These transactions are not mutually interrelated or connected.

The results of the present evaluation suggest that the improvement of the business climate in developing countries can be achieved by the current approach, but the establishment of sustainable trade relations apparently not (or hardly)<sup>67</sup>. Thereto, a proactive choice of strategic clients (and suppliers) might be required in order to increase the probability for a successful

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<sup>63</sup> ORET and MILIEV were separate programmes during the period 1994-1997 and they were merged to a single programme in 1998, but with different regulations. Since 2005 there is one single ORET programme, although FMO still registers some transactions as MILIEV. Since this section refers to the future only the name ORET is used.

<sup>64</sup> See: FMO. *ORET Programma per mei 2006*.

<sup>65</sup> The ORET Water Facility (drinking water and sanitation) that exists since 2005 is an example of enhanced flexibility, although not focused on the establishment of durable partnerships.

<sup>66</sup> In exceptional cases, the 1999-2004 ORET programme contributed to sustainable relations as well (for example, the twinning relation of Damen Shipyards with a Vietnamese shipyard).

<sup>67</sup> See chapter 6.4 on the promotion of Dutch exports and conclusion number 4.

positioning of Dutch enterprises in a certain country. This would require a more strategic application of the programme, such as:

- The choice for a limited number of countries, for example emerging markets, leading to a higher frequency of ORET supported activities per country.
- A strategic choice for a limited number of sectors to be attended. This strategic choice can be either from the perspective of the recipient country or from the perspective of the Dutch industry and may differ from country to country.
- As a result, an enhanced interconnectedness between clients and suppliers may emerge. Strategic suppliers attract other Dutch industries, or their presence may have the potential to trigger the establishment of local industry and trade.

### 3. Refinement of appraisal procedures

*Refinement is required of the appraisal procedures regarding (a) eligibility (b) main appraisal criteria (c) conditionality and (d) confidentiality.*

The Ministry of Foreign Affairs formulates the appraisal criteria to assess the applications for subsidy by Dutch firms. FMO (since 2002) and Ecorys<sup>68</sup> on its behalf, apply these appraisal criteria.

(a) *Subsidy eligibility*: One of the appraisal criteria during the evaluation period was compliance with the OECD Arrangement on Guidelines for Officially Supported Export Credit, which stated that commercially viable projects should not be subsidised in order to prevent market distortions<sup>69</sup>. Furthermore, the ORET/MILIEV regulations established that commercially non-viable components should not be assessed in isolation from otherwise commercially viable projects. In the sample of 22 transactions, three activities<sup>70</sup> were appraised as if it were ‘stand alone’ transactions. If these transactions had not been appraised in isolation, they would have been considered commercially viable. In the meantime the OECD Guidelines have become more specific on the concept ‘project’. Nevertheless, it merits further attention to distinguish well between ‘the project’ and its integrating ‘components’.

(b) *Appraisal on the main objectives*. In the appraisal documents reviewed, limited attention has been paid to a proposal’s (potential) contribution to the programme objectives. It is recommended that applications should explicitly refer to a project’s contribution to the main objectives, such as the improvement of the business climate in the recipient country. Since the failure of four projects in the sample was mainly due to design problems and lack of understanding of local circumstances, the appraisal procedure should re-introduce the physical site visit<sup>71</sup>. This site visit should have the characteristics of a ‘reality check’, mainly on institutional aspects.

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<sup>68</sup> Prior to 2001 the Netherlands Economic Institute (NEI).

<sup>69</sup> Under the OECD arrangement there were some exceptions with regard to small projects and projects in LDCs.

<sup>70</sup> Namely: electricity supply in Ghana, the delivery of a dredger to Sri Lanka and waste water treatment in Vietnam. Currently, wastewater treatment plants to commercial factories are no longer eligible for ORET funding.

<sup>71</sup> In the mid 1990s, the cost argument was used to discontinue the field visits. This argument hardly stands in relation to the amounts involved in the applications for subsidy. The ‘rule of thumb’ for private sector enterprises is to destine 2-2.5% of an envisaged investment to study and appraisal.

(c) *Conditionalities.* The approval of an ORET application is based on the assumptions over the performance during the lifetime of a project. According to OECD Guidelines, this lifetime is assumed to be at least ten years. During appraisal conditions are formulated that aim at enhancing the probability that the expected results will be achieved. Usually, these conditions are included in the Grant Agreement between the NIO Bank (subsidiary of FMO) and the recipient government, the Grantee.

The regulations to the ORET-programme state explicitly that neither the Netherlands' Government nor the NIO Bank is party in ORET-transactions, other than being the financier. Neither the Netherlands' Government, nor the NIO Bank can be held responsible for the transaction. Although the Grantee signs as beneficiary of the subsidy, and the Grant Agreement contains the conditions set by the financier, the Grantee is not by definition the client of the transaction. In some cases the Grantee has no legal mandate whatsoever over the obligations or property of the client.

Conditions set by the financier should be in line with its enforcement power. That also applies to the conditions set in the Agreements with respect to tax exemption. Usually, the tax exemption clause can be applied to the Dutch contract holder, but not to its international and local subcontractors and to border taxes, excises and direct income taxes, but not to value added and financial transaction taxes, neither to environmental taxes.

(d) *Confidentiality.* The ORET regulations ensure the confidential treatment of data supplied by the Dutch applicant for ORET subsidy. To the client however, this confidentiality may appear as being omissions in the information supplied. A few clients have interpreted these 'gaps' in information as lack of transparency. Clients interviewed observed the insufficient openness on institutional responsibilities at the Dutch side, the lack of clarity on Dutch procurement requirements and procedures, as well as the lack of information on unit prices used by Dutch suppliers.<sup>72</sup> It is recommended to provide more comprehensive information to the recipient government and in particular to the direct clients on procedures, the role of both NIO Bank and Royal Netherlands Embassies in the ORET-programme.

#### **4. Implementation efficiency is high, but financing efficiency merits further attention**

*To the financier (the Netherlands Government) ORET implies the risk of financing inefficiencies.*

Although the evaluation has concluded a high efficiency of the ORET programme, this refers exclusively to the direct relation between the input delivered by the supplier and the output received by the client. However, efficiency to the financier is a different consideration.

It is the financier's intention to enable clients in developing countries to procure goods and services against a lower cash outlay. However, the 'savings made' by the client are not necessarily equal to the nominal grant provided by the financier. The 'savings' might be less

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<sup>72</sup> In the case of the Tidal Inlet Cartagena, the local chapter of Transparency International raised questions about the selection of Boskalis in the Netherlands and the selection of national companies in Colombia. Although the procurement procedures applied in the Netherlands were legally correct, the procedure was vulnerable to comments.

in two cases: (i) the grant is used to finance a difference in quality or (ii) the grant is used to finance inefficiency.

(i) The financing of a quality difference took place in the delivery of tugboats to El Salvador and the delivery of compactor vehicles for solid waste treatment in Vietnam. In International Competitive Bidding (in absence of supplier subsidy), the clients would not have procured the Dutch supplies. However, at the same time they preferred the higher quality of the Dutch products. In these cases, the subsidy was partly used to 'bridge' the price difference between the 'regular' produce and the higher quality produce. This is not the same as using subsidy for 'leveling the playing field' with other (foreign) suppliers for produce of the same quality characteristics.

(ii) If a Dutch supplier provides goods of the same quality as its competitors, but at a landed cost (c.i.f) higher price (in absence of supplier subsidy), both financier and client pay for inefficiency. The international price comparison that forms part of the appraisal procedure has reduced that risk to 14 percent of all transactions in the sample, in these transactions prices were perceived to be not competitive. However, the threshold requirement regarding the 60 percent Dutch share tempted suppliers to export components (such as construction material) that could have been procured more economically in the recipient country. The MILIEV grant for the delivery of solar panels to Bolivia was largely consumed by the price difference between locally produced systems (ex-factory) and the landed cost (c.i.f.) of Dutch panels of equal (and to some even inferior) quality.

## **5. Effectiveness can be improved by flexibility in financing modalities**

*To Dutch exporters, ORET satisfies the demand of a specific niche only. To clients in the developing country ORET is not the most practical financing modality.*

Although the ORET programme was envisaged as a general subsidy programme, open to all interested Dutch companies, in practice it satisfies the demand of a limited number of companies only. In total 58 different suppliers have implemented and completed transactions during the period 1999-2004 (41 suppliers excluding those who have only implemented projects in China). The characteristics of the programme allow a limited number of transactions per year, mainly to large and medium-size Dutch companies.<sup>73</sup> However, also suppliers and subcontractors to the Dutch ORET applicants benefit from the implementation of transactions.

Of those industries that have accessed the ORET programme, suppliers interviewed stressed the commercial risks involved. The main risk is delay, and delay may involve additional costs, such as payment of representatives, transaction costs (permits, licences), travel expenses or keeping local staff 'on the spot'. Although the ORET programme pretends to assist Dutch companies in entering new markets, the risk of delay is precisely the highest for those companies that explore a 'first entry'. Various respondents have manifested not to apply for ORET subsidy anymore<sup>74</sup>. The argument that ORET assists Dutch companies in a 'first entry' to a market unknown to the supplier does not hold, since precisely the Dutch suppliers best established in a foreign market implemented the most successful transactions.

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<sup>73</sup> ORET/MILIEV does not exclude smaller transactions, but is designed for larger transactions. The PSOM programme attends small transactions that are commercially viable.

<sup>74</sup> Of the Dutch suppliers in the sample, three companies cannot apply anymore, since they went bankrupt.

To clients (mainly public sector) the ORET financing is not the most pragmatic option, since the grant covers only part of the costs, and a second financing source is always required. In practice the matching of payment schedules and (legal) requirements of both sources of funding can be complicated. In an increasing number of countries, fiscal transparency regulations require that all ODA funds have to be registered on the national budget, which may imply a delay up to the next financial year. Delays in the approval of the ORET application may jeopardize the availability of local budget resources. In some cases a separate tender procedure will be required for the components to be funded locally. To various clients a single financing source would have been preferable, for example a concessional loan modality. This is however a dilemma, since lending has the risk of increasing indebtedness of the recipient country. In addition, it is the policy of the Netherlands government to provide exclusively grants to the Least Developed Countries.

It is recommended to design a menu of financial structures ('financial engineering') that match the specific financing needs under different circumstances. Such a menu could encompass a special 'low volume' option for first entries in certain market segments or countries.

## **6. Link technical sustainability to other financing mechanisms**

*The technical sustainability is not 'safeguarded' by including spare parts and training provision in the contract between client and supplier.*

In the current ORET regulations, the supply of spare parts and training forms part of the contract. Although this has contributed to the high technical sustainability of the projects evaluated, it also lead to inefficiencies, such as spare parts never being used or provision of maintenance training at a moment when maintenance is not required yet. It could be considered to establish a general 'ex-post' fund for ORET transactions, against which a client abroad could draw for spare parts, training and maintenance provisions. The FMO 'spare parts credit line' could probably be opened up -or linked to- the ORET grant facilities in order to enable clients to purchase spare parts, and to obtain training services on a tailor-made basis. The spin-off of such a provision to the Dutch supplier is the higher probability of at least one after-sales contact.

## **7. Programme management should reinforce its evaluation system**

*The ORET/MILIEV programme lacks a sound monitoring and evaluation system on effectiveness and impact.*

There exists a conceptual discrepancy between the appraisal method (based on ex ante evaluation criteria that cover the lifetime of the project) and the monitoring and evaluation method, that cover the period of the delivery of the goods, services and works. While the appraisal method focuses on effectiveness and impact, the monitoring is mainly restricted to administrative efficiency. Regarding effectiveness, the administrator depends on the elaboration of progress reports by the supplier. Apart from the external evaluation, there is no systematic evaluation once the financing agreement has come to its administrative end.

It is recommended to elaborate a more results-based monitoring and evaluation process. This may imply less monitoring on administrative requirements during the implementation stage of the transaction and a more enhanced monitoring during the envisaged lifetime of the projects (or at least a certain period after completion of the contractual transaction).

## References

### Persons interviewed

- R.G. Dijksterhuis, former head of entrepreneurship and Business, Ministry of Foreign Affairs
- F. van Enckevoort, consultant, Price Waterhouse Coopers
- E.J.P. Houtman, Coordinator international Financing Issues, Ministry of Finance,
- B. de Jongh, international relations & insurance specialist, Atradius
- E. Kuhlman, manager regional team, Atradius
- M. Lantinga, director, Lantinga Consultancy
- R. Liebrechts, consultant, Ecorys-NEI
- I.G. Merison, unit manager investment and export finance, Ministry of Economic Affairs
- R.A.J. Poelhekke, secretary International Economic Affairs, VNO-NCW
- P.G. Stoffelen, senior policy advisor state aid co-ordination, Ministry of Economic Affairs
- M. Visser, consultant, Ecorys-NEI
- R. Vriezen, Senior investment officer, FMO

### Documents

- Country-led Joint Evaluation of the ORET/MILIEV programme in China, Chinese National Center for Science and Technology Evaluation (NCSTE) and Policy and Operations Evaluation Department (IOB), Amsterdam 2006
- Arrangement on officially supported export credits, OECD, December 2005
- Annual reports FMO 2002, 2003, 2004 and 2005
- Regulations Oret/Miliev programme, 1993, 1994, 1996, 2002, 2005, 2006
- Evaluation Oret-Miliev 2001 – 2002, Ecorys-NEI, Rotterdam 2003

References used for the evaluation of the 22 individual projects have been included in the mission reports that are available on the CD-rom that is enclosed with this evaluation report.



## **Annex 1      Justification of sampled transactions**

### **A1.1      Selection of countries**

For the selection of countries to be visited during the field missions, the following selection criteria were used: 1- regional distribution, 2- importance in terms of number of projects completed during the period under evaluation (1999-2004), and 3- amount of subsidies received under the programme. It should be noted that China was excluded from the country selection, since a separate evaluation of the ORET/MILIEV programme in China was already carried out by the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs and the Chinese National Centre for Science and Technology Evaluation (NCSTE)<sup>75</sup>.

The ten countries indicated in table 5 provided in the Terms of Reference<sup>76</sup> meet these criteria. The final selection of countries was: Bolivia, Colombia, El Salvador, Ethiopia, Ghana, Tanzania, Philippines, Sri Lanka, Vietnam and Yemen.

### **A1.2      Selection of projects**

Table 5 in the ToR required the total number of transactions to be evaluated to cover at least one third of the total number of transactions completed between 1999 and 2004, excluding those completed in China (see table A1.4 for an overview of the total number of projects completed). According to data mentioned in the ToR this led to a number of 22 transactions to be evaluated<sup>77</sup>. The ToR also indicated the number of transactions to be evaluated in the above listed ten countries. For five countries, namely Bolivia, Colombia, El Salvador, Ethiopia and the Philippines, the number of transactions to be evaluated equalled the total number of transactions that were completed in those countries between 1999 and 2004, no further selection was necessary therefore. In the other five countries, the following criteria were used for the selection of transactions to be evaluated: 1- the sector to which the transaction can be attributed, 2- the transaction amount and grant disbursed, and 3- the supplier of the transaction.

Ad 1- The following broad sectors were identified:

1. Environment: environment protection, waste management and water treatment;
2. Transport: ports, roads and railways;
3. Utilities: energy and water supply & sanitation; and
4. Social services: education and medical equipment/supply.

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<sup>75</sup> “Country-led Joint Evaluation of the ORET/MILIEV Programme in China”, 2006. Policy and Operations Evaluation Department (IOB) of the Netherlands and the Chinese National Centre for Science and Technology Evaluation (NCSTE).

<sup>76</sup> Terms of Reference OERT/MILIEV Evaluation 1999-2004, Ministry of Foreign Affairs, 3 November 2005.

<sup>77</sup> The ToR stated that a total of 88 transactions had been completed between 1999 and 2004, 26 of these were transactions to China. One third of 62 gives 21 transactions to be evaluated. According to the FMO database, a total of 85 transactions were completed between 1999 and 2004, of which 25 in China. One third of 60 gives 20 transactions to be evaluated.

In the ToR the above listed ‘sub’ sectors, e.g. environment protection, waste management, etc., were each considered as separate sectors. Given the limited number of transactions in the sample in each of these ‘sub’ sectors, they were grouped together in four broad sectors. The only sector not included here is ‘agriculture’, since there was only one transaction in this sector. Furthermore, within the sample of transactions, sector coverage is not equally distributed across geographical regions, since there was no equal distribution within the total population of transactions either. Sector coverage should therefore be viewed for the complete sample of transactions, not per region.

Ad 2- The ToR indicated a preference for transactions with a relatively high transaction value and grant.

Ad 3- Within the evaluation period, some suppliers have implemented several transactions within the same country or across different countries. In total 41 suppliers have completed 60 transactions in the countries eligible for ORET/MILIEV funding (excluding China) between 1999 and 2004. Eighteen of these were included in the sample of transactions. Attention was paid to the frequency of transactions implemented by the same supplier, in some cases two transactions of the same supplier were selected for the sample in order to make comparisons between differences in implementation, e.g. delivery of tugboats to El Salvador by Damen Shipyards, the construction of a tidal inlet in Colombia and an expressway in Sri Lanka by Boskalis, road rehabilitations in Tanzania by Aduco International and waste management projects in Vietnam by Peja Export BV. Table A1.5 gives an overview of the frequency of transactions per supplier completed between 1999 and 2004.

An overview of the selected transactions is presented in table A1.1.

**Table A1.1 Sample of ORET/MILIEV transactions completed between 1999 and 2004**

Country	Transaction name	Supplier name	Sector
<b>Latin America</b>			
Bolivia	Solar Home Systems Santa Cruz	Shell Solar Energy/R&S Renewable Energy Systems (Shell Nederland BV)	Environment
Colombia	Tidal Inlet Cartagena	Boskalis International BV (Koninklijke Boskalis Westminster NV)	Environment
El Salvador	Supply of a tugboat to the port of Acajutla	Damen Shipyards	Transport
	Supply of a 2 <sup>nd</sup> tugboat to the port of Acajutla	Damen Shipyards	Transport
<b>Africa</b>			
Ethiopia	City busses Addis Ababa	Daf bus International BV (VDL Groep BV)	Transport
Ghana	National Electrification Project	Holec Projects BV (Koninklijke Begemann Groep NV)	Utilities
	Water purification installation Winneba	Spaans Babcock BV	Utilities
	Technical/Vocational Resources Centres project*	TNW Export BV (TNM Holding BV)	Social Services
	Rehabilitation Medical Diagnostic App.	Philips Medical Systems (Philips Electronics NV)	Social Services
Tanzania	Road rehabilitation Pugu-Chanika-Mbagala	ADUCO International BV (Aduco Holding BV)	Transport
	Baggerwerken toegangskanaal Dar Es Salaam	HAM - bagger- en waterbouwkundige werken	Transport

Country	Transaction name	Supplier name	Sector
		(HBG-Hollandsche Beton Groep NV)	
	Road Kongowe-Mjimwema-Kivukoni	ADUCO International BV (Aduco Holding BV)	Transport
<b>Asia</b>			
Philippines	Waste management plan Cebu City	Solid Waste Consultancy (coop. between Roteb and GEM - Haskoning-)	Environment
	Solid waste management Central Bank Philippines	Kusters Engineering (Syntech Holdings)	Environment
Sri Lanka	Tugboat Sri Lanka Ports Authority	IHC	Transport
	Kalutara-Ambalangoda railway signalling	NMA Railway Signalling BV	Transport
	Colombo Katanayake expressway	Boskalis	Transport
Vietnam	Rehabilitation mangrove forests, Mekong Delta	Arcadis Euroconsult BV (in coop. with Haskoning)	Environment
	Waste water treatment Vicotex	Peja Export BV (Stork NV)	Environment
	Solid waste mgt.	Peja Export BV (Stork NV)	Environment
<b>Middle East</b>			
Yemen	Containercranes Hodeidah Port	FIGEE BV (Nautisch Belegingsfonds BV)	Transport
	Dieselpower-station Mukalla	Stork-Wärtsilä Diesel BV (40% Stork NV, 60% Wärtsilä Diesel Ltd)	Utilities

\* The Technical/Vocational Resources Project were in fact three separate transactions (98/29, 98/30 and 98/31), but these have been evaluated as being one transaction.

The region and sector coverage of the sample of transactions is shown in table A1.2 below.

**Table A1.2 Region and sector coverage of sample of ORET/MILIEV transactions**

Region	Latin America		Africa		Asia		Middle East		Total - all regions	
	N	n	N	n	N	n	N	n	N	n
N: Total population - China, n: sample										
No of transactions completed in sector:										
Environment	2	2	5	-	9	5	1	-	17	7
Transport	4	2	13	4	7	3	3	1	27	10
Utilities	-	-	2	2	-	-	1	1	3	3
Social services	-	-	7	4*	1	-	-	-	8	4*
Agriculture	-	-	1	-	-	-	-	-	1	-
Other	-	-	3	-	-	-	1	-	4	-
Total – all sectors	6	4	31	10*	17	8	6	2	60	24

\* This includes the Technical/Vocational Resources Project in Ghana, which were in fact three separate transactions (98/29, 98/30 and 98/31), but which have been evaluated as being one transaction.

Source: FMO databases.

The sample has not been drawn a-select, but has been selected based on arguments, as indicated above. In a statistical sense it cannot be considered as fully ‘representative’, although it does represent well over a third of all the transactions that were completed during the period 1999-2004 (excluding those in China), and 47 percent of the grants committed (see table A1.3).

**Table A1.3 Sample of ORET/MILIEV transactions versus total population**

Population versus sample	No of transactions completed	No of suppliers	Transaction value planned (x 1000 €)	Grants committed (x 1000 €)
Total population	85*	58	788296	350622
Total population – China	60*	41	628470	274969
Sample	24*	18	270157	128056
Sample as % of total population	28%	31%	34%	37%
Sample as % of total population - China	40%	44%	43%	47%

\* This includes the Technical/Vocational Resources Project in Ghana, which were in fact three separate transactions (98/29, 98/30 and 98/31), but which have been evaluated as being one transaction.  
Source: FMO databases.

**Table A1.4 Overview of all ORET/MILIEV transactions completed between 1999 and 2004**

IN SAMPLE	SUPPLIER	COUNTRY	MLV	PROJ NO	TRANSACTION NAME	TRANSACTION VALUE PLANNED (x1000€)	GRANT COMMITTED (x1000€)
*	ADUCO	TANZANIA		94/10	REHAB. WEGVERBINDING PUGU-CHANIKA-MBAGALA	8737	5240
*		TANZANIA		96/62	KONGOWE-MJIMWEMA-KIVUKONI ROAD	4047	2428
	ALFA LAVAL	CHINA		96/46	WHUZONG MAIZE STARCH FACTORY PROJECT	1620	648
	ARCADIS EUROCONS ULT	CHINA		98/05	YINBEI DRAINAGE CONSTRUCTION PROJECT	4526	2037
*		VIETNAM	M	94/16	REHABILITATIE MANGROVE BOSSEN, MEKONG DELTA	3271	2647
	BITUMARIN	EGYPTE		94/69	IRRIGATIE ISMAILIA KANAAL	5132	1971
	BOSKALIS	GHANA		98/70	ACCESS AND NAVIGATION IMPROVEMENT TEMA PORT	13659	4781
*		SRI LANKA		2001/12	COLOMBO KATUNAYAKE EXPRESSWAY	27227	9529
*		COLOMBIA		97/36	TIDAL INLET CARTAGENA	21252	9563
	CHRIST HOLLAND	TUNESIE		91/01	DRINKWATER (ONTZILTINGS-) INSTALLATIE	5377	2151

IN SAMPLE	SUPPLIER	COUNTRY	MLV	PROJ NO	TRANSACTION NAME	TRANSACTION VALUE PLANNED (x1000€)	GRANT COMMITTED (x1000€)
*	DAF BUS	ETHIOPIE		2001/27	STADSBUSSEN ADDIS ABABA	23111	11556
	DAF TRUCKS	CHINA		99/43	MAIL TRANSPORTATION FLEET	2479	882
	DAMEN SHIPYARDS	YEMEN		00/26	AZIMUTH STERN DRIVE TUGS FOR ADEN PORT	11907	2977
		COSTA RICA		98/75	HAVENSLEEPBOOT EN LOODSBOOT JAPDEVA	2495	624
*		EL SALVADOR		96/54	LEVERANTIE SLEEPBOOT	2165	997
*		EL SALVADOR		2001/78	LEVERANTIE SLEEPBOOT	2644	644
		CUBA		96/72	LEVERING 2 MULTI PURPOSE CARGO VESSELS	6131	3088
		BENIN		00/01	MULTI PURPOSE BOAT HAVEN COTONOU	1251	625
		IVOORKUST		98/25	LOODSBOTEN PORT AUTONOME D'ABIDJAN	2376	831
		DJIBOUTI		99/13	SLEEPBOOT, LOODSBOOT, 2 LIJNBOTEN.	5539	1631
	DELTASHIP YARD	KAAPVERDIE		96/63	MULTI PURPOSE TUGBOAT	3814	2098
	DEN OUDSTEN	PALESTINA		98/50	BUS FLEET UPGRADING	16941	5930
	DHV	TUNESIE		92/45	TAPARURA SANERING AFVALDEPOT SFAX	605	287
		CHINA	M	94/59	YUNNAN ENVIRONMENTAL MASTERPLANNING PROJECT	3816	2927
	DMMI	GHANA		97/23	VOLTA LAKE DREDGING	6716	2686
	EARS	CHINA	M	95/47	COAL FIRE MONITORING & FIGHTING SYSTEM	2636	1582
		CHINA	M	98/53	ENERGY AND WATER BALANCE MONITORING SYSTEM	3372	2022
	EBBENS	ZIMBABWE	M	96/34	WATERZUIVERINGSINSTALLATIE HARARE	771	617
	ENRAF-NONIUS	GHANA		97/17	GHANA FYSIOTHERAPY DIAGNOSTIC APP	5707	1998
*	FIGEE BV	YEMEN		00/25	CONTAINERCRANES HODEIDAH PORT	14858	7429
	GEESINK	YEMEN		95/23	LEVERANTIE HUISVUILWAGENS	2523	1514
	GEMCO INT. BV	CHINA		2001/91	SUPPLY OF EQUIPMENT FOR EDUCATIONAL FACILIT.	3182	1114

IN SAMPLE	SUPPLIER	COUNTRY	MLV	PROJ NO	TRANSACTION NAME	TRANSACTION VALUE PLANNED (x1000€)	GRANT COMMITTED (x1000€)
	GRASSO	CHINA		95/53	HENAN JIAOZHOU BROILER PROJECT	1493	597
*	HAM	TANZANIA		95/43	BAGGERWERKEN TOEGANGSKANAAL DAR ES SALAAM	17996	10666
	HASKONING	VIETNAM	M	95/45	GRONDWATERSTUDIE MEKONG DELTA	2898	2311
	HEEMHORS T	CHINA		98/16	SHANGHAI DAYING DUCK FEEDMILL	1931	922
*	IHC	SRI LANKA		00/52	SLEEPHOPPERZUIGER SRI LANKA PORTS AUTHORITY	11197	2799
		MAROKKO		96/37	ZELFVARENDE SLEEPHOPPERZUIGER	10845	4338
		CHINA		96/22	6 BAGGERSCHEPEN DONG TING LAKE	15783	6313
		INDIA		95/24	ZEEGAANDE SLEEPHOPPERZUIGER	32398	12815
		SRI LANKA		2002/01	ZELFVARENDE GRIJPHOPPERZUIGER	4838	1209
		CHINA		98/13	HAINAN LONGWAN CUTTERDREDGERS	15156	6611
	INTERBETON	GHANA		95/81	GYATO ZONGO-PRANG-YEJI WEG REHABILITATIE	41975	16790
	K DAMEN	BANGLADESH		95/66	TEESTA BARRAGE PROJECT	4219	2304
	KARSTEN CLEANROOMS	CHINA		98/56	SHENZHEN GUANG XIN BIO-ENGINEERING	2496	1079
	KEBBETS-SCHALKE	CHINA		99/03	HENAN GREENHOUSE DEMONSTRATION PROJ	2495	1123
	KUSTERS	INDIA	M	99/39	AFVALVERWERKING RESERVE BANK OF INDIA	10355	3624
		CHINA		97/20a	AFVALVERWERKING PEOPLE'S BANK OF CHINA	23914	10761
*		PHILIPPIJNE N		99/59	AFVALVERWERKING CENTRAL BANK PHILIPPINES	1316	461
	LAGERWEY	INDIA	M	95/55	WINDTURBINEPARK ANDHRA PRADESH	19376	11626
	MEAF MACHINES	ZAMBIA		98/46	THERMOFORMING VOEDSEL VERPAKKINGSMACHINE	407	203
	NCF	TANZANIA		96/26	PRODUCTIE NATUURFILM 'SAVAGE PARADISE'	2133	1292
	NEWINCO	CHINA	M	98/20	XINJIANG WIND TURBINE	18354	11012

IN SAMPLE	SUPPLIER	COUNTRY	MLV	PROJ NO	TRANSACTION NAME	TRANSACTION VALUE PLANNED (x1000€)	GRANT COMMITTED (x1000€)
					PROJECT, DABANCHENG 2		
	NIVوبا	CHINA		97/34	STARCH PROCESSING PROJECT	2332	1021
*	NMA	SRI LANKA		95/56	KALUTARA-AMBALANGODA SPOORWEG SIGNALERING	12401	4960
	OTTO BOCK BENELUX BV	ZAMBIA		97/08	ZAMBEZI PARAMEDICAL CENTRE LIVINGSTONE	363	218
	PHILIPS PROJECTS BV	CHINA		97/35	CHENGDU SHUANGLIU INTERNATIONAL AIRPORT	32559	14653
	PMS	INDIA		95/38	GEZONDHEIDSZORG GUJARAT	45197	18072
		CHINA		36404	SHANXI CARDIOVASCULAR DISEASES RES.INSTITUTE	2012	905
		ZIMBABWE		91/48	DIAGNOSTISCHE GEZONDHEIDSZORG	19862	7945
*		GHANA		94/56	REHABILITATION MEDICAL DIAGNOSTIC APP	21951	8780
*	QTECQ	GHANA		93/07	NATIONAL ELECTRIFICATION PROJECT	27736	11094
	ROHILL ENGINEERING	CHINA		98/37	HIGHWAY EMERGENCY RESCUE TELECOMM.SYSTEMS	4642	2089
	ROLLOOS SORENSEN	UGANDA		98/09	WAGAGAI GREENHOUSE PROJECT	1349	674
	ROSENBAUER (KRONENB.)	TANZANIA		97/31	TANZAVIA PROJECT	2210	1326
	RYNWAAL SHIPYARDS	BANGLADESH		98/58	HAVENSLEEPBOOT CHITTAGONG	4937	1234
	SEARCH AND RESCUE SYS	TURKIJE		97/14	DISASTER MANAGEMENT QUALITY IMPROVEMENT	19513	8781
*	SHELL SOLAR ENERGY	BOLIVIA	M	96/43	SOLAR HOME SYSTEMS SANTA CRUZ	6719	4031
	SIMED	CHINA		99/64	TONGLING HOSPITAL	2407	1083
*	SOLID WASTE CONS.	PHILIPPIJNEN	M	96/60	WASTE MANAGEMENT PLAN CEBU CITY	282	165
*	SPAANS	GHANA		97/28	WATERZUIVERINGSINSTALLA	7714	2433

IN SAMPLE	SUPPLIER	COUNTRY	MLV	PROJ NO	TRANSACTION NAME	TRANSACTION VALUE PLANNED (x1000€)	GRANT COMMITTED (x1000€)
	BABCOCK BV				TIE WINNEBA		
	STORK BRABANT	CAMEROEN		97/29	REHABILITATIE TEXTIELDRUKKERIJ CICAM	1815	635
	STORK KETELS	CHINA	M	95/42	DEMONSTRATIEPROJECT LOW-NOX-BRANDERS	1089	1089
*	STORK PEJA	VIETNAM	M	97/37	SOLID WASTE MANAGEMENT HCMC PILOT PROJECT	2317	1390
*		VIETNAM	M	96/51	AFVALWATERZUIVERING VICOTEX	2097	1515
	STORK PMT	CHINA		96/65	SANYA BROILER PROJECT	2163	865
		CHINA		2001/28	WEIFANG LEGANG FOOD CO. LTD.	2620	917
*	TNW EXPORT BV	GHANA		98/31	TECHN./VOCATIONAL RESOURCES CENTRES PROJECT	4490	2021
*		GHANA		98/30	TECHN./VOCATIONAL RESOURCES CENTRES PROJECT	7184	3233
*		GHANA		98/29	TECHN./VOCATIONAL RESOURCES CENTRES PROJECT	6286	2829
	VAN OORD ACZ	TUNESIE	M	96/23	LAC SUD TUNIS	30506	12203
	VD CAMMEN	CHINA		94/32	DRINKWATER DALIAN	3241	1296
	VESTAS	CHINA	M	97/16	WINDTURBINES HUI TENG XI LE	3508	2105
*	WARTSILA	YEMEN		95/64	DIESELKRACHTSTATION MUKALLA	44833	26900
	WITTEVEEN & BOS	BANGLADESH	M	98/68	GORAI RIVER RESTORATION / TECHN. ASSISTANCE	499	250
Total	58	85				788296	350622
China	17	25				159826	75653
Total excl China	41	60				628470	274969

Source: FMO databases.



**Table A1.5 Frequency of transactions per supplier completed between 1999 and 2004**

NAME DUTCH COMPANY:	NUMBER OF PROJECTS COMPLETED PER REGION								
	TOTAL CHINA	incl	TOTAL CHINA	excl	LATIN AMERICA	AFRICA	ASIA CHINA	excl	MIDDLE EAST TURKEY
ADUCO	2		2			2			
ALFA LAVAL	1		0						
ARCADIS EUROCONSULT	2		1				1		
BITUMARIN	1		1			1			
BOSKALIS	3		3		1	1	1		
CHRIST HOLLAND	1		1			1			
DAF BUS	1		1			1			
DAF TRUCKS	1		0						
DAMEN SHIPYARDS	8		8		4	3			1
K DAMEN	1		1				1		
DELTASHIPYARD	1		1			1			
DEN OUDSTEN	1		1						1
DHV	2		1			1			
DMMI	1		1			1			
EARS	2		0						
EBBENS	1		1			1			
ENRAF-NONIUS	1		1			1			
FIGEE	1		1						1
GEESINK	1		1						1
GEMCO INT	1		0						
GRASSO	1		0						
HAM	1		1			1			
HASKONING	1		1				1		
HEEMHORST	1		0						
IHC	6		4			1	3		
INTERBETON	1		1			1			
KARSTEN CLEANROOMS	1		0						
KEBETS-SCHALKE	1		0						
KUSTERS	3		2				2		
LAGERWEY	1		1				1		
MEAF MACHINES	1		1			1			
NCF	1		1			1			
NEWINCO	1		0						
NIVOBA	1		0						
NMA	1		1				1		
OTTO BENELUX	BOCK		1			1			
PHILIPS PROJECTS			0						

NAME DUTCH COMPANY:	NUMBER OF PROJECTS COMPLETED PER REGION								
	TOTAL CHINA	incl	TOTAL CHINA	excl	LATIN AMERICA	AFRICA	ASIA CHINA	excl	MIDDLE EAST TURKEY
PMS	4		3			2	1		
QTECQ	1		1			1			
ROHILL ENGINEERING	1		0						
ROLLOOS SORENSEN	1		1			1			
ROSENBAUER	1		1			1			
RYNWAAL SHIPYARDS	1		1				1		
SEARCH AND RESCUE SYSTEMS	1		1						1
SHELL SOLAR ENERGY	1		1		1				
SIMED	1		0						
SOLID WASTE CONSULTANCY	1		1				1		
SPAANS BABCOCK	1		1			1			
STROK BRABANT	1		1			1			
STORK KETELS	1		0						
STORK PEJA	2		2				2		
STORK PMT	2		0						
TNW EXPORT	3		3			3			
VAN OORD ACZ	1		1			1			
VD CAMMEN	1		0						
VESTAS	1		0						
WARTSILA	1		1						1
WITTEVEEN & BOS	1		1				1		
TOTAL	85		60		6	31	17		6

Source: FMO databases.

## **Annex 2      Research methodology**

### **A2.1          Evaluation matrix**

In accordance to the ToR this evaluation has focused on the results of the transactions, i.e. the effectiveness (relation output-outcome) and relevance (relation outcome-impact) of the projects in achieving the over-arching objectives of the ORET/MILIEV programme.

In the evaluation approach a distinction has been made between the transaction level, the project level and the programme level. The transaction refers to the individual supplies, services or construction works delivered with ORET/MILIEV grants. These may –or may not- form part of a larger ‘project’. A project is defined by the OECD as “the smallest and technically fully integrated productive entity that benefits from the intended investment and reaps the benefits attributable to the investment”<sup>78</sup>. In practice, most transactions were identical to the projects. Individual transactions/projects count with their own specific objectives and hence have their own expected results.

The transactions/projects are the building blocks that together are supposed to construct the ORET/MILIEV programme. The extent to which an individual transaction/project contributes to the programme objectives determines its policy relevance.

### **A2.2          Evaluation approach**

The evaluation method comprised the following four components:

#### *1. Policy reconstruction*

A reconstruction of the policy development of the ORET/MILIEV programme has been carried out, based on a study of relevant policy documents and interviews with stakeholders in the Netherlands. One of the inputs has been the recent evaluation of the ORET/MILIEV programme in China, conducted by the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs and the Chinese National Centre for Science and Technology Evaluation (NCSTE).

#### *2. Desk-study of the appraisal and administration of 22 ORET/MILIEV transactions; plus the suppliers’ perspectives*

File study has been carried out of all 22 ORET/MILIEV transactions subject to field visit. Analysis of the files took place on the basis of a standardised checklist. Prior to the field mission, the corresponding Dutch exporting company was interviewed in order to gain insight into the project. In total eighteen Dutch exporting companies were interviewed<sup>79</sup>, this represents 44 percent of the total number of Dutch exporting companies that have implemented ORET/MILIEV transactions between 1999 and 2004 (excluding companies that have only carried out transactions to China). Annex 1 includes a list of all Dutch companies that have implemented ORET/MILIEV transactions between 1999 and 2004 and those

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<sup>78</sup> FMO. ORET Regulations as per May 2006.

<sup>79</sup> Some exporting companies were involved in more than one transaction.

included in the sample. It also includes an overview of the frequency of ORET/MILIEV transactions implemented during the evaluation period per supplier. Use was made of a standardised checklist for the interviews with suppliers. If necessary, a second interview, or telephone conversation was held after the field mission.

### *3. Study of the implementation of 22 ORET/MILIEV transactions and the recipients' perspectives*

'In situ' visits were made to the projects sampled. The ToR assigned 2-2.5 days per project, but for most projects more time was required. Field visits focused on the implementation process and the achievement of the expected output, outcome and impact. No 'country studies' have been carried out, since the country was considered a contextual factor that could have a bearing on the achievement of the objectives of the ORET/MILIEV programme.

In most, but not all cases, the clients had been requested in advance to produce or submit documentation on effectiveness and impact. The following instruments were used during the field studies:

- Semi-structured interviews (based on standardised checklists).
- In situ check on (visual) operation and maintenance of works, supplies or services.
- Collection of secondary material (documentation) on effectiveness and impact<sup>80</sup>.
- For each individual project, a standardised scorecard form was used.

Each field study comprised a preparatory stage, a field stage and a reporting stage. The field stage consisted of:

- Interviews with the Royal Netherlands Embassy and the national authorities of the host country (being -in general- the Ministry of Finance).
- A field visit for a physical check on operation and maintenance, and interviews with direct stakeholders.
- Interviews with the Chamber of Commerce, research institutes, ministries, public and private agencies in order to collect information for the assessment of impact.
- Study of reports by clients and other written material.

A first pilot mission was carried out to Yemen, where two projects in transport, respectively energy were evaluated.

Reports of the field studies in all ten countries are available on the CD-rom accompanying this evaluation report.

### *4. Analysis of scores from different perspectives*

In order to assess the main evaluative questions, a scorecard had been developed (see below). The scorecard is based on an ordinal four-point ranking (A-D). Each main indicator is being constructed based on a maximum of four dimensions of that same indicator. These dimensions have been aggregated to a general 'score' using an internationally recognised

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<sup>80</sup> The Inception report referred to the 'challenge technique', implying that the client would produce 'evidence' on effect and impact. In practice, clients could either refer to existing secondary documentation, or the current administrators had a very limited knowledge of the project / transaction carried out in the past. As evaluation 'technique', the challenge technique was successfully applied in the Cartagena Tidal Inlet project only.

method<sup>81</sup>. In this method each dimension is considered to have equal ‘weight’ and in the analysis afterwards it was assumed that each indicator was of equal importance to the evaluation. Furthermore, in the sum of scores across the 22 projects per dimension/indicator, those projects with a score ‘not applicable’ were not included in the total number of projects on which ‘sufficient/insufficient’ percentages were based.

The 22 selected transactions were categorised in four different sectors<sup>82</sup>:

5. Environment: environment protection, waste management and water treatment;
6. Transport: ports, roads and railways;
7. Utilities: energy and water supply & sanitation; and
8. Social services: education and medical equipment/supply.

Since the number of projects per sector was unevenly distributed (7, 10, 3 and 2 respectively), the two smallest sectors (3 and 4) were combined to one sector ‘Utilities and Social Services’ in order to allow for a meaningful sectoral analysis.

The scores per dimension and indicator for each transaction/project can be viewed in the mission reports that are available on the CD-rom accompanying this evaluation report. This CD-rom also includes the filled in scorecard for all 22 transactions.

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<sup>81</sup> Method applied by World Bank, European Commission, DfID and some other donors in assessing the quality of the Public Expenditure and Financial Accountability (PEFA) of a country (2005). Use was made of the so-called M2 scoring table. See accompanying CD-rom.

<sup>82</sup> The categorisation into sectors deviates from the ToR, since the required categorisation would lead to very small numbers per category.

**Table A2.1 Evaluation matrix at transaction/project level**

Indicator	Dimension	Sources	Methods
<b>INPUT</b>			
I. Quality of ex-ante appraisal of project	1. Quality of ex-ante appraisal of project's development relevance for the recipient country	- ORET/MILIEV Programme Regulations	- Desk research
	2. Quality of ex-ante appraisal of project's policy relevance for the recipient country	- ORET/MILEV file: application form, feasibility study, NEI report, BEMO (appraisal memorandum)	
Evaluation criterion EFFICIENCY: <i>Comparison inputs with outputs</i>			
<b>OUTPUT</b>			
II. Realisation of transaction activities and price-quality ratio of goods, services and/or works	1. Extent to which transaction activities have been realised	- ORET/MILEV files: application, feasibility study, NEI report, BEMO, final report by supplier, final certificate of completion, audit certificate by accountant - FMO database - Supplier - Client - Project	- Desk research - Semi-structured interview with supplier in the Netherlands - Semi-structured interview with client during field mission, client satisfaction assessment - In situ check at project site
	2. Price-quality ratio of goods, services and/or works, as perceived by client – actual versus agreement		
	3. Price-quality ratio of goods, services and/or works, as perceived by client – Dutch supplier using O/M grant versus other suppliers, taking into account the 60% rule		
III. Realisation of Dutch component in the transaction amount	1. Extent to which the minimum of 60% Dutch component <sup>83</sup> in the transaction amount has been realised		
Evaluation criterion EFFECTIVENESS: <i>Extent to which the outputs contribute to the achievement of the transaction's/project's expected results (outcomes)</i>			
<b>OUTCOME/RESULT</b>			
IV. Achievement of expected results of transaction/project in the field of economic development, employment creation and environment protection in the recipient country that can be attributed directly to the	1. Extent to which the transaction was critical to the success of the (larger) project of which the transaction forms an integral part <sup>84</sup>	- ORET/MILEV files: application, feasibility study, NEI report, appraisal memorandum, final report by supplier - Supplier - Client and other stakeholders	- Desk research - Semi-structured interview with supplier in the Netherlands - Semi-structured interviews with client, other local stakeholders and Dutch embassy during field
	2. Extent to which the physical and social infrastructure <sup>85</sup> / client's capacity to serve end-users have improved as expected		

<sup>83</sup> Two exceptions to the 60% rule: 1) Dutch component may be at least 50% if goods and services that originate from the developing country itself amount to at least 10% of the transaction amount; 2) Dutch component may be at least 40% if the transaction is carried out in the context of a 'services contract', in which there is a significant input from local experts.

<sup>84</sup> In some cases the transaction and project are identical, however, in most cases not. If transaction and project are identical, the extent to which the project has been critical to the larger national and/or sub-national economic development plans/strategies might be assessed.

Indicator	Dimension	Sources	Methods
transaction/project (benchmark: BEMO)	3. Extent to which the improved physical and social infrastructure / client's capacity to serve end-users have been used in practice	<ul style="list-style-type: none"> <li>- Project</li> <li>- Dutch Embassy – Economic &amp; Commercial section</li> <li>- Documentation on results of the project provided by the client</li> <li>- Other secondary documentation on the results of the project</li> </ul>	<ul style="list-style-type: none"> <li>mission</li> <li>- In situ check at project site</li> <li>- Collection and study of documentation provided by the client and other secondary documentation during and after field mission</li> </ul>
	4. Number of jobs provided by the project itself and directly related to it (e.g. with suppliers and customers)		
	5. Extent to which the environment has improved as a direct result of the transaction/project (MILIEV only)		
V. Achievement of expected results of transaction/project with regard to avoidance of harm on women, poor and environment in the recipient country that can be attributed directly to the transaction/project (benchmark: BEMO)	1. Extent to which to the interests of women have not been harmed as a direct result of the project		
	2. Extent to which to the interests of poor have not been harmed as a direct result of the project		
	3. Extent to which the environment has not been damaged as a direct result of the transaction/project (ORET only)		
<b>Evaluation criterion SUSTAINABILITY: <i>Extent to which effective transactions/projects can be continued independently</i></b>			
<b>SUSTAINABILITY</b>			
VI. Sustainability of transaction/project <sup>86</sup>	1. Degree of technical sustainability	<ul style="list-style-type: none"> <li>- ORET/MILEV files: application, feasibility study, NEI report, appraisal memorandum, final report by supplier</li> <li>- Supplier</li> <li>- Client and other stakeholders</li> <li>- Project</li> <li>- Dutch Embassy – Economic &amp; Commercial section</li> <li>- Documentation on sustainability of the project provided by the client</li> <li>- Other secondary documentation on the sustainability of the project</li> </ul>	<ul style="list-style-type: none"> <li>- Desk research</li> <li>- Semi-structured interview with supplier</li> <li>- Semi-structured interviews with client, other local stakeholders and Dutch embassy during field mission</li> <li>- In situ check at project site</li> <li>- Collection and study of documentation provided by the client and other secondary documentation during and after field mission</li> </ul>
	2. Degree of financial sustainability		
	3. Degree of institutional sustainability		

<sup>85</sup> Several sectors can be identified: Environment (environment protection, waste management, water treatment); Transport (ports, roads, railways); Utilities (energy, water supply & sanitation) and Social Services (education, medical equipment).

<sup>86</sup> For transactions of which only part of the planned transaction activities have been realised, sustainability has only been assessed for those transaction activities that have been realised.

Indicator	Dimension	Sources	Methods
Evaluation criterion IMPACT: <i>Extent to which outcomes/results contribute to the programme's overarching objectives + other, not planned, effects, both direct and indirect, positive and negative</i>			
<b>IMPACT</b>			
VII. Achievement of programme's objectives in the field of economic development, employment creation and environment protection and other, not planned, effects	1. Indirect effects on employment	<ul style="list-style-type: none"> <li>- Supplier</li> <li>- Client and other stakeholders</li> <li>- Project</li> <li>- Dutch Embassy – Economic &amp; Commercial section</li> <li>- Documentation on the impact of the project provided by the client</li> <li>- Other secondary documentation on the impact of the project</li> </ul>	<ul style="list-style-type: none"> <li>- Desk research</li> <li>- Semi-structured interview with supplier</li> <li>- Semi-structured interviews with client, other local stakeholders and Dutch embassy during field mission</li> <li>- In situ check at project site</li> <li>- Collection and study of documentation provided by the client and other secondary documentation during and after field mission</li> </ul>
	2. Impact on the recipient country's business climate		
	3. Impact on the environment (MILIEV only) <sup>87</sup>		
VIII. Impact on women, poor and environment	1. Impact on women <sup>88</sup>		
	2. Impact on poor <sup>89</sup>		
	3. Impact on the environment (ORET only) <sup>90</sup>		
IX. Achievement of programme's objectives with regard to Dutch export improvement and sustainable economic/trade relations	1. Extent to which Dutch exports have increased -repeat orders, spin offs- as a direct result of the transaction/project <sup>91</sup>		
	2. Impact on economic/trade relationships between Dutch companies and the recipient country		

<sup>87</sup> For MILIEV projects the ORET/MILIEV programme requires an improvement of the environment, improvement is therefore considered as sufficient/good (score B), no change is considered less than sufficient (score C).

<sup>88</sup> A requirement of the ORET/MILIEV programme is that projects do not harm women, poor and the environment, no harm is considered as sufficient/good (score B). The scores on these dimensions say something about compliance with these collateral conditions.

<sup>89</sup> See footnote 6.

<sup>90</sup> See footnote 6.

<sup>91</sup> Increased Dutch exports is generally not included as one of the expected results in the appraisal memorandum of a transaction, however, this result can be directly attributable to the transaction/project.



**Table A2.2 Scorecard**

Score A	More than sufficient
Score B	Sufficient
Score C	Less than sufficient
Score D	Failure
N	Not applicable
U	Unknown

<b>EFFICIENCY: Comparison inputs with outputs</b>		
<b>Indicator</b>	<b>Dimension</b>	<b>Information needed - Assessment</b>
I. Quality of ex-ante appraisal of project	1. Quality of ex-ante appraisal of project's development relevance for the recipient country	NEI's appraisal of the project's contribution to employment and economy of recipient country
	Score:	According to the information available to NEI at the time of appraisal: D: the project would not create any economic benefits (should not have been approved on the basis of information available at the time) C: the project would hardly create any economic benefits (should only have been approved on the basis of extra conditions) B: the project would have economic benefits A: the project would have significant economic benefits
	2. Quality of ex-ante appraisal of project's policy relevance for the recipient country	NEI's appraisal of the relative importance of the project for recipient country's national and/or sub-national economic, social and/or environmental policies
	Score:	According to the information available to NEI at the time of appraisal: D: the project would not be of any importance for recipient country's policy (should not have been approved on the basis of information available at the time) C: the project would not be one of the priorities of recipient country's policy (should only have been approved on the basis of extra conditions) B: the project would be one of the priorities of recipient country's policy A: the project would have the highest priority of recipient country's policy
II. Realisation of transaction activities and price-quality ratio of goods, services and/or works	1. Extent to which transaction activities have been realised	Planned transaction activities
		Achieved transaction activities

	Score:	D: <50% of the planned transaction activities have been realised C: 50-89% of the planned transaction activities have been realised B: 90-100% of the planned transaction activities have been realised A: more than the planned transaction activities have been realised
	2. Price-quality ratio of goods, services and/or works, as perceived by client – actual versus agreement	Price-quality ratio of goods, services and/or works agreed upon Actual price-quality ratio of goods, services and/or works
	Score:	D: the actual price-quality ratio is perceived much lower than expected on the basis of the agreement C: the actual price-quality ratio is perceived lower than expected on the basis of the agreement B: the actual price-quality ratio is perceived in accordance with the agreement A: the actual price-quality ratio is perceived higher than expected on the basis of the agreement
	3. Price-quality ratio of goods, services and/or works, as perceived by client – Dutch supplier using O/M grant versus other suppliers, taking into account the 60% rule	Price-quality ratio of goods, services and/or works delivered by Dutch supplier using O/M grant Price-quality ratio of goods, services and/or works delivered by other suppliers
	Score:	D: the price-quality ratio is perceived much lower than that of other suppliers C: the price-quality ratio is perceived lower than that of other suppliers B: the price-quality ratio is perceived equal to that of other suppliers A: the price-quality ratio is perceived higher than that of other suppliers
III. Realisation of Dutch component in the transaction amount	1. Extent to which the minimum of 60% Dutch component <sup>92</sup> in the transaction amount has been realised	ORET/MILIEV criterion: Dutch component minimum 60% Actual Dutch component
	Score:	D: the actual Dutch component was <50% C: the actual Dutch component was between 50-59% B: the actual Dutch component was between 60%- 69% A: the actual Dutch component was ≥70%

<sup>92</sup> Two exceptions to the 60% rule: 1) Dutch component may be at least 50% if goods and services that originate from the developing country itself amount to at least 10% of the transaction amount; 2) Dutch component may be at least 40% if the transaction is carried out in the context of a 'services contract', in which there is a significant input from local experts.

<b>EFFECTIVENESS: Extent to which the outputs contribute to the achievement of the transaction's/project's expected results (outcomes)</b>		
<b>Indicator</b>	<b>Dimension</b>	<b>Information needed - Assessment</b>
IV. Achievement of expected results of transaction/project in the field of economic development, employment creation and environment protection in the recipient country that can be attributed directly to the transaction/project (benchmark: BEMO)	1. Extent to which the transaction was critical to the success of the (larger) project of which the transaction forms an integral part <sup>93</sup>	Expectation
		Actual
	Score:	D: the transaction was much less critical than expected (project could have been carried out without the transaction) C: the transaction was not as critical as expected (project might have been carried out without the transaction) B: the transaction was critical as expected (project could not have been carried out without the transaction) A: the transaction was more critical than expected (project could not have been carried out without the transaction)
	2. Extent to which the physical and social infrastructure <sup>94</sup> / client's capacity to serve end-users have improved as expected	Expectation
		Actual
	Score:	D: <50% of the expected infrastructural/capacity improvements have been realised C: 50-89% of the expected infrastructural/capacity improvements have been realised B: 90-100% of the expected infrastructural/capacity improvements have been realised A: the expected infrastructural/capacity improvements have been exceeded in practice
	3. Extent to which the improved physical and social infrastructure / client's capacity to serve end-users have been used in practice <sup>95</sup>	Expectation
		Actual
	Score:	D: <50% of the expected use of the infrastructural/capacity improvements has been realised C: 50-89% of the expected use of the infrastructural/capacity improvements has been realised B: 90-100% of the expected use of the infrastructural/capacity improvements has been realised A: the expected use of the infrastructural/capacity improvements has been exceeded in practice

<sup>93</sup> In some cases the transaction and project are identical, however, in most cases not. If transaction and project are identical, the extent to which the project has been critical to the larger national and/or sub-national economic development plans/strategies might be assessed.

<sup>94</sup> Several sectors can be identified: Environment (environment protection, waste management, water treatment); Transport (ports, roads, railways); Utilities (energy, water supply & sanitation) and Social Services (education, medical equipment).

<sup>95</sup> Dimension 3 has not been included in the scoring of effectiveness indicator IV, because it is mainly an addition to dimension 2 and to include both dimensions would give a disproportionate weight in the overall score of the indicator. Moreover, the maximum number of dimensions to be included in one indicator is 4.

	4. Number of jobs provided by the project itself and directly related to it (e.g. with suppliers and customers)	Number of temporary jobs – expectation versus actual
		Number of structural jobs – expectation versus actual
	Score:	D: <50% of the expected number of jobs have been provided C: 50-89% of the expected number of jobs have been provided B: 90-100% of the expected number of jobs have been provided A: the expected number of jobs has been exceeded in practice
	5. Extent to which the environment has improved as a direct result of the transaction/project (MILIEV only)	Expectation
		Actual
	Score:	D: <50% of the expected environmental improvements have been realised C: 50-89% of the expected environmental improvements have been realised B: 90-100% of the expected environmental improvements have been realised A: the expected environmental improvements have been exceeded in practice
V. Achievement of expected results of transaction/project with regard to avoidance of harm on women, poor and environment in the recipient country that can be attributed directly to the transaction/project (benchmark: BEMO)	1. Extent to which the interests of women have not been harmed as a direct result of the project	In-/decrease of employment opportunities and income generation for women as a direct result of the project
		In-/decrease of access to infrastructure and social services for women as a direct result of the project
	Score:	D: employment, income and/or access decreased significantly compared to the situation before start of the project, as a direct result of the project C: employment, income and/or access decreased compared to the situation before start of the project, as a direct result of the project B: employment, income and/or access did not change compared to the situation before start of the project, as a direct result of the project (no harm/neutral) A: employment, income and/or access increased compared to the situation before start of the project, as a direct result of the project
	2. Extent to which the interests of the poor have not been harmed as a direct result of the project	In-/decrease of employment opportunities and income generation for the poor as a direct result of the project
		In-/decrease of access to infrastructure and social services for the poor as a direct result of the project
	Score:	D: employment, income and/or access decreased significantly compared to the situation before start of the project, as a direct result of the project C: employment, income and/or access decreased compared to the situation before start of the project, as a direct result of the project B: employment, income and/or access did not change compared to the situation before start of the project, as a direct result of the project (no harm/neutral) A: employment, income and/or access increased compared to the situation before start of the project, as a direct result of the project

	3. Extent to which the environment has not been damaged as a direct result of the transaction/project (ORET only)	Improvement/deterioration of the environment as a direct result of the project
	Score:	D: the environment deteriorated significantly compared to the situation before start of the project, as a direct result of the project C: the environment deteriorated compared to the situation before start of the project, as a direct result of the project B: the environment did not change compared to the situation before start of the project, as a direct result of the project (no harm/neutral) A: the environment improved compared to the situation before start of the project, as a direct result of the project

<b>SUSTAINABILITY: <i>Extent to which effective transactions/projects can be continued independently</i></b>		
<b>Indicator</b>	<b>Dimension</b>	<b>Information needed - Assessment</b>
VI. Sustainability of transaction/project <sup>96</sup>	1. Degree of technical sustainability	Number of goods, services and/or works that are still operational x years after completion of the transaction User manuals, trainings, maintenance contract, spare parts
	Score:	D: the client was not at all able to continue the project independently on technical grounds (no technical knowledge transfer) C: the client was not fully able to continue the project independently on technical grounds (not sufficient technical knowledge transfer) B: the client was able to continue the project independently on technical grounds A: the client was very well able to continue the project independently on technical grounds
	2. Degree of financial sustainability	1) Income generated (projects that generate their own income or have the potential to do so) 2) Cost-effectiveness and existence of safeguards for supplementing income (projects that do not generate sufficient income)
	Score:	D: 1) the project generated less than 50% of the required income to finance (debts), operational- and maintenance costs / 2) the project has been set up very inefficiently and/or there are no safeguards C: 1) the project generated between 50 and 89% of the required income to finance (debts), operational- and maintenance costs / 2) the project has been set up inefficiently and/or there are few safeguards B: 1) the project generated between 90 and 100% of the required income to finance operational and maintenance costs / 2) the project has been set up efficiently and there are safeguards A: 1) the project generated more income than strictly necessary to finance operational and maintenance costs / 2) the project has been set up very efficiently and there are significant safeguards
	3. Degree of institutional sustainability	Client's management capacities
	Score:	D: the client was not at all able to continue the project independently on institutional grounds C: the client was not fully able to continue the project independently on institutional grounds B: the client was able to continue the project independently on institutional grounds A: the client was very well able to continue the project independently on institutional grounds

<sup>96</sup> For transactions of which only part of the planned transaction activities have been realised, sustainability scores will be attributed to those transaction activities that have been realised.

<b>IMPACT: Extent to which outcomes/results contribute to the programme's overarching objectives + other, not planned, effects, both direct and indirect, positive and negative</b>		
<b>Indicator</b>	<b>Dimension</b>	<b>Information needed - Assessment</b>
VII. Achievement of programme's objectives in the field of economic development, employment creation and environment protection and other, not planned, effects	1. Indirect effects on employment	In-/decrease of the number of <i>structural</i> employment opportunities as an indirect result of the project
	Score:	D: structural employment opportunities decreased compared to the situation before start of the project, as an indirect result of the project C: structural employment opportunities did not change compared to the situation before start of the project, as an indirect result of the project B: structural employment opportunities increased compared to the situation before start of the project, as an indirect result of the project A: structural employment opportunities increased significantly compared to the situation before start of the project, as an indirect result of the project
	2. Impact on the recipient country's business climate	Improvement/deterioration of the business climate as a result of the project
	Score:	D: the business climate deteriorated compared to the situation before start of the project C: the business climate did not change compared to the situation before start of the project B: the business climate improved compared to the situation before start of the project A: the business climate improved significantly compared to the situation before start of the project
	3. Impact on the environment (MILIEV only) <sup>97</sup>	Improvement/deterioration of the environment as an indirect result of the project
	Score:	D: the environment deteriorated compared to the situation before start of the project, as an indirect result of the project C: the environment did not change compared to the situation before start of the project, as an indirect result of the project (no harm/neutral) B: the environment improved compared to the situation before start of the project, as an indirect result of the project A: the environment improved significantly compared to the situation before start of the project, as an indirect result of the project

<sup>97</sup> For MILIEV projects the ORET/MILIEV programme requires an improvement of the environment, improvement is therefore considered as sufficient/good (score B), no change is considered less than sufficient (score C).

VIII. Impact on women, poor and environment	1. Impact on women <sup>98</sup>	In-/decrease of employment opportunities and income generation for women as an indirect result of the project
		In-/decrease of access to infrastructure and social services for women as an indirect result of the project
	Score:	D: employment, income and/or access decreased significantly compared to the situation before start of the project, as an indirect result of the project C: employment, income and/or access decreased compared to the situation before start of the project, as an indirect result of the project B: employment, income and/or access did not change compared to the situation before start of the project, as an indirect result of the project (no harm/neutral) A: employment, income and/or access increased compared to the situation before start of the project, as an indirect result of the project
	2. Impact on the poor <sup>99</sup>	In-/decrease of employment opportunities and income generation for poor as an indirect result of the project
		In-/decrease of access to infrastructure and social services for poor as an indirect result of the project
	Score:	D: employment, income and/or access decreased significantly compared to the situation before start of the project, as an indirect result of the project C: employment, income and/or access decreased compared to the situation before start of the project, as an indirect result of the project B: employment, income and/or access did not change compared to the situation before start of the project, as an indirect result of the project (no harm/neutral) A: employment, income and/or access increased compared to the situation before start of the project, as an indirect result of the project
	3. Impact on the environment (ORET only) <sup>100</sup>	Improvement/deterioration of the environment as an indirect result of the project
	Score:	D: the environment deteriorated significantly compared to the situation before start of the project, as an indirect result of the project C: the environment deteriorated compared to the situation before start of the project, as an indirect result of the project B: the environment did not change compared to the situation before start of the project, as an indirect result of the project (no harm/neutral) A: the environment improved compared to the situation before start of the project, as an indirect result of the project

<sup>98</sup> A requirement of the ORET/MILIEV programme is that projects do not harm women, poor and the environment, no harm is considered as sufficient/good (score B). The scores on these dimensions say something about compliance with these collateral conditions.

<sup>99</sup> See previous footnote.

<sup>100</sup> See previous footnote.



IX. Achievement of programme's objectives with regard to Dutch export improvement and sustainable economic/trade relations	1. Extent to which Dutch exports have increased -repeat orders, spin offs- as a direct result of the transaction/project <sup>101</sup>	Original transaction value of ORET/MILIEV transaction
	Score:	Value of repeat orders / spin-offs
	2. Impact on economic/trade relationships between Dutch companies and the recipient country	D: the project has not generated any repeat orders C: the project has generated repeat orders worth 1-50% of the original transaction value B: the project has generated repeat orders worth 51-100% of the original transaction value A: the project has generated repeat orders worth >100% of the original transaction value
	Score:	Improvement/deterioration of economic/trade relationships (cooperation agreements, direct investments) as a result of the project
		D: Economic/trade relations deteriorated compared to the situation before start of the project C: Economic/trade relations did not change compared to the situation before start of the project (no harm/neutral) B: Economic/trade relations improved compared to the situation before start of the project A: Economic/trade relations improved significantly compared to the situation before start of the project

<sup>101</sup> Increased Dutch exports is generally not included as one of the expected results in the appraisal memorandum of a transaction, however, this result can be directly attributable to the transaction/project.

## Annex 3 Scorecard filled in for sample of transactions

Evaluation criterion	EFFICIENCY							
Indicator	I Quality of ex-ante appraisal of project			II Realisation of transaction activities and price-quality ratio of goods, services and/or works				III Realisation of Dutch component in transaction amount
Dimension	1: Quality of ex-ante appraisal of project's development relevance for the recipient country	2: Quality of ex-ante appraisal of project's policy relevance for the recipient country	Indicator I combined scores dimensions 1 & 2	1: Extent to which transaction activities have been realised	2: Price-quality ratio of goods, services and/or works, as perceived by client – actual versus agreement	3: Price-quality ratio of goods, services and/or works, as perceived by client – Dutch supplier using O/M grant versus other suppliers, taking into account the 60% rule	Indicator II combined scores dimensions 1, 2 & 3	1: Extent to which the minimum of 60% Dutch component in the transaction amount has been realised
No. of projects								
Sufficient	19	16	16	20	20	16	20	15
Insufficient	3	3	6	2	1	3	2	2
Unknown	0	3	0	0	1	3	0	5
Not applicable	0	0	0	0	0	0	0	0
Total	22	22	22	22	22	22	22	22
Percentage								
Sufficient	86%	73%	73%	91%	91%	73%	91%	68%
Insufficient	14%	14%	27%	9%	5%	14%	9%	9%
Unknown	0%	14%	0%	0%	5%	14%	0%	23%
Not applicable								
Total	100%	100%	100%	100%	100%	100%	100%	100%

Evaluation criterion	EFFECTIVENESS									
Indicator	IV Achievement of expected results of transaction/project in the field of economic development, employment creation and environment protection					V Achievement of expected results of transaction/project regarding avoidance of harm on women, poor and environment				
Dimension	1: Extent to which the transaction was critical to the success of the (larger) project of which the transaction forms an integral part	2: Extent to which the physical and social infrastructure / client's capacity to serve end-users have improved as expected	3: <i>Extent to which the improved physical and social infrastructure / client's capacity to serve end-users have been used in practice*</i>	4: Number of jobs provided by the project itself and directly related to it (e.g. with suppliers and customers)	5: Extent to which the environment has improved as a direct result of the transaction/project (MILIEV)	Indicator IV combined scores dimensions 1, 2, 4 & 5	1: Extent to which to the interests of women have not been harmed as a direct result of the project	2: Extent to which to the interests of poor have not been harmed as a direct result of the project	3: Extent to which the environment has not been damaged as a direct result of the transaction/project (ORET)	Indicator V combined scores dimensions 1, 2 & 3
No. of projects										
Sufficient	14	16	16	9	2	11	20	16	15	20
Insufficient	3	6	5	6	3	11	1	4	2	1
Unknown	1	0	0	3	0	0	1	2	0	1
Not applicable	4	0	1	4	17	0	0	0	5	0
Total	18	22	21	18	5	22	22	22	17	22
Percentage										
Sufficient	78%	73%	76%	50%	40%	50%	91%	73%	88%	91%
Insufficient	17%	27%	24%	33%	60%	50%	5%	18%	12%	5%
Unknown	6%	0%	0%	17%	0%	0%	5%	9%	0%	5%
Not applicable										
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

\* This dimension has not been included in the overall score for Indicator IV because it is similar to dimension 2 of Indicator IV and the maximum number of dimensions to be included in one indicator is 4.

Evaluation criterion	<b>SUSTAINABILITY</b>			
Indicator	VI Sustainability of transaction/project			
Dimension	1: Degree of technical sustainability	2: Degree of financial sustainability	3: Degree of institutional sustainability	Indicator VI combined scores dimensions 1, 2 & 3
No. of projects				
Sufficient	16	8	14	14
Insufficient	1	9	6	6
Unknown	1	2	0	0
Not applicable	4	3	2	2
Total	18	19	20	20
Percentage				
Sufficient	89%	42%	70%	70%
Insufficient	6%	47%	30%	30%
Unknown	6%	11%	0%	0%
Not applicable				
Total	100%	100%	100%	100%

Evaluation criterion	IMPACT										
Indicator	VII Achievement of programme objectives in the field of economic development, employment creation, environment protection				VIII Impact on women, poor and environment				IX Achievement of programme's objectives with regard to Dutch export and economic/trade relationships		
Dimension	1: Indirect effects on employment	2: Impact on the recipient country's business climate	3: Impact on the environment (MILIEV)	Indicator VII combined scores dimensions 1, 2 & 3	1: Impact on women	2: Impact on poor	3: Impact on the environment (ORET)	Indicator VIII combined scores dimensions 1, 2 & 3	1: Extent to which Dutch exports have increased – repeat orders, spin offs as a direct result of the transaction/project	2: Impact on economic/trade relationships	Indicator IX combined scores dimensions 1 & 2
No. of projects											
Sufficient	9	15	3	11	15	16	11	18	6	5	4
Insufficient	7	4	2	9	0	1	3	0	16	16	18
Unknown	3	0	0	0	3	1	1	1	0	1	0
Not applicable	3	3	17	2	4	4	7	3	0	0	0
Total	19	19	5	20	18	18	15	19	22	22	22
Percentage											
Sufficient	47%	79%	60%	55%	83%	89%	73%	95%	27%	23%	18%
Insufficient	37%	21%	40%	45%	0%	6%	20%	0%	73%	73%	82%
Unknown	16%	0%	0%	0%	17%	6%	7%	5%	0%	5%	0%
Not applicable											
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%