Sida Evaluation 02/21

Support to Regional Development in Estonia through Business Development

an Evaluation of the NUTEK Implemented Projects 1992–1998

Claes Lindahl

Department for Central and Eastern Europe

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Sida Evaluation 02/21
Commissioned by Sida, Department for Central and Eastern Europe

Registration No.: 2001-003604
Date of Final Report: November 2002
Printed by Elanders Novum
Art. no. Sida
ISBN 91-586-8722-X
ISSN 1401–0402

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1. Background

Sweden has supported two projects for regional development by promotion of small and medium business development in Estonia in the 1990s[1]. The first one was through SwedeCorp covering the period 1992–96, and the second one through Sida for 1997–98. In total Sweden provided MSEK 14.7 for the projects. The support has mainly been in the form of technical assistance, the first project focusing on three regional business promotion centres, and the second on the establishment of an umbrella organisation for the existing business centres in Estonia. The implementation of the projects was carried out by the Swedish National Board for Industrial and Technical Development, NUTEK. Hence they are commonly referred to as the 'NUTEK projects' both in Sweden and in Estonia. In 1996, when the second project was approved, Sida made it clear that no further extension of the support would take place beyond 1998. This decision has not been altered.

In year 2000 Sida requested an evaluation of the projects in view of the fact that they had been an usually large and prolonged technical assistance. To put them into perspective: Sweden contributed in the order of MSEK 400 to Estonia 1990 – 1998[2] Of this, SwedeCorp's total investment was about MSEK 17 until SwedeCorp was merged into Sida in 1995, hence, the NUTEK project accounted for 70% of SwedeCorp's total funding. Sida East funded projects in Estonia was in the order of MSEK 65 for the same period, hence the second 'NUTEK project' was quite small in the total portfolio.

1.1 Purpose of the study

According to the Terms of Reference, the evaluation shall:

- assess the relevance of the project approach, goals and services carried out by NUTEK in relation to the needs of the recipient and discuss alternative approaches and solutions to the problem;
- assess the cost-effectiveness and whether the same results could have been achieved with fewer resources;
- assess whether, and to what extent, the objectives and goals of the projects have been achieved and what impact the projects have had on regional development and the SME sector in Estonia;
- assess the reasons, with regard to organisational, administrative and financial factors for high or low achievement of goals;
- assess the lasting effects and the sustainability of the co-operation, and describe how the business centres presently interact with stakeholders and the satisfaction of clients;
- discuss the efficiency of the project implementation, and the fulfilment of roles and responsibilities of the parties involved;
- assess the effects of the projects on both men and women; and
- discuss lessons to be learned for future projects.

For details of the Terms of Reference, see annex 1.

Given that the second project ended almost two years ago, and Sida has no intention of review the option for any follow up, it is clear that the evaluation must be retrospective, focusing on broader lessons learned and any potential sustainable impact.

[1] The projects are sometimes referred to as one, but we are using the concept of two projects in this report.
[2] Figures calculated from Estonia Result Analysis 1998

1.2 Method

This evaluation has been carried out during October – November 2001. It is based on the following sources of information:

- A review of available documents in Sida (which took over SwedeCorp's archives in 1995).
- Interviews in person or by phone with stakeholders in Sweden involved in the projects.
- A visit to Estonia in early November with interviews with relevant persons, including visits to two of the three supported business centres.
- Review of the web-sites of the organisations in Estonia relevant for the projects.

The persons interviewed are given in annex 2. Main documents consulted are given in annex 3.

1.3 Structure of the report

This report is structured as follows. In chapter 2, the two projects are described, the decision making behind them and the internal and external assessments made of them up to now. In chapter 3, the projects are placed in the broader development of a business oriented regional approach in Estonia during the time the projects were carried out. This section also contains the current approach and organisational set-up for regional business development in Estonia. In chapter 4, the results of the two projects are described and analysed in terms of institutional development, building human competence, business and entrepreneurship development, including partnership with Swedish enterprises, and the contribution to a regional development policy framework. In chapter 5 the relevance, goal achievement, efficiency, cost-effectiveness, gender effects and sustainability are assessed. In chapter 6, finally, the conclusions are summarised, including the lessons learned.

2 The projects

2.1 The first project

Design and objectives

A Regional and Business Development project in Estonia was approved by SwedeCorp in October 1992 as a three year undertaking, but financial allocations were approved on an annual basis. Thus, for the budget year 1992/93 SwedeCorp approved funding of MSEK 2.8; for 1993/94 MSEK 4.0, and for 1994/95 MSEK 4.0.

The project comprised four sub-projects:

- Support of the establishment of three regional business centres, located in the towns of Vöru, Viljandi and Jöhvi. These were to be financed by the Estonian government, but technically supported by the project. The Swedish funding included development of business plans for the centres, provision of equipment such as computers, literature, and various consultancies to strengthen the human resources and services of the centres.
- Education and training in modern business methods of trainers attached to the centres, and directly of entrepreneurs.
- Corporate development consulting in the form of Swedish consultants providing direct training and training of trainers conducted in the Estonian language.
- Business co-operation and technology transfer, including visits by Swedish experts to Estonia and study tours by Estonians to Sweden.

The formal objective of the project was to *achieve a more balanced development of Estonia through supporting development of a viable and diversified economy in the regions outside Tallinn.*

Management

The implementation of the project was carried out by NUTEK in corporation with the then newly formed Department of Local Governments and Regional Development within the Estonian State Chancellery. NUTEK had been involved in an educational programme in Estonia since 1990 with financing from BITS and the Swedish Ministry of Industry. When SwedeCorp initiated its operations in the Baltic states in the early 1990s, the organisation requested ideas for co-operation from Swedish organisations, to which NUTEK responded. An important role both in the creation of the project and the implementation was played by Mr Rein Kommel, an Estonian resident in Sweden and working with ÖCB. He became the first project manager as a consultant to NUTEK. Also Mr Jaak Maandi, an Estonian who had lived many years in Sweden but moved back to Estonia shortly after independence to become the head of the Department of Local Governments and Regional Development, was instrumental to the project.

2.2 Outputs of the first project

The implementation of the project began in November1992. In 1993 the first of the three centres was established, called the South East Estonian Business Promotion Centre[3] and located in Vöru in the south of Estonia. It was planned to cover three of Estonia's south eastern counties. The other two

[3] The various business centres in Estonia are called different names, such as Business Development Centres, Business Advisory Centres, etc. In the term Business Centre vill be used, except when a particular centre has a different name.

centres were established in 1994, in Viljandi in the centre of the country and Jõhvi in the north-east. The Viljandi centre was servicing two counties, while Jõhvi would service another two in the north-east. The choices of these regions reflected a desire of the project to focus on the least developed counties in Estonia. Due to local political pressure, soon branch offices were established in the counties originally considered to be covered by the three centres. Thus, the Võru centre would to have branch offices in Valga and Põlva, the Viljandi centre a branch office in Jõgeva, and the Jõhvi centre an office in Rakvere.

In terms of providing training, the project operated fast, mainly by using local consultants for administering the support and Swedish consultants already with a considerable experience of Estonia in the earlier NUTEK operations to carry out the training. By mid 1995, the following outputs had been achieved[4]:

- a programme comprising eight training modules of two days duration on *how to start a business* and *business management* had been developed;
- about 70 Estonian instructors and 3,300 entrepreneurs had been trained in these modules. Course evaluations carried out by the project indicated a mean value of 4.4 on a scale 1–5 with 5 as excellent;
- a book titled *From idea to own company* had been produced, and printed in 18,000 copies, and also turned into a TV programme;
- direct consultations by Swedish consultants to nearly 300 Estonian entrepreneurs in the regions;
- 44 Estonian consultants had been trained as business counsellors in strategic business development in a one year training course taking place partly in Estonia, partly in Sweden; the course evaluation by the participants indicated a mean value of 4.1 in a scale of 1–5;
- tools for business counselling had been developed and used in some 80 local companies;
- some 350 company visits by Swedish consultants had been conducted;
- 150 representatives of Estonian companies had visited Sweden to meet with Swedish enterprises in combination with training.

During the implementation of the project, the Estonia ferry disaster occurred, affecting a number of enterprises in Estonia who lost their managers and staff. The project assisted by providing additional support to such enterprises by a system of 'management for hire'. SwedeCorp also provided addition funding of MSEK 0.1 to mitigate some of the effects.

2.3 The 1994 Evaluation

An evaluation of the project was undertaken in April 1994, hence about 1.5 years after the start of the project. The Swedish consultancy group, the Nordic Venture Business Engineering Ltd, carried out the evaluation by a formal survey sent to some 600 participants who had undergone training or competence development by the project. The evaluation concluded that the project (so far) had been handled in *"a superb manner"*, that the staff of the Võru centre (the only centre in operation at the time of the evaluation) *"had done a very good job, with a high degree of personal commitment ... and gained great respect among the companies and authorities in the region ..."*

The evaluation further concluded that in terms of the training of the consultants and instructors *"without doubt had had a favourable impact on the participants' knowledge about business development and the market economy"*. At the time of the evaluation more than half of them were working at least three days a week

[4] This information is based on NUTEK's reporting to SwedeCorp/Sida.

as consultants and/or instructors at the centre. The survey of the participants of the direct training of and advisory services to the entrepreneurs, however, found that most of them found "*that the training had been to theoretical*". A similar critique was voiced of the advisory services to the centre.

The evaluation concluded that the project overall had been cost-effective. The consultant suggested a certain re-orientation of the project to a more practical approach in view of the comments received.

Extension in 1995

SwedeCorp considered the evaluation an endorsement of the good quality of the project, and in June 1995, at the end of the last year of the project, SwedeCorp also agreed to an extension of one year (1996/96) with an additional budget of MSEK 2.3. The justification for the extension was that two of the three centres had been slower than anticipated to begin operations, and that an extension was required to consolidate the transfer of know how. The extended project had the same objective and structure as the original.

2.4 The second project

Background

While the first project was ending, the government and NUTEK prepared a request for a new project to follow up on the first, and submitted it to Sida. The purpose of the new project was to consolidate the network of the three business promotion centres established under the SwedeCorp project, but also to create a co-ordination mechanism with other centres, for example EU Phare financed Business Advisory Service Centres. Such co-ordination would also include any new business centres to be set up. The implementation was expected to be similar as the first project with NUTEK as project manager. However, the experience of ALMI in Sweden was going to be included by using ALMI as a consulting partner. The project was in support of an umbrella organisation being set up in Estonia.

Design and objective

The decision making for a continuation was prolonged, leaving a gap in funding of about a year, but in June 1997, Sida agreed to finance a 1.5 year project with MSEK 1.5. The overall objective was slightly modified compared to the first project, and expressed as *support a balanced development in Estonia through supporting the development of a viable and diversified economy in the less developed regions.*

The new project had three components:

- Creation of a co-ordinating organisation of business centres consisting of one centre with 10–15 regional centres. Such an organisation had already been established once the second project was approved.
- Education and training, mainly by training of trainers in support of the centres in Change Management and Organisation Management and Design; training of entrepreneurs in subjects such as project evaluation, TQM and business development, and training of centre staff in "EU-know how". The training of the trainers involved mainly the first batch consultants, in addition to staff of ERDA.
- Integration of an existing scheme for small enterprise loans by the Ministry of Internal Affairs in the new organisation.

Persons involved in the decision making prior to the second project voice some criticism of Sida in this respect:

We wanted continue the training of the consultants and the staff of the centres, but Sida said we had enough of that. If we wanted more money, we should do something else, for example co-ordinating the EU centres. I think Sida made a mistake in this. Also, there was a constant shift of staff at Sida, which delayed the project. We lost important momentum from the first project ...

2.5 Internal assessments of the support

Sida's result analysis in 1998

A Result Analysis carried out by external consultants of Sida's activities in 1998 in Estonia covering all projects by Sweden 1995–1997, noted that the NUTEK projects had contributed to a greater attention to regional development in Estonia as the country had no such policy at the time of independence, and also that the projects had contributed to institutional development. The analysis found the support *relevant* as it focused on areas of the country in which economic and social development was weak. The analysis found that the objectives of the projects had been fulfilled, reflected by the fact that the Business Centres were largely self-sufficient, and that the results of the projects could be expected to be sustainable.[5]

NUTEK final assessment in 1999

In February 1999, NUTEK delivered the final report from the second project. It concluded that:

1) a new organisation had been set up with a direct involvement of ALMI. This organisation was named the Estonian Regional Development Agency, ERDA, comprising one mother company and 16 regional centres. The agency had accepted a strategy developed under the project, as well as an information system;
2) all the expected training had been undertaken; and
3) a Regional Development Loan scheme was being used for start-up for SMEs.

The report concluded that the second project had fulfilled all established objectives to hundred percent.

Sida's final assessment in 2000

In October 2000, Sida summarised its assessment of the projects. Sida concluded that all written and oral feed back from the projects were positive, and that the Estonian government had expressed a desire for continuing support and co-operation with NUTEK and ALMI. In view of the fact that the projects were an atypical support – carried out over a 6.5 years period with a total funding of almost MSEK 15 – Sida argued that it merited a follow-up and an evaluation of ERDA's capacity and sustainability.

[5] Eduards & Peck: *Estonia – a result analysis*, 1998

3 The evolution of Estonia's regional and business development framework

The NUTEK projects must be seen in the context of Estonia's young and shifting framework of regional development, and development of small business support services. The first embryo to a regional development policy was created in 1989 and 1990 during the Soviet period in the *Conception of the Self-financing of Estonia*. Its stated purpose was to *create balanced economic and social conditions* over the country. With the liberation in 1991, the regional development policy included various forms of incentives to stimulate economic activities by attracting businesses in deprived areas, such as tax incentives. Thus, companies investing in less developed regions would not to have pay tax on invested profits. County governments and municipalities were given an important role in the implementation a regional development policy.

3.1 The emergence of many business centres

The first NUTEK project was a pioneer in terms of efforts to stimulate private small and medium businesses in the economically depressed areas, not least inspired by the Swedish model as the key persons both has extensive personal experience from Sweden. It appears that the project in this respect contributed to a re-focus from the Soviet model of large scale enterprises to small and medium enterprises. However, soon other projects with a approach to develop business centres focusing on SMEs emerged. Thus, in 1993 the EU Phare programme began supporting Business Advisory Service Centres in Estonia. Four such centres were established with EU funding 1993–95 in Estonia's major cities Tallinn, Narva, Tartu and Pärnu. Also a 'programme' called *'Estonian Jobs and Society'* was initiated in 1993, based on the concept that larger businesses promote establishment of smaller enterprises. Under this, initially provided with Finnish support, business centres were established in Tallinn, Harjumaa, Saaremaa and Hiiumaa. Besides these initiatives, some Estonian counties – not covered by any of the three programmes above – established their own business centres, for example in Paide, Rapla and Haapsalu. with the three NUTEK centres, all in all some fifteen business centres emerged during the period 1993–1996.

The four types of business centres had to varying extent different approaches, objectives, organisational cultures, administrative belonging, financing and external ownership. Thus, the Phare supported centres were administratively under the Ministry of Economic Affairs, the 'NUTEK' centres under the Ministry of Internal Affairs, while the Jobs and Society Centres mainly were under the counties and municipalities. The Phare supported centres focused on the regions/cities which already had the strongest business growth, including Tallinn, while the NUTEK centres had a clear objective to stimulate growth in the most economically depressed areas. The Phare centres were initially set up to eventually become self-financing as private service providers, while the 'NUTEK' centres were government services. The Phare centres were assumed to be self-contained, having a number of business consultants working in them, while the NUTEK centres were based on a philosophy of a small core staff, and buying services from a network of trainers and consultants. The resources varied considerably between the centres. While the original NUTEK centres and the Phare centres were relatively well financed, and the Jobs and Society centres and county centres generally were plagued by limited resources. The need to consolidate these diverse centres was felt in Estonia and amongst the donors.

3.2 Creation of a national programme

Regional development spread on several ministries

The first organisational embryo for regional development at the state level was, as mentioned above, the Department of Local Governments and Regional Development in the State Chancellery. This department became in 1993 an autonomous agency under the Ministry of Internal Affairs, but in 1994 it was integrated with the Ministry. Regional development was also the concern of the Ministry of Economic Affairs and the Ministry of Agriculture, and the three ministries had an interdepartmental working group for regional development. A Regional Policy Concept paper was accepted by the government in 1994 and in 1995 a Regional Policy Council was established. A Minister without portfolio was given a co-ordinating responsibility for regional development.

Creation of Estonian Regional Development Agency

During late 1996 and early 1997, the government of Estonia began preparing for an umbrella function for the business centres, and other regional programmes. In May 1997 the Estonian Regional Development Agency, ERDA, was established. This centre was first planned to fall under the Ministry of Economic Affairs as the then minister showed a great interest in regional issues, but with a change at the minister post, ERDA was placed in the Ministry of Internal Affairs, however with board representation of the former ministry.

ERDA would have two key functions:

1) implement the government's regional programmes. Currently seven such regional development programmes are implemented (such as the programmes for the Islands; the Setomaa region, the areas for Industrial restructuring, etc.)[6] and
2) implement the government's programme for small and medium enterprises, called the Business Support Network. This programme focuses on small and medium sized enterprises, primarily those with less than 80 employees which is the Estonian definition of SMEs, but even those with less than 250 employees in the definition of the EU. The Business Centres is the key organisational structure for ERDA under the Business Support Network.

This structure of ERDA's operations is still maintained.

Changed legal status of the business centres

As a part of the reform in 1997, the various business centres had to be organisationally harmonised. ERDA's strategy – assisted in preparation by the second NUTEK project – was that the government would assure certain key, or what is called 'minimum services' through a business centre in each of Estonia's 15 counties and one in Tallinn. These services would be provided through a contractual arrangement between the centre and ERDA. The centres would become independent foundations set up by county governments and with representation in their boards of local interest groups such as the country governments, municipalities and local entrepreneurs. The contract implied that ERDA would finance these 'minimum services' from the state government. The centres were otherwise be free to undertake own initiatives and find financing for additional services from other sources. As credit was considered critical in the support system to the SMEs, ERDA would channel credits on favourable terms to the SMEs (lower interest rates; less stringent conditions on collateral). The Business Centres would assist in the supply of credit by assisting SMEs to prepare business plans, fill in applications, and – once a loan had been approved by ERDA – monitor the use of the credit. Thus, the centres had no

[6] The regional development programmes are not discussed in this report as they fall outside the operations of the NUTEK project.

direct banking role, neither in approving or rejected loans, nor in management of funds. Another aspect of ERDA's business support was to subsidise consultancy services to SMEs through the business centres, using an established list of business consultants to a large extent using the local consultants trained under the NUTEK project. Such a list had been an initiative taken under the first NUTEK project.

Quality control of the business centres

As a part of the reform process, ERDA undertook a review of the existing centres to assure their quality. This review, which also included direct contact with supported entrepreneurs, found that some of the centres were not performing well. One such centre was the NUTEK supported Jöhvi centre. The problems are claimed by ERDA to have been caused by poor management at the centre. As a result of the review, the financial support from ERDA to the Jöhvi centre was stopped, and the centre was liquidated. However, as there was a need to continue the business services, ERDA set up a regional agency for the county, the Ida-Viru Agency. This agency took over the functions of the former Jöhvi centre, including its staff, but under new management.

Currently ERDA has contractual arrangement with 16 Business Centres along its strategy. Of these, the original 'NUTEK centres' in Võru and Viljandi are included, as well as the former branch offices in Valga, Põlva, Jõgeva and Rakvere. The contractual Business Centres vary in size, having turn-over in the order of EE 0.6 million to EE 1.6 million, generally with 2–3 employees, although one has 8 staff.

ERDA continues to monitor the quality of the centres' government funded services by requesting feed back from supported entrepreneurs. As a result of this, a centre might loose its contract with ERDA and be replaced by another organisation. Currently two centres are subject for a possible loss of contract. One of this is the Rakvere centre, a former branch office of the NUTEK supported centre in Jöhvi.

The role of the NUTEK project

The NUTEK support for ERDA was, in financial terms, fairly limited, and in the form of technical assistance. Nevertheless, the support was used to assist ERDA in formulating a strategy for its business centre network, and also to establish an information system, based on Intranet. Thus, ERDA established a fairly advanced system for sharing information and feed-back on centre activities on-line. This system is still in place and has been further developed after the end of the project.

The financial allocations

In financial terms, the regional development programmes are the most significant of ERDA's operations. Thus, in 2001 ERDA had a budget of EE 140 million, of which about EE 47 million concerned business development, EE 79 million regional development, and EE 15 million a Phare supported small project fund. ERDA's Business Support Network has been operating on a highly varying budget 1997–2001 of between EE 20 million to 50 million per annum. The direct support for the services provided by the Business Centres in total has been in the order of EE 3–4 million per annum (mainly paying salaries), while the subsidy of consultancies has varied between EE 1.5–3.5 million per annum. A programme for subsidies of fair participation is about EE 1 million The ERDA loan scheme has been operating on a budget of EE 10–15 million per annum, while the balance – and the largest share of the budget – are for projects channelled outside the centres.

3.3 Enterprise Estonia

ERDA was incorporated into Enterprise Estonia in July 2001. The latter organisation was established in September 2000, with the official 'mission' to *support the development of Estonian entrepreneurship by applying* *approved and effective public measures.* Enterprise Estonia is a foundation under Ministry of Economic Affairs, regulated by private law and governed by a Board. It encompasses – besides ERDA – also the Estonian Trade Promotion Agency, the Estonian Technology Agency, the Estonian Tourism Board, and the Estonian Investment Agency. Furthermore, Enterprise Estonia also contain two former bureaux for regional development, the South Estonian Agency and the Ida-Viru Agency. Enterprise Estonia has a staff of about 90 professionals and a budget of EE 320 million per annum.

Enterprise Estonia is the result of a reform process which has been on-going since early 2000 with the purpose of rationalise a large number of government sponsored smaller foundations and boards involved in business and regional development of one sort or the other. The main justification seems to have been a desire to enhance organisational efficiency. However, it also manifests a shifting division of responsibility for regional development and SME business development between different ministries in the government, dating back to the early 1990s and the associated power struggle over this. By the creation of Enterprise Estonia, the Ministry of Economic Affairs gained the upper hand. According to one closely involved person:

> *Three ministries were involved in the reform, economic affairs, internal affairs and agriculture. The Ministry of Economic Affairs was best prepared, had a clear strategy, and pushed hardest. The Ministry of Internal Affairs was the weakest. In the end, the Ministry of Economic Affairs had won the battle, but the Ministry of Agriculture managed to keep 'its' agency outside. Perhaps the real winner was the Ministry of Finance, which could cut the budget to the Enterprise to half of the former agencies.*

Another key actor in regional development describes the process as a third blow to regional development.

> *This is the third time regional development was slaughtered. First it was when the Department of Local Governments and Regional Development in the Estonian State Chancellery was made an agency under the Ministry of Internal Affairs. The second time when this agency was made a department in the ministry. Many good people left then. And now when ERDA is integrated into Enterprise Estonia ...*

The current contractual functions of the Business Centres

The support to small business development through Enterprise Estonia/ERDA continues, but is also to some extent in the process of being reformed. Thus, as of 2001, the contracted Business Centres have been mandated to undertake five tasks by the state:

- Basic business services, including preliminary consultations concerning start-ups of SMEs, some basic training in this context, and information dissemination. The maximum value of the subsidised training is EE 5000 per company and year.
- Subsidised business advisory services, meaning that the centre should provide state subsidies for specified consultancies to SMEs. This counselling should be provided by ERDA approved consultants. The subsidy is limited to EE 15,000 per company and ERDA covers maximum 50% of the consultancy inputs.
- A subsidy programme for some specific in-company re-training.
- Manage subsidies for domestic fair participation with a maximum subsidy of EE 7000 per company and year.
- Assist in ERDA's provision of loans and grants to SMEs (see below).

In addition, ERDA is also undertaking a programme of infrastructure development through the Business Centres in which enterprises can apply for infrastructure support, for example power systems, water and sanitation systems, heating etc. In this programme the main cities are excluded.

3.4 Credits and grants

The issue of provision of credits to SMEs has been discussed from the beginning of the business centres' operation as it soon was found that particularly smaller businesses had great difficulties at access finance through the banking system. The demand of collateral from the banks was in particular an impediment for smaller enterprises. While a regional development loan scheme aiming at SMEs was in operation from 1995, the amounts available have shifted. Initially a maximum of EE 800,000 could be applied for, reduced then to EE 200,000, while in year 2000 no funds were available at all. The loan scheme has been renewed and since a month applications for loans are received by the Business Centres. A new upper limit of EE 350,000 is in place. In addition to the loan scheme, ERDA is planning a grant scheme for start up of SMEs. Under this scheme eligible enterprises might be given a grant of maximum 50,000 (in exceptional cases EE 100,000). This grant scheme is still not in operation, and dependent on financing out of the revenues from the privatisation of the Estonian railways.

4 The results of the projects

4.1 A catalyst role in institutional development

Pioneering business centres at the county level

The first NUTEK project was initiated at an early stage of Estonia's transition to independence and the shift to market economy. One of the first systems of business support to small and medium enterprises, especially outside Tallinn, was established with the support of the project. The project seems less a deliberate government effort or plan, than ideas of some Estonians which had the unique combination of experience from Swedish efforts in regional development and small business development support, while having intimate links to the new Estonian government. It is difficult to assign the NUTEK project as *the* model of current business support services as several forces were at play at the same time. It is, nevertheless, clear that the project has had a strong influence on the current system, now an established feature in Estonia. Also, the services developed by the first centre in Võru in 1993, i.e. counselling of new entrepreneurs, seminars, and later, assistance in accessing credits, etc., are now forming essential elements of the services provided by the current network of Business Centres under ERDA/Enterprise Estonia. The project also was de facto instrumental in establishing centres at the county level (in spite of a design in which each centre should cover 2–3 counties), a model which the current network of Business Centres build upon.

Changing attitudes

A major task of the centres in the initial stage of development was to create not only professionalism in providing business services, but also to establish trust between the new entrepreneurs and the government in a situation where there was a lot of distrust of government given Estonia's history. According to interviewed persons, the project was quite successful in this, not least due to the commitment of the Swedish consultants. Furthermore, as Estonia came out of a system in which large scale economic activities had been the doctrine, the project also contributed to the promotion small and medium enterprises as a means of development.

Formation of the umbrella organisation ERDA

The second NUTEK project focused on supporting ERDA and model the support system based on the Swedish ALMI. The initiative ERDA was Estonian, but the new NUTEK project was instrumental in its strategic focus and also in its information system linking ERDA with the centres. The latter has been described as the most modern in the government at the time. While the need for an umbrella organisation, and a more unified approach by the many different business centres in operation by 1996, the current function of ERDA, and particularly its incorporation in Enterprise Estonia, is subject for considerable controversy. During this evaluation, many critical voices were raised by persons close to the system. Examples of such criticisms are:

> *ERDA is very poorly managed. Look at the frequent changes of management. They really don't know much about entrerpreneurship development*
>
> *The recent events has destroyed a lot of what was built up during the NUTEK project. It is a result of political interference and incompetence. I am very disappointed.*
>
> *ERDA was used as a means of channelling money for political reasons to some regions which had nothing to do with regional development and even less business development. It was a very clever set up from this point of view ...*

Whatever merit such statements might have, the professional intentions and work of the second NUTEK project are not in doubt. It could be argued that the project did the best job possible in an increasingly complex organisational environment.

Emulating ALMI

The business development by ERDA is largely based on the ALMI model in the sense of focusing on the smaller enterprises; a regional network of business centres, provision of support services in the form of consultancies, and linking support to credit mechanisms. Given the resource base of the countries, it is understandable that the Swedish organisation is considerably more ambitious than the Estonian. However, while ALMI is an organisation with a clear and limited mandate, ERDA, and even more so Enterprise Estonia, have a number of functions. From such a perspective, the ALMI model has poorly been emulated in Estonia.

4.2 Transfer of know how in business development

The first NUTEK project played a considerable role in transfer of know how in SME business development through an intensive training of Estonians. Some 50 persons received training in 1993–95, both linked to the 'NUTEK centres' and the other centres emerging in Estonia at that time. The NUTEK project established an approved list of consultants out of these trainees. As noted above, this model is still pursued by ERDA/ Enterprise Estonia. Thus, currently ERDA maintains an official list of about 60 consultants in the context of providing subsidies for consultancy services to SMEs through its network of contract centres. About a third of these were originally trained by the NUTEK project. The regional dimension of this group of consultants is reflected in the fact that 80% of them reside outside Tallinn.

Interviews with representatives of the consultants trained by NUTEK during this evaluation indicate a very high quality of the training carried out over about a year:

> *The training was so good that the centres lost many of the consultants ... they moved on, became managers of major firms in Estonia, and were overall difficult to get access to ...*
>
> *The training was excellent, the best available in Estonia at that time. It was very popular so the project had to be selective. Perhaps ten percent of the applicants were chosen. There were no stipends or salaries, so the candidates had to be motivated.*
>
> *I went through one of the courses. It gave me the courage to become a professional consultant. I have had that job since then and done quite well ...*
>
> *I received my training from the project. Today I am a professional consultant, also to Estonia's major companies and joint ventures. I spend about a third of my time services ERDA and the Business Centres, the rest are private clients.*
>
> *The training provided by the Swedish consultants was overall of high quality ...*

In summary, the first NUTEK project appears to have made a considerable contribution to skills upgrading of the domestic cadre of business and management consultants. The persons interviewed during this evaluation are unified in their praise of the training provided, the quality of the consultants, the good leadership by NUTEK, and the key role played by Rein Kommel the project manager and Gunnar Danielsson as the key consultant in the first project. Particularly the service of the latter, a NUTEK staff with a background as an entrepreneur and founder of many SMEs, was very appreciated.

It is noteworthy that ERDA has institutionalised the consultancy training initiated by the NUTEK project. Thus, consultants wishing to be considered to be placed on ERDA's approved list for subsidised counselling, must first undergo a training course of half a year, administered by ERDA.

4.3 Stimulating business development

Entrepreneurship development

No systematic assessment of impact of the work of the centres seems to exist today, neither in the business centres or in ERDA. Thus, the evidence of impact is of anecdotal nature. In general, all interviewed persons seem to agree that the centres have played a certain role in stimulating business development, perhaps more so in the earlier stages when the knowledge gap was the widest. Staff of the centre claim that a large number of clients are coming back for support on a regular basis. The staff of one of the centres argues:

> *We have about 700 clients. Many of these, perhaps 20%, have been with us from the beginning. We can see how well most of them develop. Their needs change as the companies grow, but we can continue to offer services ...*

ERDA is also undertaking assessment of client satisfaction of the services provided by the Business Centres. According to ERDA such assessments generally point at a high degree of satisfaction.

> *We have asked businesses to rate the services on a scale 1–5, and I think 4 would be a good average ...*

However, it must be recognised that the services of the Business Centres reach a fairly small percentage of the target group, the SMEs or entrepreneurs wanting to establish an SME. Interviews with the two business centres in this evaluation indicate that perhaps10–15 clients per annum and centre seek councelling support of a more intensive form, indicating a coverage of perhaps 1% of all SMEs in the region. Also, the loan scheme reaches a very small number of companies as the scheme has not been consistent. Our impression is that the level of activity has dropped dramatically over time when the project with all its additional resources ended.

Direct business relations with Sweden

An important result of the first project appears to have been the creation of business links between Sweden and Estonia in the earlier stage of market transition. The first project sponsored both visits by Swedish enterprises to Estonia, and Estonian entrepreneurs visit to Sweden and Swedish enterprises between 1993 and 1995. This was especially the case in the first centre, Vöru, while less such activities took place in the areas of the other two centres. These visits were organised according to industrial sectors, with a focus on textiles & garments, wood, food, and mechanical engineering, three areas in which potential for Estonian exports and sub-contracting to Swedish partners were considered good.

In the final report from the first phase in 1995, the project management noted that as a result of the networking between Swedish and Estonian companies during the project, more than 100 business ventures had been created or were being discussed, and some 40 companies had received orders at a value of over MSEK 60. Furthermore, a number of new enterprises had started in the region where the business centres had been set up.

The visits to Sweden during the project seems in particularly appreciated by the staff of the centres today. Besides creating opportunities for business contacts, it was an excellent opportunity to see a ‘market in function' at an early stage of the transition. The visits were arranged by one Swedish consultant, Gunnar Danielsson, who is seen to have had an intimate knowledge of the Swedish business sector, and a strong interest in promoting business relations. This consultant is said to have done an excellent job also in this networking, and is still, in a private capacity maintaining contacts with the Estonian business community. According to one person interviewed:

> *You must write Mr Danielsson's name in gold letters. He was extremely good, very committed. We would not have been were we are without him ...*

The contact promotion programme, and the associated training, is one of the services carried out during the NUTEK project which is not maintained in the current set, which interviewed staff of the centres regret.

> *In our county we have had a programme for fair participation abroad by our local businessmen. It has not been successful. The entrepreneurs find participating in a fair not sufficient ... the NUTEK approach was much better ...*

The regional development dimension

The first project had a clear focus on the least developed regions in Estonia in terms of the counties chosen. The difference in the NUTEK approach from the EU approach should be stressed in this respect: the NUTEK centres worked in the most difficult context from the perspective of business development, the Phare supported centres in the most fertile. According to one person involved:

> *In the beginning it was quite difficult to do business in Vöru. I think our office had the only well functioning fax in the county. Language was a major problem, infrastructure, power, just everything, was a major problem for the local entrepreneurs ...*

The project initially also made efforts to promote business in rural areas by having information meetings in villages. Furthermore, it had a differentiated approach to regional conditions, for example providing a stronger subsidy element in 'difficult' areas, such as the boarder region. In the words of one leading person:

> *I think we contacted every enterprise in the region during these first years ...*

This pro-active approach towards SME development in a regional context has largely been lost over time as the business centres have been integrated into a national programme.

4.4 Regional policy development

The first 'NUTEK project' played a role in the emergence of Estonia's regional development policy. It is noteworthy that in the current official presentation of Estonia's regional policy, and the official chronology of the evolution of this policy, the 'NUTEK project' is not only mentioned several times, but also given a dominant role in spite of the fact that the current officials were not involved in the project.

However, regional development is a complex issue in Estonia in the sense that the responsibility is divided by several ministries and organisations, and their mandates seemingly shifting dependent on personalities. In general, regional development seems not to be high on the political agenda when it comes to action. This was also the case when the first NUTEK project was on-going. According to one of the pioneers in the project:

> *It was sometimes been difficult for Estonian politicians to understand why the government should involve itself with the business sector by providing subsidies etc. They considered that a step back to the planned economy ...*

The creation of the new organisation Enterprise Estonia is also controversial amongst people involved in regional development. The critiques see several risks with the new organisation as it merges quite different tasks and objectives. The critique concerns two issues:

- It appears that the political control over regional policy is reduced as the board and the management has an almost complete authority over the agency. For example, the state budget is given as a lump sum, hence the board determines how much is allocated to tourism, regional development, export promotion , etc., but de facto such control is largely with the Director, making allocations to regional development rather arbitrary.
- Enterprise Estonia is a merger of boards and agencies with quite varying functions and objectives, some with little apparent coherence. There is obviously a risk that such a structure is unable to maintain clear diverse functions and professionalism in subject matters. Furthermore, the regional dimension is not featuring strongly, and might be one of the functions suffering most.

5 Relevance, efficiency, cost-effectiveness and sustainability

5.1 Relevance

Small business development

The two NUTEK projects have been clearly relevant in the context of Estonia's development of SME business support services, reflected by the fact that 1) the system of business centres has evolved largely along the lines of the first project; 2) the second project was instrumental in the development of ERDA; 3) the government has expressed interest to continue the support; and 4) the services of the business centres are generally rated high by the SME business community. The dilution of such services which currently is taking place in Estonia cannot be attributed to the projects, but rather to internal political forces.

Regional development

As noted earlier, the first NUTEK project featured strongly in the context of the regional policy formulation, also reinforced by the fact that Sida funded an adviser at the Ministry of Internal Affairs' unit for regional development, seconded from SwedePlan. However, with the change in orientation from the first to the second project, a certain diffusion of two basic objectives occurred, i.e. on the one hand, small business development, and on the other hand, balanced regional development. In the first project the focus clearly was on regional development, given the selection of sites for the centres. SME development was a means to accomplish such regional development. In the second phase, the focus shifted to small business development, as all centres in Estonia were included, and regional development took a second place. This diffusion of objectives is reflected in the current set up of Enterprise Estonia when de facto the regional dimension is relegated in favour of a stronger focus on economic development in general and SME development. In conclusion, there is, in our view, a diminishing relevance of the projects in terms of regional development over time.

5.2 Efficiency

While difficult to judge in retrospect, the evidence is that both projects were efficiently implemented. The project management mobilised resources quickly, and had in a fairly short period of time undertaken most of the planned activities. Several factors appears to have contributed to this:

- Strong personal commitment to the project by key persons, also with significant experience of the reform process in Estonia. According to one person: *this gave the project a flying start. Not as in Africa where the foreigners need a year or two to understand the culture.*
- A counterpart government in rapid development, eager to reform and without a stifling bureaucracy. Systems and organisations were in a process of development, hence allowing rapid changes, or creation, when required, at least during the first project.
- The Swedish organisations (NUTEK, ALMI) specialised in the issues covered by the project, and chosen consultants had strong commitment and experience.
- The 'demand' situation in terms of lack of institutions and business know-how which the project fairly easily could address.

5.3 Achieving the objectives

The overriding objectives

The overriding objective of the first project was to:

> *achieve a more balanced development of Estonia through supporting development of a viable and diversified economy in the regions outside Tallinn.*

In the second project this objective was slightly modified to:

> *a balanced development in Estonia through supporting the development of a viable and diversified economy in the less developed regions.*

As can be noted, the objective(s) focuses entirely on the regional development dimension. Given such a broad formulation of objective, the chosen interventions under the projects are quite narrow and limited, and, furthermore, in the last project becomes largely diluted. In short, there is a lack of coherence between the means and the ends of the projects – either the objective was set too broadly and too ambitiously given the interventions of the projects and the financial resources provided, or the interventions chosen were too narrow and the resources provided too limited to fulfil the objective stated. Given the strong macro economic and other factors art play in a market economy in terms of effects on spatial development, and the micro focus of the projects, the projects must almost by definition have been unable to *achieve a more balance development,* and at most have had a very marginal contribution to this in the best of circumstances.

Neither the projects, nor ERDA has set up a system to monitor to what extent the services of the Business Centres even marginally contributed to a regional objective. There is no systematic evidence available on what role the business centres play for the Estonian business community, to what extent the services provided in fact lead to creation of new enterprises, expansion of existing, new jobs etc. Such an assessment cannot of obvious reason by undertaken by this evaluation. While the first NUTEK project appeared to have played a considerable role in the limited regions it worked, the overall scale of operations by the Business Centres after the end of the project have been rather limited. The overall budget for their work is in the order of EE 5 million for the whole of Estonia, and the staff to cover all centres not exceeding 40. Hence, the likelihood that the Business Centres have had any sustained impact on a balances regional development is slim. This does not imply that the support has been a failure, but merely that the overriding objective was unrealistic.

The expected results

NUTEK and Sida established the following expected results of the second project:

1. The existing business centres should be integrated in a new and more effective organisation with the ALMI concept as model.
2. Local trainers having undergone training in Change management and Organisation Management and Design.
3. Training courses had been undertaken for entrepreneurs in 1) basic business development; 2) project evaluation; and 3) TQM.
4. The staff of the organisation should have undergone training in 'EU – know how'.
5. The existing regional development loans should be integrated in the new organisation.

Of these five results, three are in the form of outputs (2-4). These outputs seem to have been performed by the project. The first and the last results reflect anticipated organisational changes. The first result seems also largely to have been achieved, and also the fifth, albeit with varying degree of commitment of funds. Overall, this evaluation can concur with NUTEK's assessment that all the expected results were fulfilled.

5.4 Cost-effectiveness

Cost-effectiveness is a measure of the effectiveness – i.e. to what extent the projects fulfilled their stated objective – in relation to the costs and resources used. In view of the fact that the objective is expressed in broad, non-quantitative terms, the effectiveness cannot be judged. Consequently neither can the cost-effectiveness be judged. Thus, the evaluation must refrain from any statement of the cost-effectiveness. Again, this does not imply that the project might not have been both effective and efficient. It merely implies that the formulation of the objective does not allow such an assessment.

5.5 Sustainability

Sustainability can be discussed at two levels: 1) to what extent the achievements towards the stated objectives are sustained; and 2) to what extent the results of the projects are sustained. Following the discussion above concerning the formulation of the projects' objectives, a discussion of sustainability is not possible. If sustainability is addressed at the level of results, the following questions can be raised:

- to what extent have the supported centres, ERDA and the types of small business development services pioneered during the project, survived since the projects ended?
- how sustainable are the achievements in terms of training, and other forms of capacity and human resource development which took place as a result of the projects?
- to what extent have the concrete business development triggered by the projects, i.e. the regional entrepreneurship and more specifically the business relations between Sweden and Estonia, been sustained?
- to what extent has the regional development policy concepts and instruments pioneered and underlying the projects been sustained?

Institutional development

In our judgement, the sustainability of the promoted institutions in the form of Business Centres must be considered good. Business Centres are today an integral part of Estonia's regional/SME development efforts, now entirely financed by local resources. While the original centres have been transformed to foundations, and changed in structure, out of the 7 centres directly or indirectly promoted by the first NUTEK project, all but one is still in practice existing. ERDA, which was established just prior to the second phase, is still existing, entirely funded by Estonia, with an enlarged mandate, albeit today integrated in a different organisational context. Many of the systems and services pioneered during the projects both at the business centre level and in ERDA have been maintained, and further development. Thus, the institutional sustainability overall is very good.

Human resource development

The turn-over of staff is high in Estonia in general, and also in the project supported institutions. Thus, only to a smaller extent are the persons trained by the projects still working in or with the centres or in ERDA. However, all indications are that the training provided was of very high quality and helped the participants in their careers. Thus, there is no reason to believe that this provided know-how should not have been sustained, or later enhanced.

Business and entrepreneurship development

Anecdotal evidence from persons involved in the projects indicate that the projects have contributed to business start-ups, expansion of existing businesses and joint-ventures and subcontracting arrangements. While obviously there is a certain change in business, interviewed representatives claim that a substantial number of clients to the centres have done well, and continue to request services. The assessment of the impact of the project in this respect is only impressionistic, and this is also the case with the sustainability. A more stringent assessment would have required a much more ambitious evaluation as ERDA or the centres not systematically assess impact on the business community of their services.

Regional development instruments

The regional development policy framework underlying the projects at least the first one – in the sense of efforts to create a more balanced economic development through promotion of small businesses in the least developed regions – has to a considerable extent been diffused in terms of implementation in a broader context of Enterprise Estonia, and the mixed ministerial responsibility. The instruments pioneered by the first NUTEK project to differentiate services dependent on regional context, are largely lost in the current set up. Yet, there is a regional development policy, and there are certain differentiated services through the business centre. In conclusion, the sustainability of the very ambitious approach in the first project is low, but, on the other hand, as a broad county based service, the sustainability is good.

5.6 Gender effects

In none of SwedeCorps or Sida's project documents the gender issue is highlighted or even mentioned, while in the government/NUTEK's proposal it is mentioned that the aim of the programme that the business network will encourage more Estonian women to start their own businesses. It is not our impression that gender considerations have impinged to any greater extent on the execution of the projects. Nevertheless, women are fairly well represented in the ERDA business centres with almost half of the managers being women. Also amongst the consultants, there is a fair representation of women. Due to lack of information of the effects of the support services by the centres, no judgement can be made to what extent they in fact have *encouraged more Estonian women to start their own businesses.*

6 Summary of conclusions

6.1 Successful support

The overall conclusion from the evaluation must be that the Swedish support to Estonia in terms of developing business services in a regional context has been quite successful as to what was de facto achieved. This is particularly the case with the first project. The most important contributions were:

- giving a strong push for SME development in one of Estonia's most lagging regions (South East);
- creating a model for decentralised SME business development;
- building a cadre of professional Estonian business consultants on a national level;
- developing business relations between Swedish and Estonian enterprises, especially in the Vöru region;
- support of the strategic development and information system in ERDA;
- contribute to the conceptual development of regional development.

No aspect of the projects have been subject for criticism. While this evaluation refrain from an assessment of cost-effectiveness of reasons given above, it appears anyhow that the donor investment seems fully justified. Furthermore, the projects have not to a small extent contributed to a positive attitude to Sweden amongst the Estonians involved by providing a inspiring model. The critical views expressed are rather that the Estonians themselves have not too well cared for the foundation laid by the projects after the end of the projects, not least due to political interference.

6.2 Lessons learned

Strong professionalism and commitment
Particularly the first NUTEK project was conceived and implemented in a unique historical setting, and by individuals with a unique combination of nationhood and experiences. As such lessons from the projects are difficult to generalise. Nevertheless, one lesson to be drawn is that committed and informed key persons played a very significant role in making the projects function well and be well integrated as a change agent in the recipient country. The work of key persons such as Rein Kommel, Jaak Maandi and Gunnar Danielsson is commented upon over and over again by Estonians interviewed, and the excellent results of the first project in particular is to a very large extent attributed to these individuals. The efficiency of the key consultants was also due to their strong practical experience in the Swedish business setting, allowing very practical, hands-on training. In summary, there is little that can substitute for strong and committed leadership and involvement in a development project.

Exploiting a unique window of opportunity
A second lesson is that the first project was highly successful in terms of what it achieved and impacted on as it occurred at a particular 'window of opportunity', i.e., when the opportunity to provide massive training, influence organisational structure, policies etc. existed due to the economic transition in Estonia. The timing was very essential due to the gap in know-how between Swedish consultants and Estonian officials and entrepreneurs at this time which a project fairly efficiently could fill. This gap closed rapidly over time with the effect that the marginal return on external assistance reduced quickly. A general lesson from this might be that an aid agency must be able to respond quickly when unique opportunities for change exist. Prolonged decision making, preparatory work and analysis etc. by the agency, might in such circumstances be counterproductive. The difference in aid management between

SwedeCorp and Sida from the first to the second project is noteworthy in this respect. This can be seen as an argument for smaller projects which can be mobilised quickly, requiring limited time for preparation, but also for an aid organisation operating with a 'business culture'.

Pioneering spirit versus mundane routines

The first NUTEK project operated in a virgin environment, driven by visions and strong commitment. This created inspiration for many Estonians, but it was a spirit difficult to maintain when the business support services became a main stream government programme. Yet, the visionary approach was essential as model building, and in terms of human resource development. If development projects are perceived as catalyst change agents, their spiritual leadership is critical. This creates a delicate balance between efforts of local ownership, using local resources, etc., versus foreign driven projects. A somewhat controversial lesson might be that at least in some circumstances a well executed project with strong foreign inputs and leadership can act much more powerful as a change agent and model, than a project based on strong adaptation to the local environment, implemented entirely by local persons.

Coherence between means and ends, between project documents and evaluations

The NUTEK projects and the current evaluation of them, display a common feature in Sida's project management, that is in ex-post evaluations, the terms of reference tend to require answer to a number of questions which are impossible to answer due to the format of the project documents. Legitimate questions such as the degree of achievements of objectives, cost effectiveness etc., can only be responded to if the overriding objectives of the project are formulated in a coherent way with what the project attempts, and also in a way which allows some form of measurement. While smaller technical assistance projects might be difficult to formulate in such a way, the ToR for evaluations must also refrain from assessing such dimensions. Better still, if the donor in the project documents makes an effort to establish some indicators of expected achievements beyond stating expected outputs.

Annex 1

Terms of reference: Evaluation of projects implemented by Nutek in Estonia 1994–1998

Background

In 1992, a four-year co-operation programme between Nutek and the Estonian State Chancellery was initiated (MSEK 13.8). The programme was financed by SwedeCorp and included development of business development centres in three Estonian regions, Vöru, Jöhvi and Viljandi. The project was evaluated in 1994. In parallel, the European Union (Phare programme) financed a programme in four other regions, Tallinn, Narva, Tartu and Pärnu. The regional centres differed somewhat in ambitions and competence, and as a consequence a need to create a more powerful and effective organisation by co-ordinating the centres emerged.

In 1997 Sida decided to finance a project with the objective to co-ordinate the business development centres (Öst 163/97, MSEK 1.5). The counterparts were Nutek and the Estonian Ministry of Internal Affairs. The project had three objectives: a) To establish and develop a new and more effective network for the support of SMEs in Estonia, the Estonian Regional Development Agency, ERDA. The network was to consist of one co-ordination centre and a number of regional centres, so that all 15 counties could be covered. b) To develop SME support programmes that was to be executed through the regional centres. c) To strengthen the Regional Development Loan and integrate it with the center network. The project included training of local trainers/consultants, entrepreneurs and the staff of the centres. The project was concluded in 1998 and the final report was submitted to Sida in February 1999. In total MSEK 15.3, including equipment, have been allocated to the programmes.
No further Swedish support is envisaged for the project.

Purpose and Scope of the Evaluation

Purpose

The purpose of the evaluation is to assess the relevance, impact, effects and sustainability of the project. The evaluation should also assess the cost-effectiveness and discuss lessons to be learned for future projects.

Scope of the evaluation

The evaluation shall cover the assignments carried out by Nutek in Estonia 1994–1998 i.e. the SwedeCorp/Sida financed projects as listed below:

- Decision GD 53/93–94
- Decision Öst 20/94/95
- Decision Öst163/97

The Assignment (issues to be covered in the evaluation)

The evaluation shall

A. Assess the relevance of the project approach, goals and services carried out by Nutek in relation to the needs of the recipient. Discuss alternative approaches and solutions to the problem.

B. Assess the cost-effectiveness: Could the same results have been achieved with fewer resources?

C. Assess weather and to what extent the objectives and goals of the project have been achieved and reflect on what impact the projects have had on regional development and the SME sector in Estonia.

D. Assess the reasons, with regard to organisational, administrative and financial factors for high or low achievement of goals.

E. Assess the lasting effects and the sustainability of the co-operation. Make a brief description of how the centres presently interact with stakeholders and the satisfaction of clients.

F. Discuss the efficiency of the project implementation. The fulfilment of roles and responsibilities of the parties involved.

G. Assess the effects of the project on both men and women.

H. Discuss lessons to be learned for future projects.

Methodology, Evaluation Team and Time Schedule

Methodology

To collect the required material, the Consultant shall review relevant project related documentation at Sida. A field visit shall take place in Estonia, where meetings shall be held and interviews made with the Ministry of Internal Affairs, Ministry of Economy, the Estonian Regional Development Agency (including the Co-ordination Centre in Tallinn and at least 3 Regional Centres) and a selection of relevant stakeholders (i.e. SMEs). The Consultant will be responsible for practical arrangements in conjunction with the mission to Estonia. In addition the Consultant shall carry out interviews with the Swedish counterpart. Sida will inform the counterparts of the forth-coming evaluation.

Timeschedule

The evaluation shall consist of three parts:

Preparations and interviews with the Swedish counterpart. Approximate time: 5 days, September 2001.

Interviews with the relevant Estonian parties. Approximate time: 5 days, September–October 2001.

Analysis and reporting. Approximate time: 5 days, September–October 2001.

Reporting

The evaluation report shall be written in English and should not exceed 20 pages, excluding annexes. Format and outline of the report shall follow the guidelines in **Sida Evaluation Report – a Standardized Format**. The draft report shall be submitted to Sida electronically and in 5 hardcopies (air-/surface mailed or delivered) no later than October 15, 2001. Within 2 weeks after receiving Sida's comments on the draft report, a final version shall be submitted to Sida, again electronically and in 5 hardcopies. The evaluation report must be presented in a way that enables publication without further editing. Subject to decision by Sida, the report will be published in the series *Sida Evaluations*.

The following enclosures shall be attached to the final report:

- Terms of Reference
- List of persons interviewed
- List of documentation

The evaluation assignment includes the completion of **Sida Evaluations Data Work Sheet** including an *Evaluation Abstract* (final section, G) as defined and required by DAC. The completed Data Worksheet shall be submitted to Sida along with the final version of the report. Failing a completed Data Worksheet, the report cannot be processed.

Annex 2

Persons met

NUTEK

Stefan Berry, project manager second project 1997–98

ÖCB

Rein Kommel, project manager first project 1992–1996

CER Education

Sven Fernlund, consultant

Vöru Business Development Centre, Vöru

Ms Tiiu Toots, director
Ms Kerstin Tammjärv, former director of the centre
Ms Ruth Doleako, former part time employee of the centre

Viljandi Business Development Centre

Tönu Moistus, director

Ministry of Internal Affairs

Priidu Ristkok, head of Regional Development Department

Association of Estonian Business Consultants

Tönis Mets, director of the association
Aado Keskpaik, deputy director

Feierson Ltd

Harry Treial, former head of Vöru business centre; and board member of ERDA

Emi Eco Consultants

Ulari Alamests, former director of Estonian Regional Development Agency

Enterprise Estonia

Aarne Leisalu, acting director of Estonian Regional Development Agency

Ministry of Environmental Affairs,

Jaak Maandi, former head of Regional Development Department, Ministry of Internal Affairs

Annex 3

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Gordon Tamm, Charlotte Mathiassen, Malin Nystrand
Department for Cooperation with Non-Governmental Organisations and Humanitarian Assistance

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