EXECUTIVE SUMMARY

EVALUATION REPORT

MID-TERM EVALUATION •

2026







LuxAidBusiness4Impact





LUXDEV
Luxembourg
Development Agency

PROGRAMME RATING BY THE EVALUATION MISSION

Criteria	Scoring	Justification
Relevance	2	The programme remains highly relevant to its objectives and partner needs, although greater clarity of objectives and more context-sensitive targeting would strengthen responsiveness across operating contexts.
Coherence	2	The three instruments provide a complementary Private Sector Engagement (PSE) offer and are effectively coordinated under a common architecture, although differences in approaches and systems constrain portfolio-level coherence and aggregation.
Effectiveness	3	Encouraging early outcomes and credible progress are evident across the portfolio, but evidence of achievement against intended outcomes is not yet sufficiently established across the portfolio to warrant a higher rating.
Efficiency	2	A relatively small team has established and managed a complex portfolio with credible systems and strong responsiveness, although resource constraints and labor-intensive administrative and verification processes create scope for greater efficiency and proportionality.
Sustainability	3	Early evidence suggests that many supported enterprises are likely to continue beyond grant funding, but longer-term sustainability and scale remain dependent on enterprise maturity, follow-on finance, partnerships and wider support.
Impact	N/A	Most supported initiatives are not yet sufficiently advanced for longer-term development impact to be credibly assessed.
LuxDev project code		MAE/023
Report version		07.2026

Note: Scale from 1 (excellent results, significantly exceeding expectations) to 6 (development action unsuccessful or situation rather worse).

EXECUTIVE SUMMARY

Project overview

The LuxAid Business4Impact Project (MAE/023) is a global Private Sector Engagement (PSE) initiative financed by the Government of Luxembourg through the Ministry of Foreign and European Affairs, Defence, Development Cooperation and Foreign Trade (MFA) and implemented by LuxDev. With an envelope budget of approximately EUR 42.9 million, consisting of both grant financing and co-financing from selected companies over six years (2023–2028), the project aims both to generate sustainable development outcomes by supporting the development and growth of innovative private sector initiatives in partner countries and to strengthen LuxDev's capability to design and implement PSE approaches.

At the time of the Mid-Term Evaluation (MTE), the project had supported 55 enterprises and partnerships across the three instruments[1]. Approximately EUR 9.8 million had been committed through grant financing, leveraging an estimated EUR 11.5 million in additional investment.

The project is implemented through three complementary financing instruments: the Business Partnership Facility (BPF), the LuxAid Challenge Fund (LCF) and the LuxAid Demonstration Fund (LDF), each targeting different types of enterprises and stages of business development.

Evaluation context, scope and approach

This report presents the independent MTE of MAE/023. Unlike a final evaluation, the primary purpose of the MTE is to assess whether the programme design and implementation remain appropriate, coherent and fit for purpose while there is still sufficient time to strengthen delivery during the remaining implementation period. The evaluation therefore places particular emphasis on programme relevance, coherence, efficiency, governance and emerging effectiveness, while also assessing the likelihood of longer-term sustainability.

The evaluation covers the period from programme inception to early 2026 and addresses the Development Assistance Committee – Organization for Economic Co-operation and Development (OECD-DAC) of relevance, coherence, efficiency, effectiveness and sustainability, together with cross-cutting issues relating to Responsible Business Conduct (RBC), Environmental, Social and Governance (ESG) considerations and risk management.

The evaluation adopted a mixed-methods approach, combining document review, portfolio analysis, programme monitoring data, an enterprise survey of both successful and non-successful applicants from all three funds, extensive key informant interviews with stakeholders across LuxDev headquarters, regional/country offices, embassies, governance bodies, targeted enterprise case studies and validation workshops. As expected for a MTE, many supported enterprises remain in relatively early stages of implementation, meaning that evidence is strongest for programme processes and emerging outcomes rather than development impacts.

Main findings and conclusions

- **Relevance**

The evaluation finds that the rationale for MAE/023 remains strong. The programme fills an important gap by providing a mechanism to engage innovative private sector actors that are often underserved by both commercial finance and traditional development programmes. The three financing instruments respond to different enterprise needs and reflect growing interest across development cooperation in partnership-based PSE approaches.

However, implementation has also highlighted important strategic trade-offs. Stakeholders do not always share a common understanding of the program's dual objectives: generating development results through enterprise support while simultaneously strengthening LuxDev's institutional capability and learning in PSE. Different interpretations of these objectives lead to different expectations regarding programme success.

[1] At the time of publishing this report, a further 11 enterprises had been onboarded across the three instruments, with 9 additional selected and awaiting signature.

The evaluation also finds that maintaining additionality and supporting early-stage enterprises requires trade-offs between the risk appetite of the project, implementation capacity of supported enterprises and expectation of results where innovative approaches are being supported.

- **Coherence**

The programme has established effective coordination across three distinct financing instruments. Their differences are generally viewed as appropriate given their different objectives, partnership models and target groups. Rather than operating as identical funds, the three instruments function as complementary approaches to PSE.

At the same time, coherence is achieved primarily through common governance and management arrangements rather than through fully harmonized objectives, monitoring systems or implementation models. While central coordination has been effective, implementation has been strongest where it is complemented by local ownership and access to relevant market knowledge. Differences between the instruments means that there are limited common outcomes that can be consistently aggregated across the portfolio, which constrains consistent comparison of results. This does not imply a lack of coherence but simply means that some measures are best assessed at the individual instrument level.

- **Efficiency**

MAE/023 has successfully developed credible fund management systems, governance arrangements and operational procedures in an area where LuxDev had limited previous experience. Respondents consistently recognized the program's ability to learn and adapt, with repeated improvements to fund management, monitoring systems and operational guidance throughout implementation.

These achievements have, however, required considerable effort. High transaction costs, labor-intensive document collection, review and verification processes, limited specialized capacity and evolving systems continue to constrain efficiency. Stakeholders consistently recognized the importance of strong public-sector accountability but highlighted the need to better balance compliance requirements with operational efficiency, learning and responsiveness.

- **Effectiveness**

The evaluation finds encouraging early evidence that MAE/023 is progressing towards its intended results, although it remains too early to assess overall effectiveness. Most supported enterprises report progress broadly in line with expectations, and available evidence suggests that programme support has accelerated or expanded enterprise activities rather than simply replacing other financing.

The strongest early outcomes for supported enterprises relate to innovation, market development, establishing partnerships and enterprise capability. Beyond enterprise-level results, embassies and country teams consistently highlighted that the programme has strengthened engagement with entrepreneurs and innovation ecosystems, increased the visibility of Luxembourg as a private sector partner and opened new opportunities for engagement with the private sector. Stakeholders regarded these broader institutional and ecosystem effects as important outcomes in their own right. These gains have also been formally institutionalized within LuxDev, with PSE incorporated into its operational framework as an implementation modality, supported by dedicated guidance and instruments that build on the experience of MAE/023.

Monitoring systems have matured considerably and increasingly support project oversight and tranche disbursement decisions. However, they remain primarily focused on accountability and verification. The project should build on these stronger systems to strengthen adaptive management, portfolio learning and understanding of enterprise pathways to impact.

- **Sustainability**

The programme is generating encouraging signs of sustainability at both enterprise and institutional levels. Supported enterprises generally expect to continue activities beyond the grant period and many report increased partnerships, credibility and access to new business opportunities. Sustainability prospects appear strongest among more mature enterprises, while follow-on finance remains the principal challenge for earlier-stage businesses to sustain and scale their emerging impact.

The programme has also significantly strengthened LuxDev's confidence and capability in PSE, with the formal institutionalization of PSE providing an important foundation for sustaining these gains. However, translating this framework into consistent practice will depend on intentionally investing in embedding knowledge, ownership, systems and learning more broadly across the organization rather than within a relatively small program team.

- **Cross-cutting issues**

RBC, ESG and integrity considerations are well integrated into project selection, due diligence and risk management. These safeguards are widely regarded as robust and appropriate given the use of public funds and are taken into account in implementation activities by enterprises which raises overall awareness of these issues.

At this stage of the project there is not sufficient evidence to draw conclusions around the longer-term influence on enterprise behavior after projects are approved, which could be considered during the final summative evaluation of the project.

- **Overall assessment**

The evaluation concludes that MAE/023 remains a highly relevant and well-conceived PSE programme. It addresses an important financing and partnership gap, has established credible governance and fund management systems, and is generating encouraging early evidence of enterprise progress while strengthening LuxDev's institutional capability in PSE.

At the same time, implementation has highlighted several strategic trade-offs that should shape remaining implementation and the next phase of the programme. These include balancing development results with institutional learning, maintaining additionality by supporting early-stage enterprises pursuing innovative solution while managing public-sector risk appetites, adapting implementation to diverse country contexts, reducing transaction costs while preserving accountability, and strengthening learning alongside compliance. The evaluation therefore concludes that the underlying approach remains sound, but that future phases should focus on refining the programme architecture, strengthening implementation arrangements, embedding organizational learning and creating stronger pathways for enterprise growth beyond grant financing.

- **Recommendations**

The evaluation proposes six strategic recommendations, supported by 14 operational sub-recommendations. These are grouped into three strategic areas: programme design, strengthening programme delivery, and strengthening Monitoring, Evaluation and Learning (MEL). Together, they aim to strengthen the effectiveness, sustainability and long-term institutional value of Luxembourg's PSE approach.

Overarching recommendation	Sub-recommendations
Programme design	
Recommendation 1. Rationalise the MAE/023 architecture to strengthen strategic coherence, flexibility and impact.	**1.1** Integrate the LCF and LDF into a single Challenge Fund with flexible funding windows tailored to country context and programme objectives.
	1.2 Use market scoping to design funding rounds (in particular selection criteria) that reflect local market conditions and strategic priorities.
	1.3 Introduce more strategically focused funding windows within the BPF.
Recommendation 2. Introduce a structured transition support function to help enterprises move beyond grant funding and maximise long-term development impact.	**2.1** Introduce a structured "Connect" function linking enterprises to follow-on finance and wider support ecosystems.
	2.2 Provide technical assistance to prepare enterprises for follow-on investment.
Recommendation 3. Strengthen institutional capability to fully operationalise PSE across Luxembourg Cooperation.	**3.1** Develop a more structured organisational approach to building and sustaining PSE capability and organisational learning across Luxembourg Cooperation.
	3.2 Define a long-term operating model that combines a strong central delivery and quality assurance platform with progressively greater country involvement in the design and implementation of funding rounds as capability increases.
Strengthening delivery	
Recommendation 4. Align programme delivery arrangements with the scale, complexity and technical requirements of the portfolio.	**4.1** Recognise the resource implications of managing a PSE portfolio and align programme capacity accordingly, for example, ensuring that different skill sets and technical inputs are available and organised in a way that best meets the needs of different fund management functions.
	4.2 Maintain rigorous due diligence and pre-award risk assessment, while introducing a more proportionate, risk-based approach to ongoing financial and results reporting and verification, to reduce the administrative burden on the MAE/023 team.
	4.3 Strengthen technical expertise within programme governance specifically relating to investment/selection committee membership.
Monitoring, Evaluation and Learning	
Recommendation 5. Continue evolving the programme's impact monitoring system to better reflect how PSE generates development impact.	**5.1** Strengthen the articulation of enterprise pathways to impact throughout the programme lifecycle.
	5.2 Further strengthen enterprise capacity to measure and demonstrate development results.
Recommendation 6. Establish learning as a core programme function that supports adaptive management and institutional capability.	**6.1** Develop an explicit programme learning agenda supported by dedicated resources.
	6.2 Systematically use portfolio evidence to strengthen programme adaptation and future programme design.



This evaluation was commissioned by LuxDev, the Luxembourg Development Cooperation Agency and conducted independently by Triple Line Consulting.

Please note that the analysis, opinions, and recommendations presented in this report are solely those of the author.

LUXEMBOURG
AID & DEVELOPMENT