

RVO'S PRIVATE SECTOR DEVELOPMENT APPS AND TOOLKIT

INDEPENDENT EVALUATION

EXECUTIVE SUMMARY



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Executive summary

The Netherlands Enterprise Agency (RVO) commissioned SEO Amsterdam Economics (SEO) and MDF Training & Consultancy (MDF) to carry out the mid-term evaluation of its Private Sector Development (PSD) Toolkit and the end-line evaluation of its predecessor, PSD Apps. The overall finding is that PSD Toolkit/Apps as a whole has (thus far) performed well against the OECD-DAC evaluation criteria, with opportunities for further improvements in the areas of external coherence and sustainability.

Background

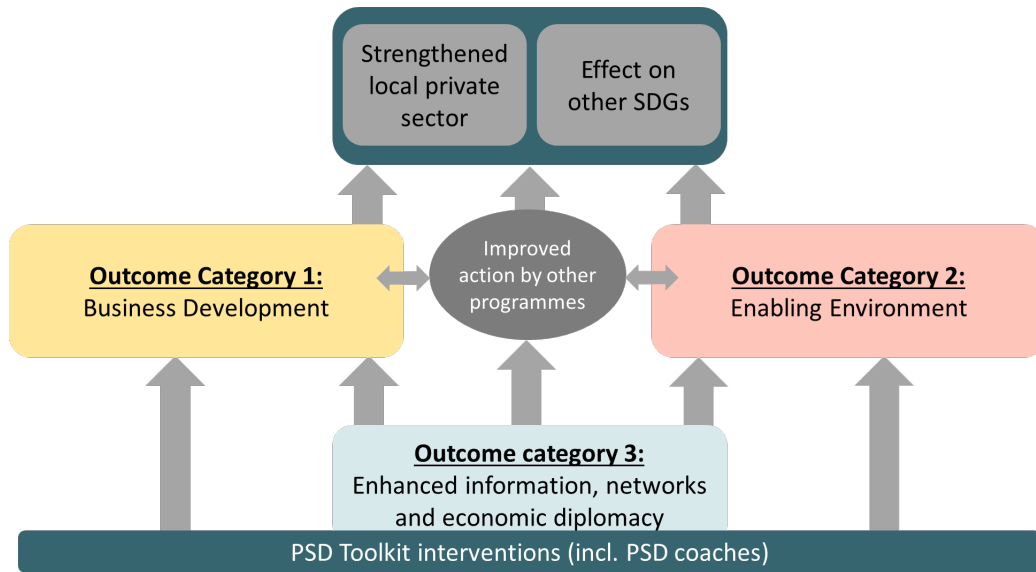
This report contains the end-term evaluation of PSD Apps (2014-2018) and the mid-term evaluation of its successor, PSD Toolkit (2019-2021). Both programmes were implemented by RVO on behalf of the Dutch Ministry of Foreign Affairs (DDE). PSD Apps (2014-2018) consisted of a number of tools ('apps') to assist Dutch embassies in their efforts to "shape the local implementation of the Dutch agenda for Aid, Trade and Investment" by supporting the creation of a business-enabling environment, removing trade barriers and matching local and Dutch business partners. Examples of such 'apps' included 'matchmaking', government-to-government assistance, training of managers and entrepreneurs, trade missions, and transfer of knowledge between knowledge institutions. The PSD Toolkit replaced PSD Apps in 2019, with less focus on Dutch businesses and a stronger focus on Sustainable Development Goals (SDGs) and the Sahel countries. Its main goals are now (a) strengthening local private sectors, with "where possible" the use of Dutch knowledge and skills, and (b) enhancing the impact of the PSD programmes of RVO and other Dutch development cooperation programmes.

The evaluation team also evaluated Orange Corners (OC) and Impact Cluster (IC) projects as distinct parts of the overall PSD Toolkit programme. They are treated as part of the evaluation of the overall PSD Toolkit programme but were also reviewed as separate components with their own set of evaluation questions.

As illustrated by our reconstructed Theory of Change for PSD Toolkit (Figure 1), there are three key pathways through which PSD Toolkit aims to stimulate private sector development in beneficiary countries (in)directly:

- **Pathway 1:** Improving business development, i.e., developing a professional and successful local private sector for small and medium-sized enterprises (SMEs).
- **Pathway 2:** Improving the enabling environment, including local conditions for entrepreneurial success.
- **Pathway 3:** Improving information and networks, supporting more effective economic diplomacy.

Figure 1 Reconstructed 'Theory of Change' (simplified)

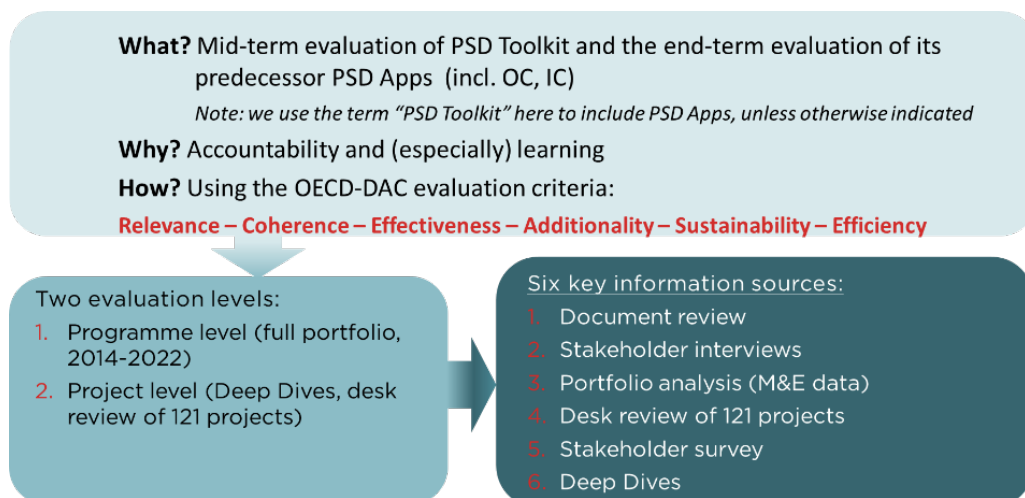


The main objective of this evaluation was to learn from the past and distil recommendations for improving the programmes in the future. As per the Terms of Reference (ToR) of this evaluation, evaluating the effectiveness of RVO's PSD programmes was also an accountability objective. However, it was agreed with the Steering Group that learning, rather than accountability, was the main objective of the evaluation.

Overall methodology

For this evaluation, SEO and MDF used a mix of quantitative and qualitative information sources (see Figure 2). By triangulating these various information sources, the evaluation team assessed the programme along the lines of five OECD-DAC criteria: relevance, coherence, effectiveness, sustainability, and efficiency, complemented by the criterion of 'additionality'. The main evaluation components were (1) a programme-level assessment; (2) a project-level assessment consisting of (a) an extended document review of a sample of 121 projects and five in-depth case studies ("Deep Dives") in Burkina Faso, Morocco, Nigeria, Uganda, and Vietnam.

Figure 2 Overall evaluation methodology



PSD Toolkit/Apps

Key findings

- **PSD Toolkit/Apps projects were largely relevant for national PSD priorities.** However, the relevance for Dutch embassies (economic diplomacy) sometimes dominated as PSD Toolkit interventions were not always clearly demand driven (from programme countries' perspective). Projects were is often the result of the embassy's interpretation of local needs, which allows for a rapid response but carries a risk of embassy bias (which the PSD coach can help mitigate). Furthermore, PSD Toolkit projects were often relevant for Dutch companies (through the focus on sectors in which the Netherlands has a comparative advantage) but less so for the cross-cutting goals including Sustainable Development Goals (SDGs). The clear focus on food security (SDG 2&3) and decent work and economic growth (SDG 8) were exceptions to this rule. All in all did PSD Toolkit contribute to making Dutch-funded PSD programmes more relevant
- **The internal coherence of PSD Toolkit projects improved since PSD Apps, but external coherence with other PSD interventions was not always ensured.** Although there were still numerous stand-alone interventions, PSD Toolkit did a better job than PSD Apps at linking projects to each other, following the recommendation from the mid-term review. Furthermore, PSD Toolkit helped to make Dutch-funded PSD programmes more internally coherent. E.g. interventions were largely complementary to ongoing/planned actions for the Embassies' PSD programme and other RVO-funded activities, and were often explicitly designed as such. However, external coherence with PSD interventions by other development partners was not always ensured as there was no structural coordination to enforce external partnerships, whilst there were signs of overlap with non-Dutch PSD programmes.
- **PSD Toolkit was most effective in terms of Pathway 3 (information, networks and economic diplomacy).** For Pathway 1 (direct support of Private sector) and Pathway 2 (enabling environment), PSD intervention were effective in delivering outputs and short-term outcomes, but contributions to higher level outcomes and impacts remained small or unclear. Also, the M&E system did not allow for systematic analysis of the effectiveness of PSD Toolkit.
- **PSD Toolkit was generally additional to other interventions.** In particular, the role of PSD coaches was valued by stakeholders and seen as unique knowledge-brokers between RVO, EKNs, and other ODA/PSD programmes. Moreover, PSD Toolkit complements other PSD instruments through its wide mandate, palette of services, and country list. The other added value of PSD Toolkit, as compared to the embassies' own means, was its availability, flexibility and speed as well as its focus on sectors in which the Netherlands has a comparative advantage.
- **PSD Toolkit paid more attention to sustainability than PSD Apps.** The PSD Toolkit team's efforts to interlink PSD Toolkit projects increased the likelihood of sustainable impact, but the extent to which there was follow-up (from Toolkit itself or other PSD initiatives) was not systematically monitored.
- **Approval and mobilisation processes were generally efficient, but the monitoring and management was often perceived as a burden.** Overall, project approval and implementation was generally timely and cost-effective and many stakeholders valued both Apps and Toolkit for its speed and flexibility. Nevertheless, the monitoring and management of projects was often perceived as burdensome and sometimes as 'disproportionate to the size of the projects'.

Recommendations for PSD Toolkit

Taking into account the key findings, the evaluation team formulated seven key recommendations to improve the PSD Toolkit going forward:

1. **Reconfirm PSD Toolkit as an ODA programme** that first and foremost aims to address the PSD needs of programme countries (see conclusions on relevance and effectiveness).
2. **Position and promote PSD Toolkit primarily as a Pathway 3 facility** to make Dutch embassies' PSD agendas more relevant, coherent, additional, and impactful (see conclusions on coherence and effectiveness).
3. **Develop a more streamlined PMEL system** that stimulates learning and captures minimal required accountability-oriented information (see conclusions on effectiveness).
4. **Further increase coherence** by deliberately pursuing and supporting complementary interventions within selected sub-sectors to create a more comprehensive effort towards systemic change (see conclusions on coherence and additionality).
5. **Further improve sustainable impact** by deliberately considering follow-up actions to PSD Toolkit projects and by better monitoring whether follow-up is happening (see conclusions on sustainability).
6. **Do not treat cross-cutting themes as an obligatory box to tick**, but should be done only if there are important PSD-related bottlenecks for specific groups (e.g., women or youth) or if significant demonstration effects can be expected by focusing on these groups (see conclusions on relevance)
7. **Adapt the PSD Toolkit ToC** to reflect the above adaptations including clear articulation of where PSD Toolkit intervenes.

Impact Clusters (IC)

Key findings for IC

- **The IC module has been a relevant and useful tool for bridging knowledge or local market development gaps in a particular sub-sector/value chain.** It is a valuable tool for providing valuable follow-up to market/explorative studies under the PSD Toolkit programme.
- **IC projects have been effective in different ways.** By introducing and demonstrating new knowledge, skills and technological innovations, IC projects were effective at contributing to local PSD initiatives aimed at scaling up these innovations. They also effectively increased (or have the potential to increase) the relevance, effectiveness, and coherence of Dutch embassies' PSD agendas. However, they often remained too small to demonstrate significant contributions to increased trade and investment.
- **The IC module scores well on additionality.** It is unique in that it addresses specific PSD bottlenecks and can catalyse local PSD development in a particular sub-sector or value chain.
- **Several aspects of the IC module have worked particularly well.** Best practices and lessons learned include: local presence of the project coordinator; complementary cooperation between PSD coach and IC project coordinator; study import-export rules as part of project design; consider and address post-project access to finance needs; adopt different rules for companies and NGOs/knowledge institutes related to own contribution.

Recommendations for IC

Taking into account the key findings, the evaluation team formulated four key recommendations to improve IC going forward:

1. **Continue the IC module** with a regular exchange of experience between PSD coaches and IC project coordinators.
2. **Retain flexibility to ensure fit-for-purpose** in design, but intensify efforts to ensure local representation in design and as precondition for project approval.
3. **Limit implementation phase to three years for full adoption of innovations**, with management focused on steering towards sustainable results, which includes efforts to secure access to finance for follow-up activities.

4. **Increase post-project M&E efforts** to gain insight in the contribution of IC to longer-term trade and business benefits and related success factors, whilst being mindful of confidentiality of (financial) data.

Orange Corners (OC)

Key findings for OC

- **The OC programme is relevant for youth entrepreneurship but less so for youth employment.** In general, the OC programme fits with embassy PSD strategies, but active embassy involvement is needed to realise the full potential. The ecosystem mapping also helps to focus OC efforts on the most relevant areas.
- **The OC programme has been effective in creating a pipeline of young start-ups, and in contributing to business skills, an entrepreneurial mindset and increased networks among young (aspiring) entrepreneurs.** Moreover, it is likely to contribute to job creation in 14 countries. The OC Investment Fund (OCIF) is a relevant and effective addition helping to overcome the obstacle of 'access to finance'. The OC incubator remains the core element of the programme with obvious results. Broader interventions towards creating a more conducive eco-system were effective in delivering intended outputs but their contribution to an improved business climate could not be identified.
- **The additionality of the OC programme is mixed.** Its input additionality is limited, as there are other programmes offering incubation and coaching services. Its development additionality is more positive and derives from its high quality and the inclusion of access to finance through OCIF.
- **The sustainability of OC is mixed as well.** On the one hand, there are signs that some results are sustainable, as demonstrated by the number of entrepreneurs that continue their business; growing employment effects; and the lasting contribution to business skills and networks. On the other hand, the OC programme remains heavily dependent on OC funding, and it is unlikely that in the foreseeable future the programme can be fully funded by private sector financing.
- **OC and OCIF have generally been implemented efficiently.** Projects have generally been within budget and on time, with only some incidences of inefficiencies in adapting to local context. OC has a separate effective M&E structure for incubators/OCIF, with scope for improvement in the M&E of the broader ecosystem approach that RVO is working on.

Recommendations for OC

Taking into account the key findings, the evaluation team formulated six key recommendations to improve the Orange Corners (OC) programme going forward:

1. **Keep concentrating on business incubators as a central pathway in the OC programme** but ensure that the eco-system mapping periodically and adequately identifies and prioritises positively and negatively contributing factors in the business climate for starting (young) entrepreneurs.
2. **Ensure selection criteria that prioritise participants from marginalised groups** that have less easily access to, and therefore a stronger need for, support, over 'high-potentials' that are likely to find their way to alternative support mechanisms. This also implies different financing modalities between OCs in so-called combination countries (co-financing only) and developing countries (full financing) as categorised in the latest policy note "Doing what the Netherlands is good at".
3. **Continue OCIF and other enabling interventions that help the effectiveness of the incubators**, while ensuring that improving participants' capacity to access finance remains a core element of incubation programme, including connecting participants to other sources of financing.

4. **Stimulate leveraging third-party financing** for instance by supporting and developing capacity of LSPs to successfully raise funds from private sector or other donors, recognising that full self-financing is not a realistic ambition, especially in low-income countries.
5. **Support and encourage LSPs to experiment with delivery models to increase the geographic coverage of the OC programme** using alternative delivery options (online, hybrid, Caravanne).
6. **Continue the periodic M&E outreach to incubator and OCIF recipients** whilst recognising the need to increase incentives for keeping up response rates over time.