

Evaluation PSOM/PSI

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List of Abbreviations

APSOM/APSI	Independent advisory body for PSOM/PSI
BAS	The monitoring system of RVO
CSR	Corporate social responsibility
DDE	Sustainable Economic Development Department
DGGF	Dutch Good Growth Fund
IOB	Policy and Operations Evaluation Department of the Dutch Ministry for Foreign affairs
FMO	Entrepreneurial Development Bank (Dutch development bank)
LDC	Least developed country
LIC	Low income country
LMIC	Lower middle income country
MoFa	Ministry of Foreign Affairs
MoV	Means of verification
PSD	Private Sector Development
PSO	Programme for Co-operation with Countries in Eastern Europe
PSOM	Programme for Co-operation with Emerging Markets
PSI	Private Sector Investment programme
RVO	Netherlands Enterprise Agency
SME	Small and medium sized enterprise
ToR	Terms of reference
UMIC	Upper middle income country

Executive summary

The Programme for Co-operation with Emerging Markets (PSOM) and its successor, the Private Sector Investment programme (PSI), were established by the Dutch Ministry of Foreign Affairs (MFA) to foster innovative private sector investments by Dutch (and later non-Dutch) companies in cooperation with local business partners in selected project countries. Between 1998-2014 both programmes awarded subsidies (or grants) to 1107 investment projects in 59 countries. These grants covered 50%, or 60% in the case of frail states, of the project budget, with a cap of 750,000 euros (and 900,000 for frail states). The final tender for PSI was in 2014. The last projects are expected to be completed in 2020. The programme is administered by the Netherlands Enterprise Agency (RVO).

In short, the aim of PSOM and PSI was to trigger investment projects that would otherwise not have been realized because of high (perceived) product risk or market risks, lack of access to finance or lack of access to technology. These projects could entail existing or new (greenfield) businesses (but no start-ups). After the subsidy period, follow-up investments were expected to lead to further growth of sales, profit and employment of the business. This should lead to sustainable economic development in the PSOM/PSI country by increasing employment, knowledge transfers and income.

Intervention logic

Through the selection and subsidisation of projects PSOM/PSI aims to attain three main outcomes at the level of the supported businesses: (1) the establishment of innovative businesses in developing countries and countries with emerging markets, (2) job creation and knowledge transfer and (3) the implementation of policies concerning corporate social responsibility, gender equality and environmental sustainability.

In the intermediate and long term, it is expected that the individual projects lead to the following *development impacts*:

1. Improved job opportunities (for local population, suppliers and outgrowers);
2. Expansion and catalysing effect of businesses impact (improvement local economy, sustainable growth);
3. Increased local attention for CSR, gender and environmental business policies.

These impacts are considered to be beyond the direct control of PSOM/PSI, occurring within the wider environment of the supported businesses.

Evaluation questions

Topics of this evaluation are the relevance, efficiency, effectiveness and impact of the programme. The relevance of PSOM/PSI is assessed by answering the question whether the activity would not have been realised without the subsidy. Efficiency poses the question the cost-effectiveness of the implementation of the programme. Effectiveness regards goal achievement and the contribution of PSOM/PSI to projects being successful. While effectiveness deals with direct results (employment, knowledge transfer and sales), impact goes beyond that to sector, market and corporate social responsibility (CSR). Moreover, impact is concerned with the longer-term effects, or sustainability, of PSOM/PSI after the grant period has expired.

Methodology and data sources

Given the scope of this evaluation and the limitations of available data at RVO, it was not possible to rigorously establish the impact of the programme using quantitative methods. Moreover, the nature of the programme limits the options for such an analysis:

- Since the projects are managed by an international partnership, it is very hard to define a valid control group.
- The programme subsidizes new activities, so pre-intervention (baseline) data cannot be collected (on the project level).

The evaluation team used instead a mix of qualitative and quantitative methods to analyse the evaluation questions. 49 qualitative case studies (field visits) were complemented by the quantitative analysis conducted in the Netherlands on the basis of monitoring information from RVO. The quantitative and qualitative studies fed into each other by answering the same evaluation questions using different data sources and methods for analysis.

49 case studies were done across 6 countries with projects starting in 2000 and some running until 2017.¹ They were based on data collected through semi-structured interviews (by phone and on location) and observations of the companies involved with PSOM/PSI projects. Furthermore, in order to validate findings and give due consideration to country-specific factors determining the success of PSOM/PSI projects, the country studies also included interviews with a select group of local stakeholders (e.g. to determine whether findings are sample-specific or can be assumed to be representative of a specific sector/country RVO programme managers responsible for the selected countries were interviewed as

¹ In Bangladesh, Egypt, Uganda, Sierra Leone, and Bosnia-Herzegovina 8 case studies were undertaken and in Peru 9.

well as part of the preparations for the country studies (together with the review of project files).

Moreover, desk research and interviews were combined with an analysis of project files and electronic monitoring data. These provided a base for quantitative analyses. A survey amongst 91 rejected applications was done to see whether they had been able to realise the project without PSOM/PSI subsidy.

Relevance

The evaluation of the relevance of the PSOM/PSI programme focused on:

1. Selection and objectives: Do the selection criteria and process ensure the selection of projects in line with the objectives of PSOM/PSI?
2. Country priorities: Are the supported investments in line with the objectives and priorities of the PSOM/PSI country?
3. Ex-ante additionality:² Would the projects have been realized on the same scale and at the same pace without the financial contribution of PSOM or PSI?

Projects were selected on the strength of the partnership between the applicant and the local partner, the quality of the project plan and the development impact. The project had to be innovative and should not distort the market. The project plan should contain clear, logical and measurable results on production outcomes, knowledge transfer (training), spill-overs for key parties in the production chain (including CSR outcomes) and a viable financial plan. The impact criterion focussed on the spin-off of the project and its development effects. Applicants had to argue what the potential spin-off of the project would be, in terms of follow-up investments and additional turnover, in case of the long-term establishment of a commercially viable company.

Conclusions on relevance

The PSOM/PSI programme is considered relevant with regard to the selection of projects in light of the overall objectives of the programme:

- The strength of the partnerships varied between countries and projects, but in 20 out of 30 finalised projects visited for the case study the relationship is still ongoing and positively appreciated. Among the successful projects that were surveyed by RVO for their spin-off analysis, 80% were still run by the same partnership.
- The majority of projects are new for the company, sector and country (31/49), which indicates that PSOM/PSI indeed targeted projects with elements of innovation or at least 'newness'. Newness should also be suitable for the context, which was not always the case. A project can be new to the company,

² Additionality ex ante according to DCED (Heinrich, 2014)

sector, country or even the world. Some projects are truly innovative, others show that this claim is exaggerated to meet the PSOM/PSI requirements. The innovation criterion also ensured that there was little unwanted market distortion.

- Potentially, most projects have an impact on the value chain (sector) or wider market (country), beyond the company and those directly involved, except for those projects that were set up solely to serve the applicant (e.g. production units).
- Selected projects all have the potential to be commercially and financially successful. The financial profile of selected projects differs from rejected projects on a number of indicators. The largest differences are found in the financial profile of the applicant company. For instance, the average profits reported by selected applicants were € 8.7 mln, whereas the average profits reported by rejected applicants were € 6.2 mln. This is confirmed by multivariate analysis, which shows that the financial ratio is the only project characteristic that significantly affects the selection probability. Local partner financial indicators and the division of shares do not seem to differ significantly between selected and rejected projects.

Additionality

For the majority of projects (30/49) the PSOM/PSI grant is considered additional as source of funding (or for the reduction of risks). This is, however, strongly dependent on the country's context, whereby in middle income countries most PSOM/PSI projects might have happened, regardless of the subsidy. For 7/49 projects additionality is doubtful, with investments being larger than necessary due to the 'perverse' availability of the grant funding and the tendency of applicants to ask the maximum. The remainder 12/49 of the projects would have happened without PSOM/PSI support (not additional). All in all, most projects would not have been realised on the same scale and at the same pace without the financial contribution of PSOM or PSI.

Country needs

PSOM/PSI is, however, considered less relevant with regard to country-specific needs. As both PSOM and PSI were set up as thematic project-support rather than country programmes, there is by nature little alignment with country-specific priorities of national governments or even programmes of Dutch embassies. Even though RVO programme managers do consider the country context, PSOM/PSI consists of one programme design (e.g. selection process, indicators, grant modality) for all countries (apart from PSI Plus countries), ranging from middle income countries like Peru to low income countries like Uganda. A more country-specific approach could have improved the relevance of the portfolio (e.g. in certain countries loans might be more appropriate than grants).

Moreover, lack of alignment with other private sector development programmes (from the Netherlands or elsewhere) is a missed opportunity, in particular with regard to the possible synergies between PSOM/PSI and other Dutch programmes for private sector development and economic diplomacy. PSOM/PSI could also have used its presence in a country as a provider of significant grants to the private sector to leverage general improvements in business environment, including addressing entrepreneurial capacity.

Efficiency

Programme expenditure (€ 2.1 million in 2000 - € 56.8 million in 2014) and operating costs (€ 0.6 million in 2000 - € 6.0 million in 2014) increased considerably. So did the portfolio (workload: 90 projects in 2000 – 435,5 projects in 2014), staff (*fte*: 19 in 2004 – 38 in 2014) and number of (untied) target countries (21 in 2004 – 60 in 2014). In the PSI period between 2009 and 2014 we observe a steady increase in productivity. Operating costs and *fte* per programme expenditure and management and overhead costs per project all decreased during PSI. This is attributable to the increase in workload (scale economies), the increased standardization of and familiarity with the PSI selection procedure, stabilization of the number of countries (less marketing efforts), the decrease in communication efforts (with the planned termination of the programme in 2014) and possibly other efficiency gains. The only exception is the development costs per project. These increased from €10,000 per selected project in 2005 to €35,000 in 2014. This is due to the high number of applications in the last few tenders. Hence, the number of applications is an important cost driver in the PSI period.

Effectiveness

Effectiveness is assessed by considering:

- Goal achievement: the extent to which the project targets have been met in terms of jobs and knowledge transfer, sales and investments, and engaging outgrowers.
- Attribution: the extent to which PSOM/PSI contributed to the observed changes (among other factors contributing to success or failure of projects).

Overall, two thirds or more of the finalized projects achieved their targets on employment, knowledge transfer, or outgrowers. Finalized projects have a lower goal achievement rate on sales and follow-up investments. In short, the projects are more successful in reaching development goals than in achieving business targets.

Statistical analysis was used to assess the contributory effect of PSOM/PSI, which could be determined for employment and sales, though not for training. To further evaluate the effectiveness of PSOM/PSI, this evaluation relied on the case

studies to identify the way in which the programme contributed to the achievements of the projects.

From the case studies we learn that:

1. Firstly, 33 of 49 projects visited were operational businesses. In five cases it was too early to tell. However, this 75% (33/44) cannot be compared with RVO monitoring information on goal achievement because of a bias in the sample as operational businesses can be visited, while non-performing projects are by nature less accessible.
2. Secondly, in 18 out of all the 44³ projects (41%) evaluators concluded based on interviews with applicants, project partners, file review and company visits that the PSOM/PSI programme played a crucial role in the resulting company (i.e. decisive contribution without which the outcome of the project might well have been different). In the remainder of the projects visited, PSOM/PSI was seen to have been only one of many factors contributing (at least by providing a grant), but this support was considered to not have been decisive for its achievements.⁴
3. Finally, if we then combine this information, out of the 49 projects visited, 17 projects that were operational businesses, received a contribution from the PSOM/PSI programme that was considered to be decisive - 5 projects started too recent to assess (39% or 17/44).⁵

		Business status		Total
		Operational	Not-operational	
PSOM/PSI contribution	Decisive	17	1	
	Not decisive	16	10	
		33	11	44

³ For ease of reading we exclude the 5 cases in which it was too early to tell whether a company was operational or not, though that does not necessarily exclude an assessment of the contribution (which can be made at very early stages).

⁴ See box 3 for the assessment of contribution as either decisive (main factor, beyond the financial contribution) or minimal (one of many factors, mere financial contribution) for the achievement of results.

⁵ If you would subtract from the 49 project those considered not to be ex ante additional (see chapter 3 on relevance), 14 projects would be left that are operational and to which PSOM/PSI made a significant contribution (32% or 14/44).

Predictors of success

Quantitative analysis of ex-ante financial indicators finds that only the applicant's balance (total of assets) and equity ratio (this ratio measures the proportion of the balance financed by the applicant) differ significantly between stopped and finalized projects, i.e., lower for stopped projects than for finalized projects.

Analysis of the scores of the ranking system shows that there is no relationship between ex-ante rankings and project success. This might not be surprising in light of the fact that only positively appraised projects were ranked, i.e. the projects fulfilled the requirements for a PSOM/PSI programme. However it shows that project success is difficult to predict. Rankings rely on ex-ante information, and success is also influenced by many external factors.

Contribution of PSOM/PSI (quantitative analysis)

The contribution of the PSOM/PSI subsidy significantly contributes to the achievement of the employment target. The outcome implies that if PSOM/PSI committed subsidy is raised by ten percent (say from € 550.000 to € 605.000), the number of jobs created at the end of the project is increased by almost four, keeping other things equal. A higher subsidy also translates into more sales, albeit at a lower level of confidence: 10% more subsidy means 5.3% more sales.

Impact

To assess development impact we used the case studies to investigate the extent to which the projects contributed to:

1. Improved job opportunities (for local population, suppliers and outgrowers);
2. Expansion and catalysing effect of businesses impact (improvement local economy, sustainable growth);
3. Increased local attention for CSR, gender and environmental business policies.

From these we conclude that:

- 27 out of 49 cases were found to have an effect on the broader sector (e.g. on outgrowers and local suppliers) or market (e.g. import substitution) beyond the effects on the joint venture itself;
- The role of PSOM/PSI projects in promoting CSR is limited as CSR is mostly market driven. Nevertheless, in half of the cases studied there was some (19 cases) or strong (4 cases) influence of PSOM/PSI on CSR; e.g. through dialogue between applicant and local partner or explicit financial support through PSOM/PSI for certification;
- Certification and chain responsibility are promoted by PSOM/PSI. Working conditions are mostly above the country's average.

- PSI focuses on female employment in numbers, which might have a small temporary effect in some of the projects, but much less on policies and practices required to employ and retain women and improve decent working conditions in the longer term;

Ultimately, whether a business venture is commercially sustainable depends on the entrepreneurial skills of those who become the owners of the project, once the grant period is concluded. The evaluation found many instances where PSOM/PSI contributions have helped to launch a project that proved successful through the efforts of the entrepreneurs involved.

1 Evaluation PSOM/PSI

1.1 Introduction

The Programme for Co-operation with Emerging Markets (PSOM) and its successor, the Private Sector Investment programme (PSI), were established by the Dutch Ministry of Foreign Affairs (MFA) to foster innovative private sector investments by Dutch (and later non-Dutch) companies in cooperation with local business partners in selected project countries. Between 1998-2014 the programmes awarded subsidies to 1107 investment projects in 59 countries⁶. The final tender for PSI was in 2014. The last projects are expected to be completed in 2020.⁷ The programme is administered by the Netherlands Enterprise Agency (RVO).

In short, the aim of PSOM and PSI was to trigger investment projects that would otherwise not have been realized because of high (perceived) product risk or market risks, lack of access to finance or lack of access to technology. These projects could entail existing or new (greenfield) businesses (but no start-ups). After the subsidy period, follow-up investments were expected to lead to further growth of sales, profit and employment of the business. This should lead to sustainable economic development in the PSOM/PSI country by increasing employment, knowledge transfers and income.

MFA evaluates the results of PSD programmes, including PSOM/PSI, every five years. Previous PSOM/PSI evaluations were conducted by Ecorys (2005) and Trio-dos/Facet (2009). In 2016, the Sustainable Economic Development Department (DDE) commissioned the consortium of APE, MDF and Timpoc consultants to conduct an evaluation for the period 1999 to 2014. This draft report presents the findings of this evaluation.

⁶ Technically PSOM was not a subsidy programme. In this report we will use the term ‘subsidy’ to denote the PSOM/PSI support.

⁷ In line with PSOM/PSI documentation, this evaluation report uses the term ‘projects’. However, it is worthwhile noting that RVO provided grants to enterprises, which is actually different from being projects (or even implementing or funding projects).

1.2 Evaluation approach

1.2.1 Intervention logic

Figure 1-1 shows the intervention logic of PSOM/PSI, as defined by RVO in 2012⁸. The intervention logic forms the basis for the evaluation. The chain starts with the inputs with which RVO runs the programme: the annual grant budget, the programme budget (operations), the number of full-time employees involved in PSOM/PSI and the knowledge and expertise available among PSOM/PSI staff. The main programme activities carried out with these inputs are: PSOM/PSI promotion, the selection and approval of projects, the monitoring and evaluation of projects and programme revision. These activities result in a selection of projects which are awarded a subsidy: the programme outputs.

The efforts of applicants and local partners ('project partners' in Figure 1-1) also an important input for the overall programme output. Partners contribute both financially (own contribution) and in terms of labour, knowledge, local networks and contacts. As PSOM/PSI required a considerable co-financing by the applicant and partners (see Table 3-6 for the percentages of the various sub-programmes), the applicant and partners had to make a strong financial commitment, which was checked during application stage and in the financial reports as well.

Through the selection and subsidisation of projects PSOM/PSI aims to attain three main outcomes at the level of the supported businesses: (1) the establishment of innovative businesses in developing countries and countries with emerging markets, (2) job creation and knowledge transfer and (3) the implementation of policies concerning corporate social responsibility, gender equality and environmental sustainability.

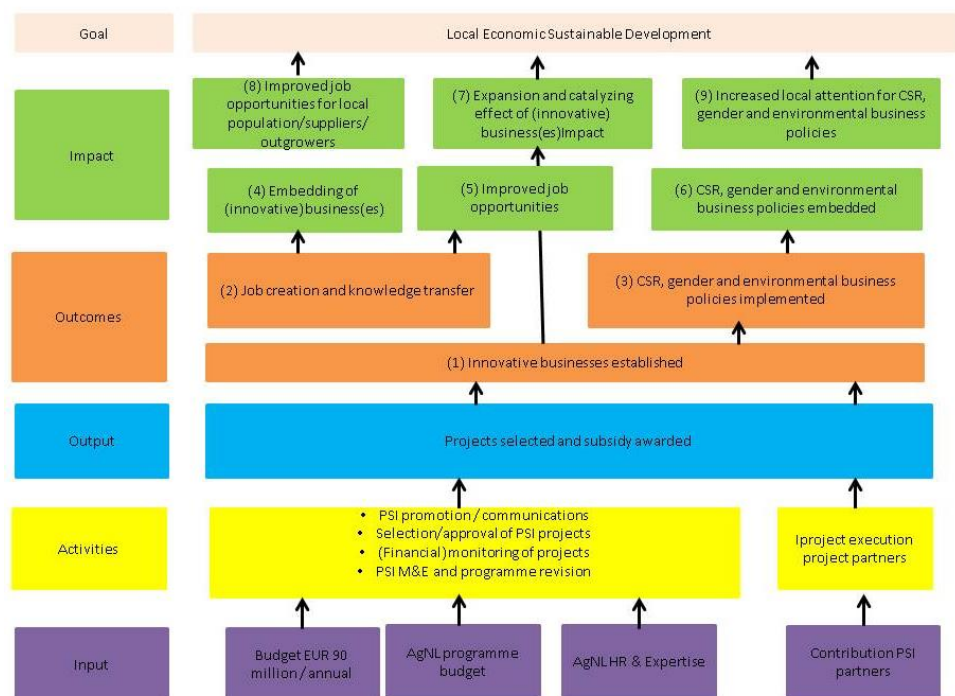
In the intermediate and long term, it is expected that the individual projects lead to the following development impacts:

1. Improved job opportunities (for local population, suppliers and outgrowers);
2. Expansion and catalysing effect of businesses impact (improvement local economy, sustainable growth);
3. Increased local attention for CSR, gender and environmental business policies.

These impacts are considered to be beyond the direct control of PSOM/PSI, occurring within the wider environment of the supported businesses.

⁸ The result chain, was established in 2012 and slightly adjusted in 2015, to match OECD/DAC guidelines (ToR).

Figure 1-1 Result chain



Source: Terms of reference⁹

1.2.2 Evaluation questions

The Terms of Reference (ToR) for this evaluation prescribed the evaluation questions. These have been adapted in the Inception Report, and accepted after discussion with the Reference Committee for this evaluation January 19, 2016. For the purpose of this evaluation, some slight changes have been made to the questions, though the intent remains the same.

Table 1-1 contains the evaluation questions (including their place in the report). In the following sections we will describe the evaluation questions in more detail.

Table 1-1: Evaluation questions

Criteria	Evaluation questions	Chapter in report
Relevance and ex-ante additionality	Do the selection criteria and process ensure that the selection of projects is in line with the objectives of PSOM/PSI?	3.2 - 3.4
	Would the projects have been realized on the same scale, in the same pace and with the same impact without the financial contribution of PSOM or PSI (additionality ex ante according to	3.5

⁹ Ministry of Foreign Affairs (2015) Terms of reference evaluation PSOM & PSI

	DCED)?	
Effectiveness	To what extent have the targets of the projects been achieved (goal achievement)?	5.2 - 5.3
	What are the changes in the effect variables in comparison to the situation at the start (baseline)?	5.3 – 5.4
	Which is the attribution of the observed changes to the intervention?	5.4
Efficiency	How is the efficiency of the implementation of the PSI programme by RVO affected by:	4.1 – 4.6
	a. PSI country list (the number of countries on the list)? b. applicants from third countries?	
Impact and sustainability	What is the impact of projects on the implementation of CSR principles? How has this affected employees/environmental issues/other local enterprises, etc.? How have the projects influenced gender relations?	6.1
	What is the impact of the projects on the development of the market in the country of implementation (horizontal linkages)?	6.2
	Which other (non-intended) effects can be attributed to the projects?	6.1 – 6.5
	What is the impact on the employees of the PSI supported company? (when possible disaggregation between male/female employees and special attention to impact on female employment and on decent working conditions for women)	6.1
	Given the information available (gathered by RVO.nl through monitoring and the spin-off survey) on stopped, completed and ongoing projects; how sustainable are the PSOM/PSI investments?	6.4

Source: Terms of reference evaluation PSOM/PSI

1.2.3 Relevance

Relevance focuses on several questions:

- In the first place whether supported projects are in line with PSOM/PSI objectives. This requires an evaluation of the selection process to assess whether the right projects were chosen to meet the PSOM/PSI objectives (partnerships, innovation, development impact and commercial viability).
- Secondly, relevance also includes the assessment of PSOM/PSI's ex-ante additionality, which refers to the additionality of the available funding, before the funding decision was made. For example, selected projects should ultimately be commercially viable, but the entrepreneurs should not have been able to finance the projects themselves, or to obtain commercially available funding for the project. The subsidy is additional to the market if the activity

would not have been realized (or not within the same time-frame and at the same scale) without the subsidy.¹⁰

DCED (2014) sets out eight criteria for the assessment of ex-ante additionality (See Box 1). According to the ToR (p. 16) the evaluation should focus on three criteria specifically:

1. Financing: Is the applicant unable to self-finance the project (within a reasonable time frame) through own funds or third parties (e.g. commercial providers, other donors)?¹¹
2. Risk: Is the applicant unwilling to implement the project because the partners perceive the risks as too high?
3. Market distortion: Does the project supported by PSOM/PSI risk setting other companies already operating or ready to enter the same market at a disadvantage?

Box 1: DCED criteria for ex ante additionality

DCED criteria for assessing ex-ante additionality (DCED 2014)

- The company has insufficient funds to self-finance the project.
- The company lacks the knowledge or competencies to design and/or implement a business model in a way that maximizes poverty-reducing or other (economic) development impacts.
- Without the subsidy, the company would be unwilling to implement the proposed business model and/or changes in the operational standards because of a perceived negative balance of costs/risks and benefits.
- The company cannot access commercially available funding (or technical support).
- The subsidized activity does not displace other companies operating in the market, or that are ready to undertake the same project without public support.
- The cost-shared contribution does not duplicate other donor-funded support
- Public support leverages investments from other entities that would otherwise not be forthcoming
- Conditions attached to support, or agency activities complementing the cost-sharing collaboration, are expected to have a positive influence on wider business operations, operations by other businesses, or the business environment.

¹⁰ DCED 2014

¹¹ See section 3.6.4. on another side of additionality, best described as overambitious projects due to the availability of grant financing rather than business case.

The ex-ante additionality of PSOM/PSI funding was evaluated through an assessment of the selection process itself, and the outcome of the selection process.

This assessment consists of:

- **Selection process.** Is the selection process designed in such a way that projects in line with PSOM/PSI objectives are selected? The analysis of the selection process is based on desk research of RVO documentation, interviews with RVO staff, and relevant literature.
- **Outcome of the selection process based on the 49 case studies.** In the case studies additionality (for financing and risk) was assessed per project (including assessment of innovativeness and market disturbance of projects).
- **Quantitative analysis of rejected and selected projects.** Using a database of all selected PSI projects and a random sample of 200 rejected PSI projects, we have quantitatively analysed which characteristics of the proposals, applicants, and local partners increase (or decrease) the probability of successful application. Do rejected and selected projects have a dissimilar profile? How do they differ? Based on this dataset we also looked at the reasons why projects were rejected, and whether these reasons include lack of ex ante additionality.
- **Survey amongst rejected applicants.** This survey included questions on the status of the rejected project (was the project implemented without PSOM/PSI funding? At the same scale?), reasons for either stopping the project or continuing it without PSOM/PSI funding, experience with similar projects, and whether the applicants found other funding sources. All these questions aim to inform the evaluation about the additional role of PSOM/PSI funding.

Box 2: Assessment of ex-ante additionality in the case studies

Ex-ante additionality, whether the project would have been realised at a similar scale and pace without PSOM/PSI, is hard to determine once the project has started or ended. Nevertheless, interviews with applicants and local partners did give useful insight into the extent to which the PSOM/PSI support was considered additional. The focus was on additionality regarding financing (e.g. availability of other sources of financing or own financing), but the evaluators also considered the extent to which PSOM/PSI support was required to reduce investment risks.

Additionality was assessed through a combination of the following questions (as well as document review from RVO files and context analysis):

- What was the motivation to join the PSOM/PSI programme?
- What other (public and private) parties were involved with the project (or would have been if PSOM/PSI did not support the project), and their role?
- Would the project have happened at the same scale and pace without PSOM/PSI?
- Would you have joined the programme if it provided a loan rather than a grant?
- General assessment of the financial strength and size of the applicant and local partner,
- Country risk profile.

Additionality is important to avoid market distortion, therefore the case studies also considered:

- How innovative is the project?
- Are there comparable projects/products in the country?
- What were the main competitors at the start of the project, and now?

1.2.4 Efficiency

The ToR did not define efficiency, nor does RVO report on specific value for money indicators to MFA. Therefore, the evaluation team devised a number of indicators to evaluate whether the PSOM/PSI was implemented in an efficient manner. These indicators were extracted from financial data from annual reports and annual plans from RVO. Such indicators are, among others:

- Total costs;
- Costs per selected project;
- Extra costs for applicants from third countries;
- Cost per application.

- Cost drivers

Ideally, the evaluation of efficiency would include a benchmark analysis, comparing the efficiency of the PSOM/PSI programme operation with efficiency of operation of other similar programmes. However, there is no such data about similar programmes readily available¹². As an alternative, we therefore evaluated the development of the operation cost of PSOM/PSI using a number of efficiency indicators, for the period 2000-2015.¹³ Disaggregation for country or nationality of applicant was not possible as data was not available at this level.

1.2.5 Effectiveness

Following the terms of reference for this evaluation, effectiveness assesses:

- Goal achievement: the extent to which the project targets have been met in terms of jobs and training, sales and investments, engaging outgrowers¹⁴
- Contribution of PSOM/PSI to the observed changes (among the other factors contributing to success or failure of projects)¹⁵

However, it is important to note that goal achievement and operational success of PSOM/PSI projects is only the first step. For PSOM/PSI to be truly effective a significant *and* additional contribution of PSOM/PSI has to be established. Therefore, this evaluation takes the following reasoning:

- PSOM/PSI is effective if
 - A. Set project targets are achieved (goal achievement as monitored by RVO);
 - B. Evaluation through the case studies provides evidence that
 - projects are operational / commercially viable,¹⁶ and
 - PSOM/PSI support made a difference (contribution is considered decisive for the success of the project, see box 3).

¹² There are similar programmes, such as AECF.

¹³ The analyses in this chapter are based on information from the annual reports 2000-2015. The annual report of 1999 was not available. For some of the indicators information was only available for the years 2004-2015 or 2004-2014.

¹⁴ The extent to which PSOM/PSI projects are innovative, also part of this evaluation question, has been described extensively in chapter 3.4.2. as part of the evaluation of relevance.

¹⁵ Note that the inception report refers to the attribution of the observed changes to the intervention ('What are the changes in the effect variables in comparison to the situation at the start (baseline)?'). As will be discussed here below, given the evaluation methodology (and lack of counterfactual), it is more appropriate to refer to the *contribution* of PSOM/PSI rather than attribution.

¹⁶ A project was considered operational if there was active production upon visiting the site (e.g. machines in use, staff on site, evidence of clients). This is closely linked to goal achievement in the area of sales and employment.

Figure 2. Evaluation of PSOM/PSI effectiveness



Box 3: Assessment of PSOM/PSI contribution in the case studies

The case studies, which include document review, interviews with applicants and local partners, and company observations, were used to reconstruct the PSOM/PSI contribution for a representative sample of 49 projects. For the synthesis of these case studies a distinction was made between:

- a) *minimal* contribution, whereby PSOM/PSI is one of *many* factors contributing to the success of the project (merely through the financial contribution); or
- b) *decisive* contribution, whereby PSOM/PSI is considered by the project partners to be one of the *main* factors, going beyond the mere financial support, including less tangible contributions such as risk-reduction, catalyst role and positive effects of the international partnering that are all non-financial components of the programme.

The contribution of PSOM/PSI was assessed in the case studies through the following questions (combined with document review from RVO files):

- What is the experience with RVO
- Critical success factors (and barriers) for the project
- Extent to which PSOM/PSI contributed to achievements (how and if not, why not) through
 - Investment in hardware
 - Knowledge transfer, training and technical assistance
 - Direct employment creation
 - Other
- Has the project affected CSR practices?
- Has the project affected other parts of your company?
- What would you recommend for future investment programmes?

In the case study interview report there were two occasions in which evaluators would rank PSOM/PSI contribution as no causal link to be established / one of many factors / main factor / crucial link (see reporting format in annex IV). However, during the synthesis-process, during workshops and review of the interview reports, it turned out that the use of two distinct categories (one of many factors and significant) was more appropriate for an assessment of the PSOM/PSI programme.

- a) It was concluded that at the minimum PSOM/PSI contributes financial support for a newly-established joint venture, so that in practice the programme will always contribute to the project (at least as one of many factors), just as any other investors and the entrepreneurs themselves (who obviously invest much more financially and in-kind). Therefore, the category (no or negligible link) was merged into the category 'one of many factors' or minimal contribution.
- b) This category is countered by the category 'decisive contribution', which combines the projects for which project partners agreed that PSOM/PSI was one of the main or the main factor contributing to the success. Such a decisive contribution required going beyond the free money, with a contribution that no other factor could have made, and not just through providing financial support (but also, e.g. knowledge transfer or access to other resources). Chapter 5.3.3. describes how PSOM/PSI made such contributions.

Several information sources were used to evaluate the outcomes:

- **Monitoring data from RVO.** RVO has provided the evaluators with a large dataset containing digitally available monitoring data for both PSOM and PSI projects. This dataset includes indicators such as: proposed and realised turnover, proposed and realised employment, and the number of employees trained. This data was used to provide an overview of PSOM/PSI's portfolio.
- **Quantitative analysis of success rate.** The RVO monitoring data was also used for statistical analysis of the factors that increase the probability of a project being successful. This includes factors about the project (country, sector, tender, subsidy), as well as data about the applicant, local partner, and the selection process (rankings).
- **Qualitative country studies.** The case studies of 49 PSOM/PSI projects in six countries serve to qualitatively evaluate the way in which outcomes have (not) been achieved, reaching a better understanding of the factors that contributed to success (see chapter 2 for more information on methodology). Moreover, the country studies offer an opportunity to validate the available monitoring data.

1.2.6 Impact and sustainability

According to the ToR for this evaluation, impact relates to the effects of PSOM/PSI further down the results chain. While effectiveness deals with direct results (employment, training and sales), impact goes beyond that to sector, market and corporate social responsibility (CSR).¹⁷ Moreover, impact is concerned with the longer term effects, or sustainability, of PSOM/PSI after the grant period has expired.

Given the scope of this evaluation and the limitations of available data at RVO, it is not possible to rigorously establish the impact of the programme using quantitative methods. Moreover, the nature of the programme limits the options for such an analysis:

- Given that the projects are managed by an international partnership, it is very hard to define a valid control group. For subsidy programmes rejected proposals can often be used as a control group. This requires rejected proposals which are similar to the accepted ones (i.e. were rejected because of lack of funds, as opposed to lack of quality). However, this approach is not viable for PSI/PSOM, where proposals were rarely rejected because of a lack of funds.

¹⁷ Though arguably CSR could be considered part of effectiveness.

- The programme subsidizes new activities, so pre-intervention (baseline) data cannot be collected (on the project level).¹⁸

Impact will therefore primarily be assessed on the basis of the 49 case studies in 6 countries, where interviews with project management, employees, and stakeholders in the country address:

- (Potential)¹⁹ impact of the programme on the sector and market in which the project operates (e.g. spin-off to others in the value chain)
- Impact on working conditions of employees in participating companies (and perhaps broader within the sector)

Moreover, RVO has also recently completed a spin-off survey, which assesses results in the two years after the closing of a project. The spin-off survey focusses on all PSOM/PSI projects that were successfully finalized before December 2013. The survey seems to have some response bias towards successful businesses and the findings can't be fully attributed to PSOM/PSI²⁰. But it does provide useful information to complement the findings of this evaluation.

1.3 Overview evaluation methodology

1.3.1 Evaluation matrix

During the inception phase of the evaluation the 'evaluation matrix' was finalized. The full evaluation matrix is included in annex VIII and describes the way in which each evaluation question will be answered using different data sources (triangulation).

1.3.2 Mixed-method

The evaluation team used a mix of qualitative and quantitative methods to analyse the evaluation questions. The 49 qualitative case studies were complemented by the quantitative analysis conducted in the Netherlands on the basis of monitor-

¹⁸ R. Oostendorp, J.W. Gunning (2012) *Advisory Report Using baselines and control groups in monitoring and evaluation for Private Sector Investment Programme (PSI)*. Commissioned by AgentschapNL.

¹⁹ Depending on how long the project has been ongoing. There is a bias in the case study methodology towards more recent projects as there was less commitment from older projects to share information (in particular from projects that have since closed or experienced difficulties, thus with limited impact). Some of the older PSOM projects declined to collaborate with this evaluation "because they had already been so often reviewed".

²⁰ Moreover, the spin-off survey was held among company owners/managers, their views on employment and CSR issues were not cross-checked with staff members.

ing information from RVO. The quantitative and qualitative studies feed into each other by answering the same evaluation questions using different data sources and methods for analysis. Throughout the evaluation, findings were discussed in team workshops in order to ensure both evaluation methods strengthened each other (e.g. provide background information for data analysis, validation of findings).

1.3.3 Case studies (field visits)

The country studies were of a qualitative nature and were based on data collected through semi-structured interviews (by phone and on location) and observations of the companies involved with PSOM/PSI projects. Furthermore, in order to validate findings and give due consideration to country-specific factors determining the success of PSOM/PSI projects, the country studies also included interviews with a select group of local stakeholders (e.g. to determine whether findings are sample-specific or can be assumed to be representative of a specific sector/country RVO programme managers responsible for the selected countries will be interviewed as well as part of the preparations for the country studies (together with the review of project files).

Case studies consisted of the following elements:

- Review of documentation from project files of each company selected into the sample (49);
- Interviews with RVO programme managers of each country to be visited;
- Telephone interviews with Dutch partners of the sample of 48 PSOM/PSI projects (applicants).
- Interviews and observations on the projects in the sample of 48 PSOM/PSI projects (i.e. interviews with the local partners and/or managers of the projects), including group interviews with employees;
- Interviews with about 3 stakeholders/experts in each country, focusing on the relevance of PSOM/PSI within the country context and used to validate company interviews (e.g. identification of external factors that affected the outcomes of PSOM/PSI).

Case studies were carried out together with local consultants.

Country selection

The case study countries were chosen based on criteria in the Terms of Reference, and was adapted in accordance with the preferences of the reference committee. The final country selection is shown in Table 1-2. Countries were selected on the basis of:

- Geographical coverage (different regions, one of which Arab);
- Country income (LIC and MIC);

- At least one fragile state (PSI+);
- Sector coverage;
- Coverage in previous evaluations²¹.

Table 1-2: countries selected for case studies

Country	Location	Development stage	PSI+	PSI Arab	Projects in sample
Bosnia	Eastern Europe	UMIC	NO	NO	8
Bangladesh	Asia	LIC/LDC	NO	NO	8
Peru	Latin-America	UMIC	NO	NO	9
Egypte	Africa	LMIC	NO	YES	8
Sierra Leone	Africa	LIC/LDC	YES	NO	8
Uganda	Africa	LIC/LDC	NO	NO	8

Interview guidelines and reporting formats

In order to ensure comparability between case studies standardized interview guidelines and reporting formats were designed in the inception phase. These reporting formats were tested during a test run in Peru, and were later refined during feedback sessions. The guidelines and reporting formats are included in annex IV.

1.3.4 Quantitative analysis

The monitoring data collected by RVO was analysed using quantitative research techniques. Next to the digitally available monitoring data, the evaluation team also collected additional financial data for all accepted PSI projects and 200 rejected PSI projects. Using this dataset, the following analyses were possible:

- An analysis of the selection process (profiles of selected and rejected companies, characteristics which increase the probability of selections)
- Analysis project outcomes (are there any indicators which increase the probability of success?)
- Analysis of the contribution of the subsidy (how much does one additional euro of subsidy affect the outcome variables?)
- Analysis ranking system (does a higher ranking score mean projects are more successful?)

The quantitative methodology and results are presented in annex V.

²¹ In consultation with the reference committee the current evaluation did not include countries included in previous evaluations. For this reason, Tanzania was substituted for Uganda. Secondly Pakistan was substituted for Sierra Leone, as the latter can more clearly be categorized as a fragile state.

1.4 Data sources

1.4.1 Desk research and interviews

The background and implementation of PSOM/PSI was reconstructed by means of desk research of relevant documentation and interviews with RVO staff and a member of the APSI committee. The evaluation team interviewed RVO staff members in the positions: project advisor, financial advisor, team manager and staff at the directory level. An overview of the interviewees can be found in Annex I.

1.4.2 RVO monitoring data

PSOM/PSI recipients (i.e. applicants) reported on the progress of their project towards pre-defined result indicators throughout their grant period. Up to 2011 this was required after reaching a result indicator. As of 2011, with a change in government wide subsidy guidelines²², a maximum of one report per year was set. These result indicators fall into broad categories defined by RVO but are specified by applicants (in consultation with RVO). Examples of such targets (and examples of accompanying means of verification) are:

- Registration of new company and/or joint venture (e.g. shareholders' agreement)
- Formulation of CSR policy (e.g. copy of CSR policy)
- Building (e.g. local inspection and photos)
- Hardware installed (e.g. local inspection, protocol of operations)
- Staff trained (e.g. amounts of employees contracted and trained, with specific % female, training logbook)
- Company operational (e.g. sales records, copy of receipts)

In the final report, RVO asked about impact based on the following indicators, for which applicants report on realised and expected (in two years) figures:

- Turnover
- Follow up investments
- Number of jobs in the project
- Number of jobs occupied by females in the project
- Number of people trained during the project
- Number of outgrowers engaged during the project

RVO asked the following additional indicators under PSI:

- Number of jobs created at low/medium and high level

²² The reporting requirements for PSOM/PSI changed with the introduction of the government wide uniform subsidy framework (USK/RUSK). These standards were introduced to reduce the administrative burden associated with subsidies.

- Number of people trained of low/medium and high level and outgrowers
- Number of subcontractors

Furthermore, the recipients were asked to report on working conditions, environmental impact and chain effects, alongside narrative information on external factors, investment climate and economic sustainability.

The exact indicators which were collected evolved over time. Monitoring was more extensive for PSI projects than for PSOM projects. For instance, both PSI and PSOM used an indicator for the number of jobs created, but for PSI jobs were also disaggregated into high level- and low level jobs. With PSI the spin-off indicators were also introduced. The idea was that projects provide indicators 2 years after the end of the subsidy period, in order to monitor impact and sustainability. Monitoring also partially reflects the specific focus of the sub-programmes. For PSI Arab RVO also collects data on young entrepreneurs and young employees.

The monitoring of the projects by RVO was largely based on the assessment of the incoming project reports by the RVO project managers.²³ Since the introduction of new standardized subsidy guidelines (RUS/USK)²², formal, paper-based reporting requirements were reduced and monitoring of progress became more dependent on informal monitoring by the project managers personally (by phone and mail). Thereto project advisors visited projects in the regions they managed. Up to 2015, each country was visited twice a year, both to monitor existing projects as well as to assess new applications. Since 2015, once PSI had stopped, project managers tried to visit projects at least once a year for monitoring purposes (e.g. to inspect building and training of outgrowers) and to discuss changes to the project plans (e.g. delays, changes in certification). At the end of the grant period, project managers usually pay an extra visit (e.g. to check whether the hardware financed is in use).²⁴

- Monitoring data are stored in the BAS-system. This system has a number of drawbacks, as it is not designed as a monitoring system, but as a project management system. In the first place it is not easy to generate tables for useful indicators. Secondly the system overwrites previous values for the collected indicators. This means project managers can see the latest monitoring information, but not the development over time.
- The monitoring data was not complete. Data were more consistently collected (and registered in the system) for indicators used for the subsidy pro-

²³ Project managers were responsible for all projects in a certain region. During the evaluation period, each advisor managed between 10-30 projects (see chapter 4 for a more in-depth description of the workload).

²⁴ Interviews RVO

gress (sales, jobs, trainings), but were less complete for indicators such as the type of jobs, follow-up investments, or number of out growers. Even for a core indicator such as jobs RVO data were registered in BAS for just 251 projects (59% of finalized projects).

- Especially spin-off data was sparsely collected. There was no incentive for businesses to send information two years after the subsidy relationship had ended. In 2015/2016 RVO carried out a survey in order to spin-off data from completed projects.

1.4.3 Validation of monitoring data

Initially, the country case studies undertaken for this evaluation were considered an opportunity to validate the RVO monitoring data. However, the monitoring of key indicators by RVO, as well as the validation thereof, are both snapshots at a particular moment in time. For ongoing projects, the values of the key indicators will vary, among others along with the economic tide in the individual countries.²⁵ For finalized projects, it is difficult to check the data retrospectively. In any case, validation of indicators such as employment and sales proved hard given the fluidity of the indicators and lack of standard definitions. For example, different definitions of sales are used, and employment consists of different categories that are not always easily distinguished (e.g. fixed contracts versus longer term employees). Several companies did not maintain separate accounting for the PSOM/PSI project, so it is hard to distinguish between employment and sales generated by PSOM/PSI projects or by the company of the local partner. Moreover, often managers were not eager to share detailed company information with the evaluators (for various reasons).

1.4.4 Survey amongst rejected projects

The purpose of the survey among rejected applicants was to address questions on additionality and selection (i.e. relevance). A survey was held among 555 applicants whose applications were rejected in the period 2010-2014. Out of the 555 invitations, 450 were delivered and 105 bounced. 91 respondents completed the survey giving a response rate of 20 %. Of these 91 respondents, 28 received a grant for the revised project proposal in a later tender round²⁶. Most of the re-

²⁵ Only for finalised projects, would there be a fixed value at end-point. This information is used, e.g. in the efficiency section (e.g. PSOM/PSI cost per job generated). However, for the case studies most of the projects are visited when ongoing or having been finalized for some time, i.e. not at the exact time of RVO monitoring.

²⁶ Often rejected projects were given pointers in order to bring the project (and the application) more in line with PSOM/PSI requirements and goals. Although re-application was by no means a guarantee for success.

spondents were either micro (25%) or small (46%) enterprises and were active in agriculture (41%) or industry (37%).

1.5 Synthesis of results

As described above, this evaluation covers several components and different data analysis methods for answering the evaluation questions. This is illustrated in the evaluation matrix in annex VIII, which indicates what data and analysis were used for the respective questions. Care was taken to ensure a coherent synthesis of findings from the different evaluation methods.

In an ideal world, qualitative studies are used to inform the data and theory behind the quantitative studies (e.g. hypotheses). However, given the scope of this evaluation, the quantitative study depends on secondary data from RVO monitoring systems, which limits the options for analysis (and thus the questions that can be answered with that data). However, the case studies strengthen the quantitative studies, as they a) validate the underlying data on site; b) evaluate the same evaluation criteria through a different method, c) provide information about the way in which the identified changes and relations of the quantitative studies might have come about. And vice versa, the quantitative study, conducted in early phases of the evaluation, might well provide useful pointers for the qualitative evaluation at country level. Ultimately, these methods should be considered as two, interlinked, sources of information with which the evaluation criteria will be answered.

Different methods were used to ensure the different data sources and analysis were combined most effectively:

- Midway the evaluation, a team workshop was organised to discuss preliminary findings from the quantitative study and the first of the qualitative country studies. This enhanced the consistency of the different studies.
- At the end of the evaluation phase, a final team workshop was organised to discuss findings. Moreover, the full team commented on multiple drafts of the final report.
- The final report answers the evaluation questions, mixing the different data sources and analysis methods, in order to make sure these strengthen each other towards clear conclusions.

1.6 Structure of the report

The rest of this report is structured as follows:

- **Chapter 2** provides an overview of the PSOM/PSI programme, the main developments, key figures, and a timeline.

- **Chapter 3** answers the evaluation questions with regards to relevance and ex-ante additionality. It looks at the selection process, PSOM/PSI objectives, country relevance and ex-ante additionality.
 - **Chapter 4** analyses the efficiency of PSOM/PSI.
 - **Chapter 5** discusses the effectiveness of the programmes. It looks a goal achievement, stopped and finalized projects, and the contribution of PSOM/PSI
 - **Chapter 6** discusses impact and sustainability.
 - Finally, **Chapter 7** presents recommendations.
- The Chapters 3-6 end with conclusions per chapter.

2 Overview of PSOM/PSI

2.1 Introduction

This chapter provides a descriptive overview of development of PSI and PSOM over time, as well a summary of the subsidy spent, and the PSOM/PSI portfolio. This chapter also describes the programme management and governance.

2.2 PSOM/PSI in retrospect

2.2.1 PSOM 1998-2008

PSOM started as a pilot programme in 1998. The programme was inspired by the Programme for Co-operation with Countries in Eastern Europe (PSO), a programme aimed at positioning Dutch companies on the Eastern European markets after the fall of the Berlin wall. That programme was deemed a success and the possibilities for starting a similar programme in developing countries were explored. Additional requirements regarding development impact and own contributions were added, and PSOM's first tender was launched in 1999. In the period 1998-2001, eight target countries were eligible.

After 2001 Dutch development policy became more focussed on incorporating private sector actors. Additional target countries were added to the programme and the programme budget increased (€ 129 million across 2002-2004). In 2003 the programme was partially untied, i.e. non-Dutch applicants could apply for a number of project countries²⁷. In 2004, PSOM and PSO were merged.

2.2.2 PSI 2009-2014

PSOM was stopped in 2008 as the result of legal wrangling concerning the nature of the financial support²⁸. For this reason, PSI was introduced in 2009 as a new subsidy programme with similar goals and character. In order to facilitate the increased number of countries and project applications in PSI, the selection procedure was professionalised (see chapter 3).

²⁷ The only restriction is that applicants should not originate from the project country.

²⁸ Hanzeland casus

PSI plus

With the introduction of PSI, an additional sub-programme was introduced, focusing on fragile states: PSI Plus. The requirements for this sub-programme were more flexible than for the regular PSI programme; the maximum subsidy was higher and an additional insurance was offered (and financed) to cover investment risks in fragile states (MIGA insurance).

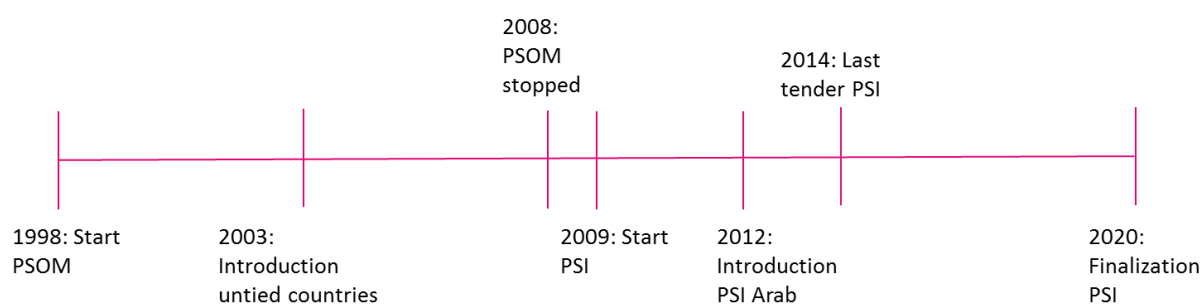
PSI Arab

In 2012, following the Arab spring, a second sub programme was introduced specifically for projects in the Middle East and North Africa (MENA) region²⁹: PSI Arab. PSI Arab focussed on young people and women both as owners and as employees.

Decommissioning

The Ministry of Foreign Affairs decided to close PSI from 2015 onwards.³⁰ The last PSI tender was held in March 2014. The last projects are expected to finish in 2020.

Figure 2-1: timeline of PSOM and PSI



2.3 Governance

The PSOM/PSI programme is implemented and managed by RVO, an agency of the Ministry of Economic Affairs. Both programme costs and operating costs³¹ are financed by the Ministry of Foreign Affairs. Annually, RVO had to provide a proposal for both budgets, based on estimates of the number of projects and the number of days that are required to select and manage each project. Project se-

²⁹ Algeria, Egypt, Iraq, Yemen, Jordan, Morocco, the Palestinian Territories and Tunisia (Besluit van de Staatssecretaris van Buitenlandse Zaken van 13 December 2011, nr. DJZ/BR/1506-11, Stcrt. 2011, 23127).

³⁰ PSI was replaced by DGGF.

³¹ These cover the costs of managing the programme: holding tenders, selecting new projects and managing existing projects. See chapter 4 for more information on the development of these costs.

lection is carried out by a selection team consisting of a team leader, a project advisor and a financial advisor. The management of the projects is divided geographically between country managers. Each country manager manages the projects in several countries in the same region. Before 2015, project advisors visited the country twice a year, both to monitor existing projects as well as to assess new applications. Since 2015, project advisors try to visit a project at least once a year. These visits are used for monitoring purposes - for instance to check whether local outgrowers are included in the project - and to discuss certain changes to the plans -for instance delays due to unforeseen circumstances or changes in certification. Additionally, at the end of the projects they pay an extra visit to check whether the hardware financed under the programme is in fact installed and in use. When projects face large problems/difficulties they can be put on hold by the project advisor.

Table 2-1 shows the development of PSOM and PSI in terms of the available subsidy and the number of target countries. Over its lifetime the programme awarded up to € 820 million in subsidies. The number of countries invested in rose from 8 in the first phase (1998-2001), to 59 at the time of the last tender (2014).

Table 2-1: Overview PSOM and PSI

PSOM/PSI period	Period	Total budget available	Countries
PSOM 1st phase	1998-2001	€ 37.9 million	8
PSOM 2nd phase	2002-2004	€ 129 million	2002: 11 2003: 17 End of 2003: 21
PSOM 3rd phase	2004-2006	€ 45.9 million	42
PSOM 4th phase	2007-2010	€ 235 million	53
PSI 1st Phase	2009-2010	€ 140 million	51
PSI 2nd phase	2011-2014	€ 232 million	59
Total	1998-2014	€ 820 million	-

Source: ToR (p. 5).

2.3.1 Applications and acceptance rate

In total there were 2,912 applications for PSOM and PSI between 1998 and 2014. Of these applications 1,350 (46%) were for PSOM and 1,562 (54%) for PSI. Figure 2-2 shows the development of the number of granted and rejected applications for PSOM/PSI per year. Each year on average 38% of the applications was granted and the remaining 62% were rejected³². The number of applications per tender increased between 1999 and 2014, reflecting the increase in the available subsidy

³² The rejection rate is roughly similar for PSOM (36%) and PSI (39%).

budget, the increase in the number of eligible countries, and the increasing number of firms interested to do business in developing countries.³³

Figure 2-2 Number of applications(rejected and granted)for PSOM and PSI



Source: RVO monitoring data, analysis: APE

PSI plus and PSI Arab

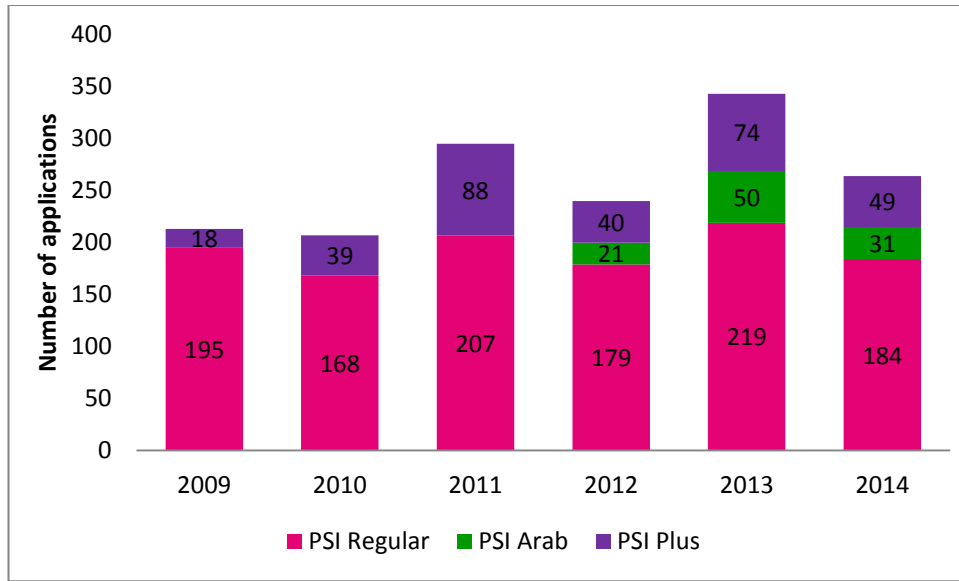
Almost 75% of the total number of applications between 2009 and 2014 fall under PSI Regular 20% under PSI Plus and 7% under PSI Arab. Figure 2-3 shows the share of each sub-programme in the total number of PSI applications. The number of tenders differed per year. Applications for PSI Regular and PSI Arab were combined in a single tender.³⁴ For PSI Plus, there were initially separate tenders.³⁵ This proved to be too labour-intensive and the PSI Plus tenders were then combined with the tenders for PSI Regular and Arab from 2011 onwards. There was only one tender in March 2014. This being the last one, the number of applications almost doubled in this last tender with a total of 215 for PSI Regular combined with PSI Arab and 49 for PSI Plus, compared to the 343 applications in total for the two tenders in 2013.

³³ Interviews RVO staff

³⁴ Although, a separate budget is available and a separate ranking is done for Regular and Arab projects.

³⁵ Government Gazette No. 231, Published on 27th of November 2008 and Government Gazette No. 18299, Published on 1st of December 2009

Figure 2-3: Number of applications for PSI per subprogramme 2009-2014



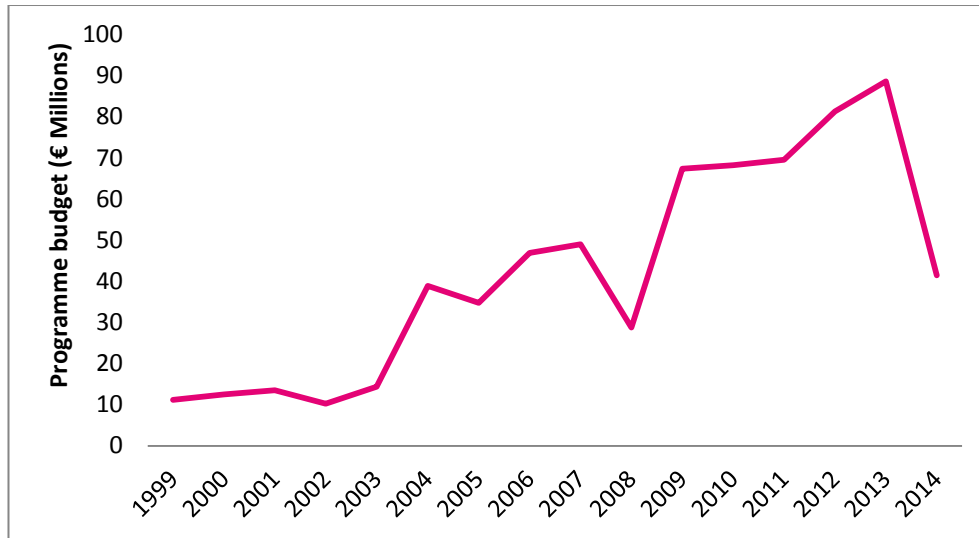
Source: RVO monitoring data, analysis: APE

2.3.2 Subsidies committed

Both the total number of applications and the number of granted projects increased over the years. This was in line with developments in the programme budget. As Figure 2-4 demonstrates, the annual budget originally committed to the granted PSOM/PSI projects³⁶ increased from around €10 million per year in 1999-2001 to almost €90 million at its peak in 2013. A break in this trend can be observed in 2008 when there was only one tender due to the transition from PSOM to PSI. Likewise, in 2014 there was only one tender for PSI Regular and one tender for PSI Plus, as the PSI programme ended that year.

³⁶ The originally committed budget is the sum of all grants that are committed at the moment of acceptance of the projects. The final budget can differ from this amount as not all grants are (fully) disbursed, e.g. when projects are stopped mid-way.

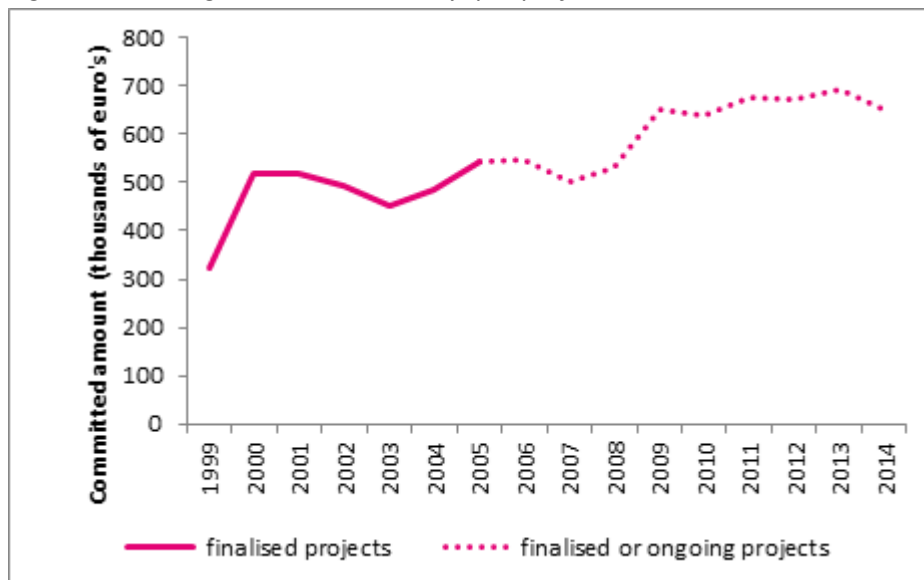
Figure 2-4 Originally committed PSOM/PSI budget 1999-2014



Source: RVO monitoring data, analysis: APE

Figure 2-5 shows the average committed subsidies per project. The amount fluctuates between € 300,000 and € 500,000 between 1998-2008. The average committed amount per project has increased since the start of PSI to almost € 600,000 per project by 2013.³⁷

Figure 2-5 Average committed subsidy per project³⁸

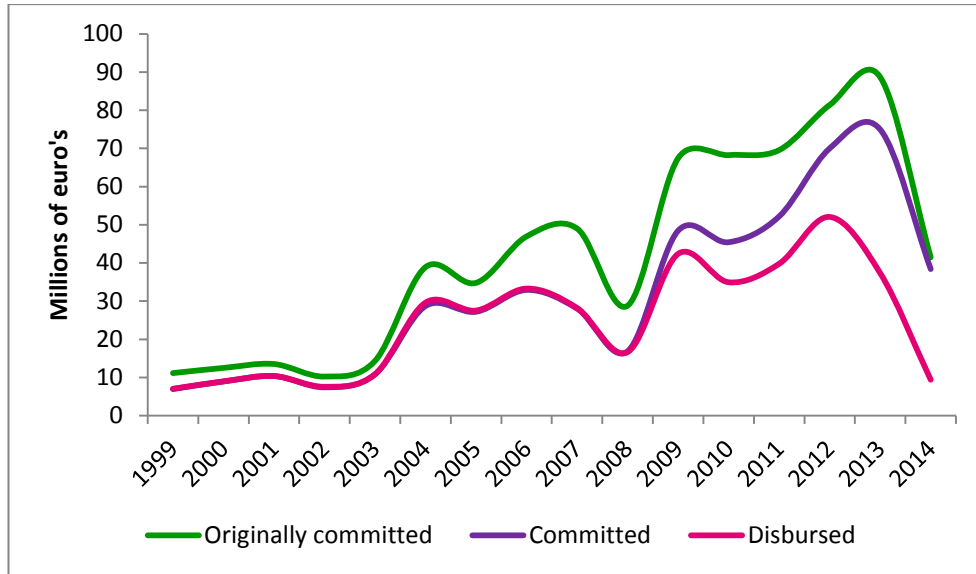


Source RVO monitoring data, analysis: APE

³⁷ After 2005, projects are still ongoing so the subsidy committed is not necessarily the same as the subsidy disbursed.

Figure 2-6 shows the originally committed, committed and disbursed subsidy for all accepted projects under PSOM/PSI. The originally committed amount is determined in the selection phase. The disbursed subsidy amount is determined after the project is completed. The difference between originally committed and committed amount is mainly explained by prematurely stopped projects, and ongoing projects (i.e. not as committed, nor yet disbursed).

Figure 2-6 Originally committed, committed and disbursed amount per tender



Source RVO monitoring data, analysis: APE

2.4 PSOM/PSI portfolio

2.4.1 Target countries

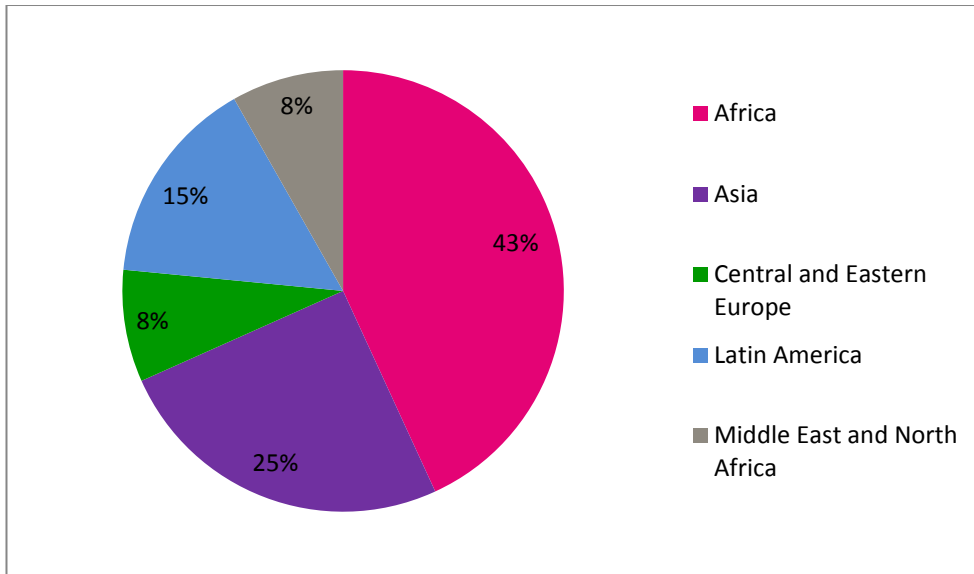
Income levels

In total 43% of selected projects were based in LIC's. 34% of selected projects took place in LMIC's. The remainder (23%) were based in UMIC's.

Region

In total 43% of projects are located in Africa (Figure 2-7). The regions with the lowest percentage of projects were Central and Eastern Europe, and the MENA region. Both represent only 8% of the total project portfolio. The disbursements show the same regional distribution.

Figure 2-7: Percentage of granted projects per region



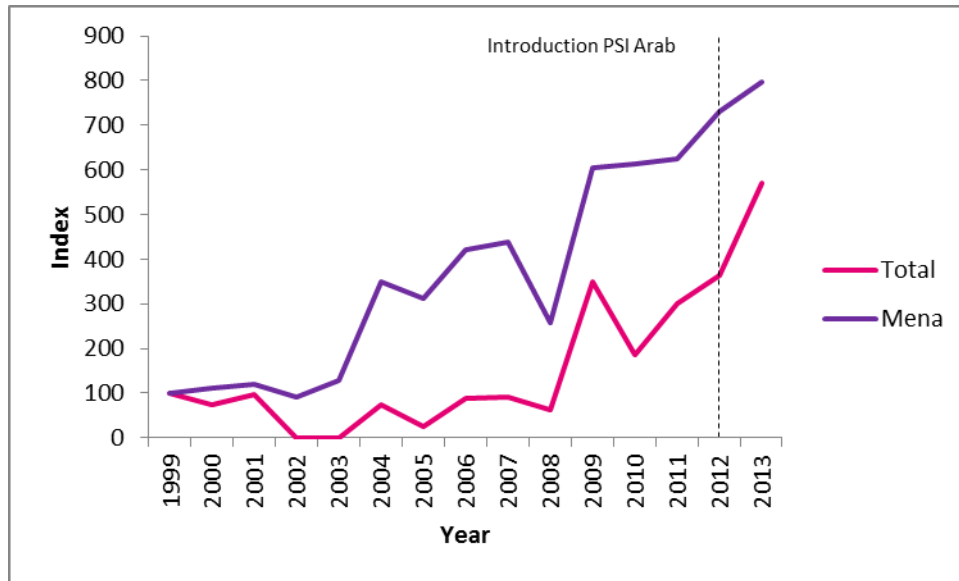
N = 1107; all granted projects

Source: RVO monitoring data, analysis: APE

Did the introduction of PSI Arab have an effect on the share of subsidies going to the Mena³⁹ region? Figure 2-8 shows the development of total subsidies and Mena subsidies over time. The share of Mena country subsidies increases at a faster rate after the introduction of the PSI Arab program.

³⁹ Countries in the Mena region are: Algeria, Egypt, Iraq, Jordan, Libya, Morocco, Palestine Territories, Tunis and Yemen. Only projects from these countries are eligible for PSI Arab.

Figure 2-8: Mena country subsidy versus total subsidy



N = 91 granted projects in MENA countries and 1107 granted projects in total

Source: RVO monitoring data, analysis: APE

Approximately 10% of the granted projects under PSI and PSOM were situated in so-called fragile states. If we look only at the granted projects under PSI, then 22% of the projects occur in fragile states. This is approximately the same percentage as the 20% share of PSI Plus, which focused on fragile states, in the total of accepted PSI projects.

53% of the projects operated in the agricultural sector, including agro-processing. Approximately 30% of the projects were industrial ones, including energy projects, and the remaining 15% focused on the service sector.

In the first years of PSOM country specific MOUs were signed with the target countries, detailing the sectors and amounts which were to be invested in the country. However later the distribution of the portfolio among countries or sectors was purely demand driven, based on the incoming applications and their strength. No targets were used for these categories during the selection process.

3 Relevance

3.1 Introduction

As described in chapter 1, the evaluation of the relevance of the PSOM/PSI programme focuses on:⁴⁰

1. Selection and objectives: Do the selection criteria and process ensure the selection of projects in line with the objectives of PSOM/PSI?
2. Country priorities: Are the supported investments in line with the objectives and priorities of the PSOM/PSI country?
3. Ex-ante additionality:⁴¹ Would the projects have been realized on the same scale, at the same pace and with the same impact without the financial contribution of PSOM or PSI?

This chapter starts with a description of the selection process for PSOM/PSI. As the differences in the selection process of PSOM and PSI are minimal, they are described together with special references to changes in the process of time (3.2). Thereafter, the relevance with regard to the objectives of PSOM/PSI (3.3), country priorities (3.4) and additionality (3.5) is discussed one by one.

3.2 Description of selection process

The information presented in this chapter is based on project documents of the PSI programme and interviews with current PSI officers at RVO. Overall, the programme design has not changed much over the years. The selection, management and financing procedures described in this chapter roughly applied to the PSOM programme as well (although the processes became more elaborate over time). For instance, the selection procedure was steadily professionalized and standardized (e.g. introduction of a more comprehensive ranking system).

Project selection followed the procedures for public tenders, which starts with an announcement in the Government Gazette. The selection process was carried out by a selection team consisting of a team leader, a project advisor and a financial

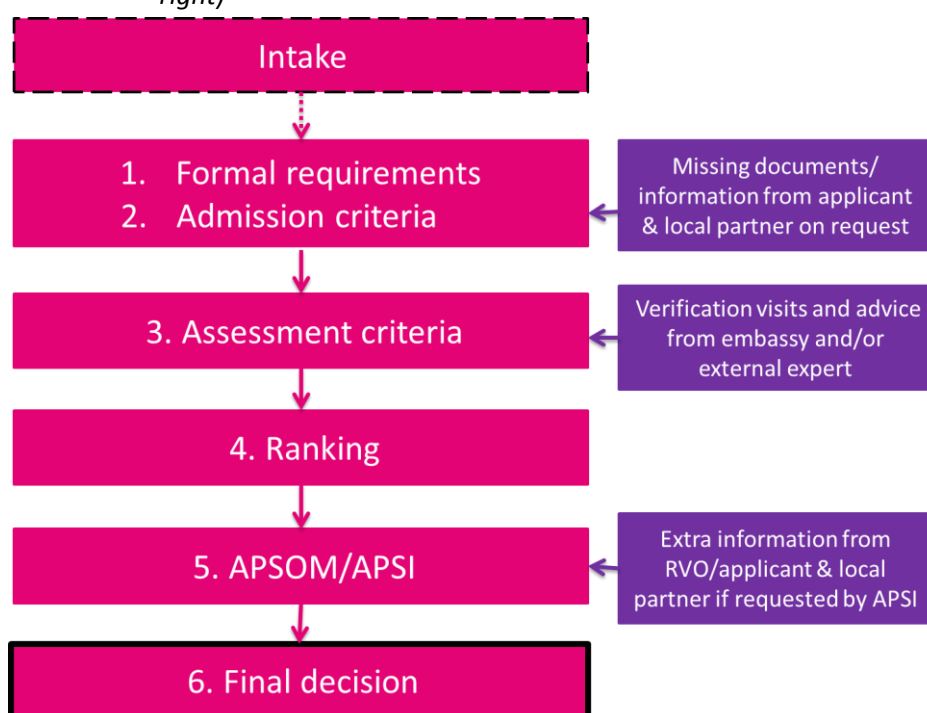
⁴⁰ APE, Inception Report Evaluation PSOM/PSI 1998-2014, final version, January 2016

⁴¹ Additionality ex ante according to DCED (Heinrich, 2014)

advisor. The first was responsible for the assessment of the content of the application, the latter for the financial assessment.

Figure 3-1 depicts the selection procedure for PSOM/PSI.⁴² Before applicants applied for the programme through the tender, they had the opportunity to participate in an intake interview with RVO staff to discuss their business case and verify eligibility. RVO encouraged applicants to make use of this intake interview. Thereafter, the assessment of the applications followed six steps as described here below.

Figure 3-1: Selection procedure PSOM/PSI and means of verification (on the right)



3.2.1 Formal requirements

For each application, the first step was to check adherence to the formal submission requirements. These concerned procedural requirements such as complete and correct applications and the absence of unethical practices⁴³. In case of incomplete applications applicants had one opportunity to add any missing docu-

⁴² The information presented in this paragraph is based on programme documents on the PSOM/PSI programme and interviews with current PSI officers at RVO.

⁴³ As of 2013 these are defined as practices that are on the FMO exclusion list of unethical practices – e.g. child labour and other illegal and/or unethical activities such as projects in the tobacco- and liquor industry: <https://www.fmo.nl/exclusion-list>

ments within one week. Projects that did not comply with the formal requirements would not be assessed any further.

3.2.2 Admission criteria

The second step was a check of the admission criteria. Just like the formal requirements the admission criteria were minimum conditions, but these concerned the focus, size and form of the project and partnership. As will be discussed later on in this chapter, some of these criteria have been interpreted loosely in practice.

Most criteria remained unchanged over the PSOM and the PSI period. For instance, the projects had to take place in one of the PSOM/PSI focus countries. Applicants and local partners had to be small or medium enterprises (SMEs) or they had to demonstrate that their project would benefit SMEs. Both partners had to be private companies and had to be officially registered at the local Chamber of Commerce. The applicant had to exist for at least two years. The local partner had to be established in the project country. And lastly, in line with the objectives of the PSI programme, projects had to stimulate local employment. Projects solely aimed at the export of hardware to project countries were not eligible.

Other admission criteria changed over time. Table 3-1 lists the main differences in admission criteria between PSOM and PSI:⁴⁴

- The project duration (non-agricultural), the maximum project budget (€ 1,500,000 for all projects) and the maximum grant (€ 900,000 for PSI Plus countries) were increased under PSI.
- In the first few years of PSOM (1998-2004) the programme offered a reimbursement for proposals that were positively assessed but could not be selected because of budget constraints. This reimbursement covered some of the costs of writing the proposals.
- Within the PSI Plus programme, an additional subsidy was offered for a MIGA insurance⁴⁵ to cover the higher risks in these fragile states.
- As for co-financing, under PSOM co-financing by other Dutch government agencies was allowed, as long as total external financing (including PSOM) would not exceed 80% of total project budget. Under PSI, however, co-financing by other Dutch government agencies was not permitted.

⁴⁴ Other criteria or their interpretation may have also changed somewhat within the PSOM or PSI period. The table includes those that have done so explicitly.

⁴⁵ MIGA is the Multilateral Investment Guarantee Agency of the World Bank Group. This insurance covers up to 90% of equity investments and 95% of debt investments (including the PSI-grant). Because of the cumbersome procedure to obtain the insurance but few companies obtained MIGA (Source: Annual reports 2011-2013).

- With PSOM/PSI the Dutch government aimed to provide ‘one-off financial support’ for investment in high risk innovative projects in developing countries⁴⁶. Therefore, the PSI tender documents mentioned that the partnership should have no previous projects under PSOM or PSI and that the applicant should have no more than one running project under PSOM/PSI. These conditions were not included in the tender documents of the PSOM-tenders. However, the tender documents for PSOM do mention that preference was given to consortium members that had not previously benefitted from the programme. This was weighted as one of the factors in the ranking phase.
- Local partners were allowed to be a local sister or daughter company of the applicant or an existing joint venture, though local ownership of the company was preferred.
- During the whole evaluation period, projects had to take place in PSOM/PSI countries. The number of eligible countries increased from 8 in 1999 to 60 in 2014. Between 1999 and 2003 separate tenders were set out for each country. Under PSOM, priority sectors, themes and groups were defined in the Memorandum of Understanding between RVO and governments of recipient countries⁴⁷. This did, however, not exclude projects that did not fit within these priorities. Under PSI, no country priorities were defined anymore.
- Lastly, at the start of the PSOM programme (1999-2002) projects were required to buy at least 60% of hardware in the Netherlands, but this rule was abolished soon after.

⁴⁶ PSI spin-off analysis, RVO 2016

⁴⁷ These are for example the agriculture and agro business sector in Sri Lanka, non-urban regions in Egypt and previously disadvantaged groups in South Africa. (Tender document I, 2004)

Table 3-1 Main admission criteria for PSOM and PSI

Admission criteria	PSOM (1999-2008)	PSI (2009-2015)
Project duration (months)		
▪ general	12-24	30
▪ agriculture	36	36
Max. project budget (% subsidy)	€ 680,670 - € 1,500,000 (50-67%)	€ 1,500,000 (50%) PSI Plus (60%)
Other reimbursements	(1999-2004) ± € 7000 ⁴⁸ for non-selected qualified proposals	€ 20,000- € 40,000 MIGA insurance for PSI-PLUS ⁴⁹
Co-financing by other Dutch government agencies	Allowed up to 80% total (incl. PSOM)	Not allowed
Previous PSOM/PSI funding	Preference for none for applicant/local partner	None for partnership, max. 1 running project for applicant
Country objectives	Priority sectors, themes and groups defined in MoU	No priorities defined
Origins hardware	(1999-2002) 60% Dutch content	No requirements

Source: Tender documents 1999-2008 and Government Gazette 2009-2014

3.2.3 Assessment criteria

When an application was thought to meet all of the above mentioned admission criteria, the next step was to assess the content and financial feasibility of the proposed project plans. This assessment was made on the basis of application forms and interviews with applicants and local partners during company visits to the applicants and the local partners.⁵⁰ Moreover, RVOs selection team consulted local embassies and external experts, e.g. to assess the innovativeness and value of the proposed technology. This external advice was not decisive but taken into account by RVO and APSI.⁵¹ Those closely involved commented that these procedures not only expanded over time, but professionalised as well.⁵²

Broadly speaking, the assessment criteria covered three main topics: (1) partnership, (2) project and (3) development impact.⁵³

⁴⁸ The size of the reimbursement varied between NLG 15,000 in 1999 to € 7,500 in 2004.

⁴⁹ Source: interviews programme officers.

⁵⁰ Sometimes applicants visited The Hague, local partners were always visited on site. source: interviews RVO officers

⁵¹ There are examples when forewarnings were ignored (e.g. Uganda).

⁵² Interviews RVO

⁵³ This classification is not used as such in the PSOM tenders, but it largely covers the assessment criteria used there.

Partners

To assess the strength of the partnership, two main aspects were considered.

1. The ability of both partners to operate the project. This concerned their financial and technical capacities. The project had to be in line with the core business of both partners (so both partners would have a direct interest in a successful project) and each partners' contribution had to be balanced and match their financial capabilities.
2. The long term commitment of the partnership. PSOM/PSI officers assessed whether the partners had a trade relationship prior to the proposal. Central to this commitment was the (intention for) the establishment of a joint venture. Though the tender documents mention the option of other forms of integration, in most cases a joint venture was established. Moreover, this form seems to have been actively encouraged by RVO (e.g. through the defined project results).

The strength of the partnership is considered as one of the most crucial factors for the success of PSOM/PSI projects. Over the years this criterion has been assessed more strictly as many projects were halted in the implementation phase due to partnership disputes⁵⁴.

Projects

The second criterion was the project plan (including the business case with market analysis and cash flow analysis of the new activity). This was expected to contain clear, logical and measurable results on production outcomes, training, and results for key parties in the production chain (including CSR outcomes) and a viable financial plan.

The project plans had to be relevant to RVO objectives. For example, to assess additionality, the application form included questions on whether the project would be realised if PSOM /PSI funding were not available; whether the project could be financed by the project partners; whether there would be no commercial funding available; and whether the project would be eligible for funding under the Funding for Emerging Markets (FOM) of the Dutch Entrepreneurial Development Bank (FMO). Moreover, the projects were expected to be innovative (and thus limit market disruption). The answers to these issues would be cross-checked during project and country visits (e.g. with local embassies and country experts).

Development impact

⁵⁴ Source: Interviews RVO officers.

The impact criterion focussed on the spin-off of the project and its development effects. Applicants had to argue what the potential spin-off of the project would be, in terms of follow-up investments and additional turnover, in case of the long-term establishment of a commercially viable company.

The operationalisation of the second impact criterion, development effects, changed over time. During PSOM, the assessment of development effects focussed mainly on employment creation, knowledge transfer and no harm to the environment. Furthermore, applicants would have to comply to CSR standards. This was solely assessed by a check-box stating that the partners would follow the OECD guidelines for multinational corporations and the ILO principles and rights. With the introduction of PSI, partners would have to prove they had a CRS policy in place or declare the intention to write one immediately after the start of the project (which then became a project result). Moreover, more impact criteria were added over time, e.g. on the environment, the position of women, local communities and local and national authorities. In PSI Arab, specific attention was given to the engagement with women and young people. After the programme evaluation by Triodos Facet in 2010, RVO broadened the scope of the assessment criteria from impact on the micro-level – e.g. within the company itself – to impact on the production chain, sector and society. As of 2012, PSI applications had to contain a plan for responsible supply chain management following the OECD 2011 Guidelines for Multinational Enterprises.

3.2.4 Ranking

The assessment criteria formed the basis for the subsequent ranking of the applications. For all positively appraised proposals the selection team filled a score card with scores for each of the assessment criteria. Subsequently, these proposals were ranked based on their relative scores.⁵⁵ As the assessment criterion changed, so did the ranking system. The ranking system became more comprehensive leading and based on an increasingly standardized selection procedure⁵⁶.

In case the number of positive appraisals exceeded the available programme budget, the final selection was made on the basis of the ranking. However, in most tenders the available budget exceeded the budget required for the positively appraised projects (exceptions were 2011 and 2014). In other years, a ranking was made, but did not have to be applied as the positively appraised proposals fitted within budget.

⁵⁵ A separate ranking was made for PSI Arab projects (as this programme had a separate budget).

⁵⁶ Source: interviews RVO officers

3.2.5 External advisory committee

All appraised projects (and some for which there remained a few doubts) were subsequently evaluated by an external Advisory committee (APSOM/APSI). The APSOM/APSI consisted of four people; one chairman and three members with expertise in finance, agriculture and production, and experience in developing countries. They were appointed by the Ministry of Foreign Affairs. In several sessions, the commission discussed the projects based on the assessment prepared by the RVO selection team. The APSOM/APSI provided a recommendation to RVO on which projects to select (or not)⁵⁷. In general, this recommendation was followed by RVO⁵⁸.

The APSI could request additional information from the applicants or other parties, if the information provided was deemed insufficient for a well-founded judgement (e.g. lack of information about the local context). In case this additional information was still considered to be lacking, the project was rejected.

Box 4. Role of consultants during application process

Of the 49 PSOM/PSI projects studied in depth, 32 used the services of consultants to write the application. Similarly, the survey among applicants whose projects were rejected in the period 2010-2014 showed that 57% of them contracted an external consultancy agency for their application.

RVO has encouraged applicants to write the application themselves by organising workshops during which the whole application format was explained in detail. On the other hand, according to several of those interviewed, RVO has also at times facilitated the use of consultants, e.g. by providing potential applicants with a longlist of possible consultants. In some of the case studies, applicants had been approached by consultants providing information about PSOM/PSI or offering assistance with the application. The Dutch consultancy firm, Advance Consulting, was used most often.⁵⁹ Other were Agriplan Subsidy Factory and Berenschot. Consultants received a success fee on a 'no cure no pay basis'⁶⁰. The case studies provide evidence that these success fees could be as high as 15% of the PSOM/PSI grant, although the usual range lies between 4%-10%, depending on complexity, risk and other factors.⁶¹

⁵⁷ The APSI received a yearly report on project progress and financial performance of all projects. This report served as feedback on selection.

⁵⁸ Source: interview APSI member and RVO officers.

⁵⁹ According to their managing director Advance facilitated over 250 projects of which 2/3 from non-Dutch applicants. (Source: interview managing director Advance Consulting)

⁶⁰ In recent years they additionally charged a commitment fee in case the partners quit in the first phase after selection (Around 1/4th of the projects do not get finished). (Source: interview managing director Advance Consulting)

⁶¹ Source: interview with Advance Consultancy.

The consultants helped improve the project plans and write the application. During project implementation they often continued to be involved, providing services such as progress, final and financial reporting and sometimes mediation between the project partners and/or RVO in case of disputes. According to the applicants of the case studies, the main reason for using consultants was the complexity of the application and reporting formats, which are thought to be very distant from usual practice in business. Among the rejected PSI-projects, 40% of the survey respondents experienced the application procedure as not transparent.

Based on the case studies, it is not possible to make a firm link between the use of consultants and the success of the projects.⁶² However, the practice of using consultants does raise questions about possible interference with the purpose of the PSOM/PSI programme.⁶³ For example, it might be more difficult to assess the strength of the partners due to the consultants acting as intermediaries and the arrangements made with consultants might well affect the projects (e.g. payment upon selection with/without management fees thereafter might make a difference in projects supported by consultants). Moreover, the costs of using consultants risk being subtracted from the grant amount available for the project even though officially,⁶⁴ the costs for drafting the application were not eligible for PSOM/PSI finance.

3.2.6 Approval

The final approval was granted by the team manager of RVO, generally in line with the APSOM/APSI advice. RVO formally informed the Ministry of Foreign Affairs (Directorate Economic Development, DDE) about their final selection.

In case of rejection, applicants received a formal statement to which appeal was possible. If RVO considered the proposal to have potential, the letter included recommendations for future tenders and hence acted as an active encouragement for resubmission, though without guarantee of being selected the second time round.⁶⁵ Obviously, applications which were rated negatively and had no hope for improvement) were discouraged to resubmit.

⁶² On first sight there are among the 49 case studies less failed projects among the projects that used consultants (6/32 rather than 5/17 that did not). However, this sample is not large enough to draw any conclusions on the effectiveness or selection of consultants

⁶³ The extent to which these risks materialize could not be assessed in this evaluation due to lack of information on the finances of the projects during implementation. The examples were provided in different interviews.

⁶⁴ Sources: PSOM tender documents 1999-2008 and PSI Government Gazette 2009-2014

⁶⁵ From the case studies emerged examples of applicants that were convinced they would be granted PSOM/PSI the second time round as long as they precisely addressed the concerns voiced in the rejection letter.

Box 5: Reasons for rejection

The monitoring systems of RVO included only data on approved projects. Therefore, a survey was conducted among unsuccessful applicants whose application was not approved in the period 2010-2014. More information on the survey is provided in annex VI.

The unsuccessful applicants who responded to our survey (63) identified several criteria as the main reasons for rejection:

- Financing 21%
- Business plan 19%
- Development impact 16%
- Partnership 10%
- Unknown 14%

Lack of financial resources of the project partners was considered the most important reason for rejection, followed by the strength of the project plan (e.g. the lack of a local market).

In 2013 RVO also conducted a survey among rejected projects in the period 2005-2012. They found that lack of financial resources (40%) and lack of a local market (30%) were the most important reasons for rejection.

Interestingly, only 10 % of the respondents mention the strength of the partnership as the main reason the proposal was rejected, while according to RVO programme officers the strength of the partnership is one of the most important reason for failure. It is possible, however, that this criterion is considered too sensitive (ambiguous) to be reported back to applicants.

Additional reasons for rejection that were mentioned are changes in political context, lack of PSI budget and sufficient own resources to finance the project without PSI (low ex-ante additionality). In three instances the applicant or local partner themselves decided not to proceed with the project.

3.3 Relevance: PSOM/PSI objectives

Most projects visited complied with the main admission criteria set by RVO. However, the case studies do provide indications that in practice there have been projects that challenge some of the requirements. For example, in the case studies sample, there are projects that are not in line with the core business of partners (as required by PSOM/PSI), however, this does not automatically lead to a less successful project (e.g. building company to be involved with agriculture). There are also cases in which other government bodies (e.g. from Germany or Belgium) provided financing for the same projects (which was allowed for PSOM, but not so for PSI).⁶⁶

Furthermore, the requirement that applicants should have no more than one ongoing project under PSOM/PSI, nor have had previous projects under PSOM/PSI, was not always respected.⁶⁷ Local partners were allowed to access multiple PSOM/PSI grants. However, the way in which in the random sample of projects visited in Sierra Leone, three out of the eight projects benefited the same local partner, all rewarded in 2009 to different local companies but with the same owner, seems not to match PSOM/PSI intentions.⁶⁸

With regard to the specific PSOM/PSI objectives (rather than admission criteria), all case study projects were considered potentially relevant (though to a varying extent, depending on the fulfilment of each different criterion). To be considered relevant, the selected projects had to fit the objectives of PSOM/PSI.⁶⁹

- Based on strong partnerships
- Innovative
- Potential development impact
- Potentially commercially and financially feasible

⁶⁶ In 4 cases funding from other governmental donors was mentioned as a source of investment (grant or loan). Two others mentioned other donors as a potential source. PSI Government Gazette 2009-2014: *'Cofinanciering van het project door andere programma's van de Nederlandse overheid of van andere overheden is niet toegestaan'*.

⁶⁷ This requirement was initiated officially in 2011. Before that, PSOM/PSI voiced a 'preference' for applicants that had not yet made use of the programme (*'de voorkeur gaat uit naar aanvragers die nog niet eerder een PSOM of PSI-project hebben uitgevoerd'*). Source: PSOM tender documents 1999-2008 and PSI Government Gazette 2009-2014). Local partners were allowed to benefit more than once from PSOM/PSI.

⁶⁸ Similarly, in Peru one entrepreneur managed three consecutive grants for interlinked PSOM/PSI projects focused on the same produce. There were indeed three different applicants, but these did not play a decisive role in the project.

⁶⁹ Sources: PSOM tender documents 1999-2008 and PSI Government Gazette 2009-2014.

Because the relevance is assessed based on current situation of projects, there is an overlap with the evaluation questions on effectiveness (extent to which the projects were innovative) and impact (extent to which the projects had a development impact).

3.3.1 Partnerships

Of the 49 projects visited, 36 originated from **existing partnerships** between the applicants and the local partners. For example, often PSOM/PSI was used to expand existing trade relations or buyer-producer relationships (the international applicant being either a supplier or a buyer). As discussed, RVO country managers are convinced, based on their experience, that a pre-PSOM/PSI relationship is crucial for the success of projects. In the sample, an equal proportion of projects failed whether they were based on existing partnerships or not (22%-23%). However, we need to keep in mind that the sample does not include partnerships that stopped during or after the PSOM/PSI period.

In most cases visited, the **relationship** between the applicant and the local partner remained good after the grant period (20 out of the 30 finalized projects). The strength of these partnerships is difficult to measure. However, the case studies do provide insight into the different types of partnerships linked to PSOM/PSI.⁷⁰ At times, these relationships were actually very personal and affectionate, comparable to longstanding friendships and bonds between families that withstand tests due to often difficult circumstances (e.g. delays, financial crisis etc.). In other cases, however, the partnerships seemed to be different than intended, for example (see box 4 for illustrations)⁷¹

- Unequal partnerships, e.g. when the local partner is no more than a production unit of the applicant or when the applicant is the sole client of the local partner, which poses questions about the sustainability of the PSOM/PSI project.
- Artificial partnerships, which according to project partners interviewed were set up with the sole purpose of meeting the PSOM/PSI requirements and are expected to be quickly dismantled as soon as the PSOM/PSI grant period ends.
- A sub-category of these artificial partnerships ('one-sided partnerships') are those in which the local partner dominates, while the different international applicants serve primarily to qualify for PSOM/PSI and play a minor role in the project (even though they are formally responsible for the PSOM/PSI

⁷⁰ The strength of these partnerships was not a topic of the evaluation according to the terms of reference, hence no amounts can be provided. However, from interviews emerges clearly that there are variations between projects, as discussed here below.

⁷¹ The amount of cases to which this applies cannot be provided as this was not the focus of the evaluation but an unexpected result.

grant). This is not necessarily a reason for project failure, but does limit potential benefits of international collaboration (e.g. knowledge transfer) that is part of the design of the PSOM/PSI programme.

Though officially the PSOM/PSI requirement was a ‘durable long-term collaboration’,⁷² without specifying the form this should take, most PSOM/PSI collaboration was implemented through a joint venture structure. The case studies indicate that for some projects other types of collaboration (e.g. strengthened trade relations) might have been more suitable for the intended cooperation and the project implementation during the project period and thereafter.⁷³ The findings from the spin-off survey that RVO held in 2016 underline this finding. According to respondents, a strong partnership is crucial for the success of the businesses, however, the form of the partnership should be adjustable to the specific situation of the partners themselves.⁷⁴

There are mixed perspectives on how flexible RVO was to allow projects to select the format that best fitted their business (depending on applicants and programme officers). From the case studies emerges evidence that the ‘joint venture’ has at times been interpreted loosely to match the purpose of the project partners, e.g. the applicant and local partner actually being the same entity, or the local partner being in fact a fully-Dutch owned company which – together with the Dutch applicant – buys all products made. However, others interviewed stated that the joint venture structure seemed to have been obligatory.⁷⁵

Box 6. Examples of partnerships

Stronger together

Both the applicant and the local partners are family companies. Apart from shared values, collaboration is very close due to clear mutual interests. The Egyptian side aims to gain to access technology and serve the local market in a timely and cost-effective manner, while the Dutch partner is now able to concentrate on the more complicated engineering works. This way the mutual clients in Egypt and beyond are optimally served by both parties in conjunction.

⁷² ‘De partners moeten een samenwerkingsverband aangaan voor de lange termijn. Dit betreft veelal een joint venture.’ Staatscourant 2014

⁷³ The suitability of the joint venture structure has not been assessed in this evaluation, however, this issue came up in interviews with applicants and project partners and is confirmed through the spin-off survey.

⁷⁴ Spin-off report 2016, p. 37

⁷⁵ Case study interviews. This question was not assessed in all interviews (hence not possible to provide exact numbers) as it was not part of the terms of reference but emerged as an unexpected result.

Unequal partnership

The joint venture in Bosnia-Herzegovina actually operates as the production unit of the Dutch applicant (its only customer), and cannot even sell its product on the local market without approval from the Netherlands. The local management also describes itself in terms of total dependency and its role as to produce what the applicant orders. While the local partner is accepting of this role, it does not seem to be in the spirit of the PSOM/PSI programme. In another case in Uganda (horticulture), the applicant was the client of the local partner, which did at time pose challenges to the partnership due to competing interests (e.g. with regard to prices).

Artificial partnership

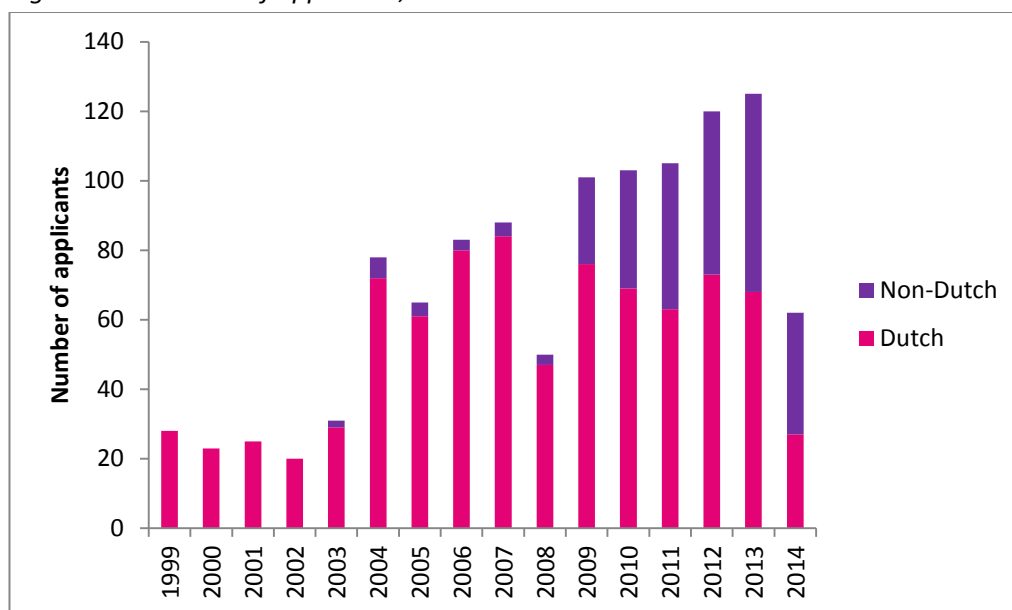
To cultivate grapes in a desert area in Peru, two financially very strong partners prepared a project proposal and accepted to establish a Joint Venture as they were of the opinion this was an admission requirement. However, from the onset of the project assets acquired with RVO grant were considered property of the local partner, who also takes all decisions related to expansion of area under cultivation. Formally the Joint venture still exists, but it is seen as a cost centre by the local partner, while the Dutch partner declared that it 'is not interested in its formal share neither dividend as long as my Peruvian partner supplies us with fruits'.

Non-Dutch applicants

The number of Dutch and non-Dutch applicants is depicted in Figure 3-2. Overall, approximately 25% of the granted projects have non-Dutch applicants and the remaining 75% of projects have a Dutch applicant. Of the 49 projects visited, 38 had **Dutch applicants** and 11 had applicants from other nationalities.

The share of projects with a non-Dutch applicant has increased since 2009. Increased promotional activities by RVO could explain the increased share of non-Dutch applicant from 2009 onwards.

Figure 3-2: Number of applicants, Dutch and non-Dutch



N=1107, all selected projects

Source: RVO monitoring data, analysis: APE

Table 3-2: Applicant (n = 2912 PSOM/PSI applications)

	Total sample	PSOM/PSI	Selected		Rejected	
Dutch applicant	2225	76%	856	77%	1369	76%
Non-Dutch applicant	687	24%	251	23%	436	24%
Total	2912	100%	1107	100%	1805	100%

Source: BAS monitoring data

In the overall sample, the majority of non-Dutch applicants that are selected for a grant come from countries other than the PSOM/PSI focus countries (61%), most often the United States.⁷⁶ In the sample of 49 projects visited, non-Dutch applicants originated from China, Guinee, Ghana, Switzerland, Italy, Egypt, Kenya, Zimbabwe, and the United Kingdom.

⁷⁶ In total 22 companies from the US were selected (out of 68 applications).

Table 3-3: Non-Dutch applicant from a PSOM/PSI country (n = 303 PSOM/PSI applications)

	Total		Selected		Rejected	
Africa	163	54%	49	50%	114	56%
Asia	60	20%	19	19%	41	20%
Central and Eastern Europe	0	0%	0	0%	0	0%
Latin-America	34	11%	16	16%	18	9%
Mena	46	15%	14	14%	32	16%
Total	303	100%	98	100%	205	100%

Source: BAS monitoring data

The case study shows no relationship between the nationality of the applicant and the subsequent success of the projects (2/11 projects with non-Dutch applicants failed commercially as did 9/38 of the projects with Dutch applicants). From interviews emerges that there is less interest from Dutch embassies for the PSOM/PSI projects without a Dutch connection (though there are exceptions, e.g. the support provided by the Ugandan embassy to a project with an Egyptian applicant and Kenyan-Egyptian local partner).⁷⁷

Financial capacity local partners

With regard to the local partners, the different case studies unearthed a particularly interesting issue. The evaluators considered it striking that in Uganda the **local partners** were often not Ugandan entrepreneurs but rather foreigner residents in Uganda. The context analysis and interviews with local partners implied that this happened because the size of the PSOM/PSI grant, and the matching fund requirement, is too large given the limited financial capacity of Ugandan entrepreneurs. This capacity is said to have been constraint due to the relatively recent development of an entrepreneurial culture in Uganda, where the higher educated and more capital endowed population groups used to prefer formal employment rather than starting businesses (considered for the poor). While this could in principle also apply in Sierra Leone (given the post-conflict context that is not inductive for entrepreneurship), the limited financial capacity of local partners was tackled by loans provided by the applicant to local partners, allowing them to participate despite lack of financial resources. It remains unclear why the Sierra Leone entrepreneurs did take this risk and Ugandan entrepreneurs did not.⁷⁸ In middle income countries as Peru, Bosnia Herzegovina and Egypt, the financial capacity of local entrepreneurs is generally stronger (hence mainly partnerships with nationals).

⁷⁷ Interviews – The local partner was registered in Uganda.

⁷⁸ e.g. capacity of local entrepreneurs, advice by RVO.

3.3.2 Innovativeness

The case studies confirmed that ‘innovative’ in the PSOM/PSI refers to being ‘new within context’⁷⁹ rather than being ‘advanced or original’, which is the standard interpretation of innovative. Most projects were new for the local partner (company), new for the sector and new for the country (Table 3-4). For example, a PSI grant was provided for the new cargo hall at the main airport of Sierra Leone. The cargo hall in itself was not particularly innovative (e.g. with regard to building, energy usage, storage facilities process management), however, it was the first cargo hall in the country that met the EU requirements to handle exports from Sierra Leone to the European Union.

Table 3-4: Innovative projects

Innovation	BD	BiH	P (9)	SL	EG	UG	Total
Not new			3	1		1	5
New for the company	1	1	2	2	2		8
New for company and sector	2		3				5
New for company, sector and country	5	7	1	5	5	7	31

Source: Case studies

One of the cases illustrates nicely why newness might not necessarily be what fits PSOM/PSI objectives. In this case, the production methods or equipment were admittedly new for the company, sector and country, but actually not well suited for that context. Agricultural equipment imported to Africa from Europe turned out to be unsuitable for the local circumstances (e.g. heat, soil conditions, technical capacity). Operators had to remain in daily contact with the supplier and the applicant in the Netherlands, but nevertheless the equipment could not be used to full capacity. As such, their inappropriateness for the context might have explained why they were not used before and thus these projects should actually not be considered as particularly innovative even though new. It might have been more appropriate to assess more critically the technical requirements taking local conditions into account before a final investment decision was taken.

3.3.3 Potential development impact

PSOM/PSI aimed to select projects with a potential development impact and based on the applications forms of the 49 case studies, almost all of the projects visited seemed to have this potential, at least at the sector level. Beyond direct

⁷⁹ According to the regulations published in the Staatscourant, 2014, ‘*Het project is significant vernieuwend voor het betreffende land. Het innovatieve karakter dient tenminste het type product of dienst, de productiemethode of de dienstverleningswijze te betreffen.*’

employment creation, this refers to effects within the chain (suppliers, outgrowers, consumers) as well as broader societal effects (e.g. import substitution, changes in business climate).⁸⁰ In the case studies the potential for development impacts was assessed during the field visit and interviews (chapter 6).

39 out of 49 projects visited provided evidence of potential effects within the sector. In particular through:

- Outgrower schemes
- Local suppliers
- Traineeships
- Increased opportunities for customers (e.g. transport)

19 out of 49 projects visited provided evidence of potential effects beyond the sector and within the broader market or country. This would occur for instance through:

- Improved food security
- Import substitution
- Country reputation (and business climate)

7 projects had less potential for impact beyond the companies directly involved. This was the case, for example, when the local company risked being no more than a production unit of the applicant, which was the sole client.

Box 7. Examples of impact

Sector impact

The investment made in a pilot plot to cultivate Pomegranates has attracted interest from neighbouring farmers. In two years the number of outgrowers has increased from the originally planned 5 to 9 and one more showing interest. The outgrowers have indicated, however, that the organic way of cultivating this fruit has to be abandoned because of financial considerations.

Market impact

The peanut shelling project in Egypt will not just provide business opportunities to scores of local farmers (outgrowers). There is a substantial peanut processing industry in Egypt which will now be able to source peanut kernels locally, hence substitute imports hence save forex.

3.3.4 Commercial and financial viability

With regard to the commercial and financial viability of the subsidised projects, all of the case study projects seemed potentially relevant based on the descriptions

⁸⁰ Sources: PSOM tender documents 1999-2008 and PSI Government Gazette 2009-2014

of projects in the application forms. However, document review of the proposals reveals that many proposals are overambitious, e.g. with overly optimistic IRR and sales projections, rather than solid business cases more in tune with the size of operations and capacity of applicants. The focus of the assessment process by RVO was primarily on financial ratio analysis and assessment of track records, with regard to the applicant and (sometimes) the local partner. From the documents review we note less consideration for the true business case (and related sales and financial plans) of the proposed new joint venture/project. Box 8 describes which financial indicators predict a successful application.

Box 8. Profile selected and rejected partnerships: financial characteristics

The analysis of the selection process identifies a clear distinction between the financial characteristics of rejected and selected partnerships. Table 3-5 shows the mean values for a number of financial indicators for rejected and selected partnerships. The table only shows indicators for which the differences between the two groups were statistically significant (based on *bivariate* analysis). Most significant variables concern financial indicators of the applicant. Applicants in selected partnerships are more profitable, have a higher turnover, larger cash flow, and more favourable equity and financing ratios than their rejected counterparts. For instance, the average profits reported by selected applicants was € 8.7 mln, whereas the average profits reported by rejected applicants were € 6.2 mln. The only indicator for which the difference between rejected and selected local partners is significantly different, is the equity of the local partner. Selected local partners reported equity of on average € 1.1 mln, and rejected local partners reported on average € 0.6 mln.

Interestingly, the expected internal rate of return (IRR) is significantly higher in rejected projects. This indicates projects were rejected because they were deemed too optimistic about future revenues.

The full list of indicators is shown in table A. 5-2 in annex VII. This table shows that there are no statistically significant differences between the average division of shares between rejected and selected projects, and no statistically significant differences between the means of most local partner financial indicators. Due to multicollinearity only the financing ratio of the applicant remains statistically significant when the indicators are included in a multivariate analysis (see table A. 5-3).

Table 3-5: *Financial profile selected and rejected projects*

Variable	Selected		Rejected	
	N	Mean	N	Mean
Local partner				
Equity local partner	499	€ 1.090.939	115	€ 640.245
Applicant				
Equity ratio applicant	515	8,47	122	5,74
Financing ratio applicant	514	4,92	123	0,94
Equity local partner	499	€ 1.090.939	115	€ 640.245
Turnover applicant	510	€ 8.748.207	123	€ 6.210.224
Net profit applicant	505	€ 413.235	125	€ 148.566
Cash flow applicant	513	€ 614.258	125	€ 237.650
Own contribution	510	€ 295,084	126	€ 268,129
Project characteristics				
Internal rate of return	516	15,98%	155	18,16%

Financial indicators predict the chance of successful application

The importance of the financial position of the application is also apparent when we analyse the determinants for a successful application. Using logit type regression analysis, the effect of proposal characteristics on the probability of being selected can be estimated (see Annex V for the methodology). The regression includes, among others, financial ratios, project characteristics (IRR, division of shares), and region. Of these variables, what mattered in the selection was the applicant's net profit, cash flow, financing ratio and solvency ratio (strong correlation with selection), in particular the financing ratio. Project specific variables (such as the division of shares or the IRR) were not significant. Projects from Latin America had a relatively higher probability of being selected.

3.4 Relevance: Country objectives

The terms of reference for this evaluation included the evaluation question of whether the supported investments were in line with the objectives and priorities of the PSOM/PSI country.⁸¹ This is a valid question to be posed for each development intervention funded by one government on the territory of another state.⁸²

However, PSOM and PSI were set up and implemented as project-focused and demand-led programmes rather than country programmes, and as a result paid little attention to specific priorities in PSOM/PSI countries⁸³. In the countries visited for this evaluation there has rarely been any contact between RVO and national governments or other relevant bodies (e.g. Department of Trade and Industry, Chamber of Commerce).⁸⁴ Indeed, local government was mostly unaware of the PSOM/PSI work.

On the one hand, the country studies conducted for this evaluation do indicate that the portfolio of PSOM/PSI is diverse enough to fit within country priorities related to PSD, without explicitly doing so. On the other hand, the evaluation does raise questions about having one programme design to fit some very heterogeneous country contexts. The support required by companies in Peru is very different from the needs of companies in Sierra Leone, for example, whereas the selection criteria and process, as well as the management of the programme, are in principle identical.

Moreover, not only was PSOM/PSI not strategically aligned with host country objectives, it was also not explicitly aligned to the objectives of the Dutch government in those countries (e.g. selection of sectors). As a result, cooperation and support between embassies and RVO varied a great deal over time and between countries.⁸⁵ This was a missed opportunity, e.g. to improve monitoring of projects and to support projects by linking them to other Dutch initiatives.

⁸¹ Ministry of Foreign Affairs, June 2015, Terms of Reference Evaluation PSOM & PSI, version #5

⁸² OECD DAC guidelines define relevance as the extent to which the objectives of a development intervention are consistent with beneficiaries' requirement, **country needs**, global priorities and partners' and donors' policies. OECD, 2002, Glossary of Key Terms in Evaluation and Results Based Management.

⁸³ At the start of the programme MOUs were signed with target countries. However, this was dropped in favour of the more demand driven approach.

⁸⁴ Assessed through interviews in country (e.g. Chamber of Commerce, Ministry of Trade and Industry...) and RVO

⁸⁵ Interviews and case studies

3.5 Ex-ante additionality

A project can be evaluated as ex ante additional if it would not have been realized on the same scale, at the same pace and with the same effects and impact without the financial contribution of PSOM/PSI. Only when PSOM/PSI support is additional to what the private sector has to offer, can the public support be seen to add value and can PSOM/PSI support be potentially beneficial (if not, PSOM/PSI would merely replace private funding or in the worst-case crowd out private initiatives).⁸⁶

According to the terms of reference for this evaluation, the following aspects of additionality were to be considered:⁸⁷

- **Financing:** Is the applicant unable to finance the project (within a reasonable time frame) with own funds or with funding from third parties (e.g. commercial parties such as banks, or even other donors)?
- **Risk:** Is the applicant unwilling to implement the project because partners perceive the risks as too high?
- **Market distortion:** Does the project supported by PSOM/PSI not risk disadvantaging other companies already operating or ready to enter the same market?

Box 2 describes the way in which the evaluators assessed ex-ante additionality in the case studies (chapter 1.2.2). To this information, the results of the survey with rejected applicants is added to evaluate the additionality of PSOM/PSI.

3.5.1 Financing

RVO paid a lot of attention to the financial strength of the applicants and to some extent also to the financial strength of the local partners.⁸⁸ The aim of the programme was to target companies that would be strong enough to sustain the project in the longer run, match the PSOM/PSI grant with own investments during the grant period and build on it thereafter (e.g. through follow-up investments).

From the country case studies follows that PSOM/PSI applicants and local partners mostly relied on own resources to finance the proposed projects. Table 3-6 shows the financing of PSI projects. In about 19% of selected PSI proposals third

⁸⁶ Heinrich, 2014

⁸⁷ Based on the terms of reference for this evaluation. There are more possible components of ex ante additionality as described in Heinrich, 2014.

⁸⁸ Interviews and document reviews.

party involvement⁸⁹ was proposed with an average investment of about € 175 thousand (14%), significantly less than own or RVO contributions.⁹⁰

Table 3-6. Financing PSI projects

Average contribution	PSI	N
Contribution RVO	€ 676,507	617
Contribution applicant	€ 290,969	617
Contribution local partner	€ 286,677	617
Contribution third parties	€ 175,535	109
Total⁹¹	€ 1,298,360	617

Source: BAS monitoring data

Other sources of finance

Most partnerships reported difficulties accessing commercial financing. Moreover, for PSOM/PSI as a whole, follow-up investments were much lower than targeted. The innovative (or even greenfield) nature of some of the PSOM/PSI projects as well as their location, results in limited access to commercial financing (project and country risk). In some countries local loans were considered too expensive anyway. For example, in countries like Sierra Leone and Uganda the extremely high interest rates (around 25%) and collateral requirements of commercial banks were said to make commercial financing inaccessible.

However, several of the applicants from high income countries as well as local partners in the middle income country Peru, stated that they would have made the same investment if funding from RVO had been a form of soft loan instead of a grant. Companies would have accepted subordinated loans, financing constructions based on performance in which loans could be converted into grants in case of failure, or shares or short term loans (based on predefined criteria and valuation calculations).

Those interviewed for the case studies were asked about alternative sources of support for the PSOM/PSI project (potential and actual). These included, among others, support from the Belgian Investment Company for Developing countries (BIO)⁹² and KfW Development Bank from Germany. Table 3-7 provides an overview of those alternative sources of funding and technical assistance mentioned by applicants and local partners.

⁸⁹ 109/586 selected projects

⁹⁰ Source: APE review of BAS monitoring data

⁹¹ The averages do not add up exactly due to missing data for some projects

⁹² <http://www.bio-invest.be/>

Table 3-7. Overview of actual and potential alternative sources of support comparable to PSOM/PSI as mentioned by applicants and local partners in case study countries

Equity	Private investors
	Africa Century
	West Africa Venture Fund
	Aavishkaar Investment Fund
	NGO investors, e.g. First Step (SL)
Bank loans	Ugandan Development Bank
	Ugandan Agriculture Credit Facility
	Rabobank
	Triodos bank
	Local banks
	Stichting DOEN
Soft loans	FMO
	Belgian government BIO
	KfW Development Bank / German Investment Cooperation
	French PROPARCO
Technical Assistance	SNV
	CBI (RVO)
	PUM NL Senior Experts
	GTZ
	EU Centre for the Development of Enterprise

Out of the 63 survey respondents whose application was rejected and not accepted in a latter round, 16 (25%) managed to carry out the project without PSI support. Most of them executed the project at a smaller scale or slower pace (10) and some of them worked together with a different local partner (3). As for the financing, 9 projects were fully financed by the partnership itself. The others used either a subsidy/soft loan from organisations / bodies such as the German Government, the German Investment Cooperation (2), or a privately financed loan (3). Interestingly, 6 projects that were rejected based on their financial status did manage to finance the project themselves (4) or obtain a private loan (2).⁹³ 47 projects (75%) were not undertaken. Not surprisingly, lack of financing was most often cited as the main reason (27). Second was the partnership (8) - most often the local partner did not want to proceed without PSI funding.

⁹³ be it at a smaller scale (3), slower pace (3) or with a different local partner (1). In two of those cases the respondent indicated that the project was rejected because RVO did not consider additional funding needed

3.5.2 Risk

PSOM/PSI support may also be considered additional if it allows the applicant (and local partner) to overcome impeding risks because of country context or unknowns related to the project, as is often the case with innovation. In the survey of rejected applicants, the third reason for not pursuing the project was the perceived local political risk. This does, however, not imply that all grant support to fragile countries, for example Sierra Leone, is automatically additional. Entrepreneurs may have access to other means to reduce risks (e.g. building up experience in the country, guarantee schemes, subordinated loans).

PSOM/PSI has provided grants to companies in about 60 countries. About 10% of the granted projects were in so-called fragile states.⁹⁴ In such countries country-specific risks are relatively high and companies might be hesitant to invest if they have not been active in those countries before. In those cases, the involvement of PSOM/PSI can be seen as a means to reduce risk and stimulate additional investments.

However, PSOM/PSI also provided grants for projects in less risky countries, among which Peru and other non-conflict, middle income countries. In these countries, additionality due to country-risk reduction is unlikely. As Table 3-8 illustrates, a country like Peru has a relatively high 'ease of doing business', including access to financial resources at lower costs (from commercial banks, investors, and own sources) and highly educated and experienced entrepreneurs. A country like Sierra Leone battles with low ease of doing business and very high risk premiums on lending, thus a context where it is more likely that PSOM/PSI is additional through its risk reducing capacity.

⁹⁴ If we look only at the approved projects under PSI, then 22% of the projects occur in fragile states. This is approximately the same percentage as the 20% share of PSI Plus (focused on fragile states) in the total of accepted PSI projects.

Table 3-8. PSOM/PSI countries country risk

	Bangla- desh	Bosnia Herz.	Egypt	Peru	Sierra Leone	Uganda
GDP/capita (US \$)	1,086.8	4,851.7	3,365.7	6,549.4	792.6	714.6
Ease of doing business index ^a	172	82	126	45	147	135
Risk premium on lending ^b (%)	5.8	-	0.1	-	17.0	11.3
Fragile state						

a the higher the index the more difficult doing business

b lending rate minus treasury bill rate

Source: World Bank

3.5.3 Market distortion

To ensure additionality an intervention should not distort the market by giving grantees unfair advantage over other companies active or potentially active in the same area. The extent to which there were comparable projects that were disadvantaged because of the support from PSOM/PSI was difficult to assess within the scope of this evaluation.

One way in which PSOM/PSI sought to avoid market distortion was by supporting innovative projects. As discussed in section 3.3.2, the ‘newness’ of projects varied, but the majority of projects supported were new within the PSOM/PSI country context (i.e. new for the sector and/or country). In the cases in which the project supported was not ‘new’ (5/49), there was in principle a risk of market distortion by providing one company with an advantage over its competitors. Where the project supported was ‘new for the company’ (8/49), there was also a risk of distorting the market as those projects allowed one company to gain an advantage over others. Country studies identified a few cases in which PSOM/PSI supported projects, while there were existing local producers doing the same thing and applying the same technology.⁹⁵

However, even in the cases for which the project was new only for the applicant, in principle all potential competitors could have successfully applied for PSOM/PSI as well. The fact that PSOM/PSI was open for any partnership meeting the entry requirements, reduces the risk of unfair competition (compared to cherry picking of specific companies). It was up to companies to find out about the programme⁹⁶

⁹⁵ It was difficult for those interviewed to recall whether there had been competition at the time of the PSOM/PSI application rather than currently. However, in seven cases those interviewed stated that there had been competitors.

⁹⁶ At the moment of introduction in a (new) country PSOM/PSI was promoted through presentations and seminars at embassies, chambers of commerce, business associa-

and successfully apply, everyone had an equal chance if they fulfilled the selection criteria (e.g. find an international partner to apply). Since 2003, applicants could originate a list of other countries than the Netherlands (so-called ‘untied’) and no link with the Netherlands was even required, which resulted in several truly international PSOM/PSI projects, with even less risk of market distortion.

Country case studies show several cases in which PSOM/PSI funding had an effect on competition, mainly by crowding out of smaller scale production (e.g. less mechanic, smallholder farming). However large the impact is thereof, this is not necessarily market distortion in the longer term.

3.5.4 Conclusions on additionality

Additionality is hard to prove or measure. There is an incentive for the applicants to claim additionality since it is a requirement for funding, but it remains difficult to (dis)prove or (in)validate such. This would require, for example, proof of having tried to access other sources of funding. Moreover, the extent to which PSOM/PSI funding is additional might change over time (e.g. once accorded, more alternative options become available).⁹⁷

During the application process additionality was assessed by RVO on the basis of self-assessment by the applicants and additional advice from local embassies. In the case studies, the extent to which projects funded were indeed additional was validated through desk review, interviews and company visits. Project applicants, local partners and managers were asked about other sources of funding used and alternative sources, and explicitly about what they would have done without PSOM/PSI. A reference question was whether the project partners would have accepted a soft loan rather than a grant. Where appropriate and relevant, the interviews with external stakeholders and document review were used to assess the plausibility of answers.

As shown in Table 3-9, in the majority of projects, 30/49, the PSOM/PSI contribution is considered additional by addressing financing needs and investment risks in specific countries.

Table 3-9. Additionality

	B	BiH	P (9)	SL	E	U	Total
Additional	6	5	3	3	7	5	30
Doubts about additionality	2	3	6	5	1	3	19

tions, through advertisements and through promotion in the existing company network of RVO, both in the Netherlands and abroad (Interviews).

⁹⁷ Hence the focus on ex ante additionality

a. Source: Case studies

For the remainder of projects (19/49) there is doubt about whether PSOM/PSI was additional. This is mainly because there are indications that the applicant and/or local partner would have had access to other sources of financing (e.g. companies well provided with capital, limited country risks, and evidence of bank loans). Another reason to doubt the additionality of PSOM/PSI support is projects supported were set up overly ambitious (e.g. with regard to buildings, training costs, employment) in response to the available funding from PSOM/PSI. This is the case for 6 projects (3 in Bosnia Herzegovina, 2 in Sierra Leone and one in Egypt).

Box 9. Examples of additionality

Additional contribution PSOM/PSI

A project in Uganda required PSOM/PSI support to establish a completely new undertaking with large start-up costs (e.g. fish ponds) and significant lag time before income could be generated (fish production). At the start of the projects, no other banks or investors were interested given high perceived risks. However, once established and profitable thanks to early support with PSOM/PSI grants, investors have been found to scale up the business.

Doubt about additionality PSOM/PSI

All but two of the local companies visited in Peru proved to be financially strong and could have raised the necessary funds themselves either from own resources or from local financiers. The PSOM/PSI grants funds speeded up decisions to start new ventures in three cases, but all local companies could have repaid the funds eventually. The two flower growing companies supported are illustrative. One receiving a grant in the early years under PSOM belonged to an international company and the second one (PSI) was managed by a strong (family owned) local company.

Too additional

In Bosnia Herzegovina there were several projects where major constructions works were carried out simply because the grant money was there and because according to the local partner “RVO liked it”. The fact is that in this country there is ample industrial infrastructure available, remaining from the socialist past, which might have been converted and used (as other PSOM/PSI projects did). In one of the cases, the company should clearly have rented amply available space rather than construct a new one, which would also have reduced the start-up problems experienced due to incompetent builders.

3.6 Conclusions on relevance

The PSOM/PSI programme is considered relevant with regard to the selection of projects in light of the overall objectives of the programme:

- The strength of the partnerships varied between countries and projects, but in 20 out of 30 finalised projects visited for the case study the relationship is still ongoing and positively appreciated. Among the successful projects that were surveyed by RVO for their spin-off analysis, 80% were still run by the same partnership.
- The majority of projects are new for the company, sector and country (31/49), which indicates that PSOM/PSI indeed targeted projects with elements of innovation or at least ‘newness’. Newness should also be suitable for the context, which was not always the case. A project can be new to the company,

sector, country or even the world. Some projects are truly innovative, others show that this claim is exaggerated and cooked up to meet the PSOM/PSI requirements. The innovativeness criterion was also important to prevent unwanted market distortion. The majority of projects supported were new within the PSOM/PSI country context. In the cases in which the project supported was not 'new' (5/49), there was an ex-ante risk of market distortion by providing one company with an advantage over its competitors. Where the project supported was 'new for the company' (8/49), there was also an ex-ante risk of distorting the market as those projects allowed one company to gain an advantage over others.

- Potentially, most projects have an impact on the value chain (sector) or wider market (country), beyond the company and those directly involved, except for those projects that were set up solely to serve the applicant (e.g. production units).
- Selected projects all have the potential to be commercially and financially successful. However, in the selection process there is a tendency to pay specific attention to the financial strength of the applicant. The financial profile of selected projects differs from rejected projects on a number of indicators. The largest differences are found in the financial profile of the applicant company. This is confirmed by multivariate analysis, which shows that the financial ratio of the applicant is the only characteristic that significantly affects the selection probability. Local partner financial indicators and the division of shares do not differ significantly between selected and rejected projects. Monitoring reports also deal more with project plans and predefined activities financed with the grant funds rather than overall business operations, its evolution (partly determined by external factors as well as by the entrepreneurial decisions taken over time in reaction to such developments) and expected business results of the projects (sales are discussed only in the final phases of the projects).

For most projects (30/49) the PSOM/PSI grant is considered additional as source of funding (or for the reduction of risks). This is, however, strongly dependent on the country's context, whereby in middle income countries most PSOM/PSI projects are likely to have happened anyway, regardless of the subsidy. For 7/49 projects additionality is doubtful, with investments being larger than necessary due to the 'perverse' availability of the grant funding and the tendency of applicants to ask the maximum. All in all, most projects would not have been realised on the same scale without the financial contribution of PSOM or PSI.

PSOM/PSI is, however, less relevant with regard to country-specific needs. As both PSOM and PSI were set up as project-support rather than country programmes, there is by nature little alignment with country-specific priorities of national governments or even programmes of Dutch embassies. On the contrary,

one programme design is used for all countries (apart from PSI Plus countries), ranging from middle income countries like Peru to fragile low income countries like Sierra Leone. A more country-specific approach could have improved the relevance of the portfolio (e.g. innovativeness, potential development impact, additionality and market distortion).

Moreover, lack of alignment with other private sector development programmes (from the Netherlands or elsewhere) is a missed opportunity, in particular with regard to the possible synergies between PSOM/PSI and other Dutch programmes for private sector development and economic diplomacy. PSOM/PSI could also have used its presence in a country as a provider of significant grants to the private sector to leverage general improvements in business environment, including addressing entrepreneurial capacity.

4 Efficiency

4.1 Introduction

In this chapter we analyse the efficiency of the implementation of the PSOM/PSI programme by RVO. We start by looking at programme expenditure and operating costs. Second, we present the developments in the PSOM/PSI project portfolio, the number of staff needed to manage the portfolio and the number of countries in which the programme is operated. Third, we present the developments in several productivity indicators both on *programme management* as well as on *project management*. Lastly, we analyse the main cost drivers that influence operational efficiency.⁹⁸

4.2 Programme expenditure and operating costs

The PSOM-PSI programme has expanded considerably since its introduction in 1999. Figure 4-1 depicts the trend in programme expenditure. The programme expenditure is the amount of subsidy disbursed annually by the PSOM/PSI programme. During the PSOM period, annual programme expenditure increased from € 2.1 million in 2000 to 24.5 million in 2008, with a dip in 2004. This was the year in which PSOM was integrated with PSO⁹⁹ and EVD merged with Senter International (this resulted in fewer tenders being set out)¹⁰⁰. During the PSI period programme expenditures more than doubled from € 24.4 million in 2009 to € 56.8 million in 2014.

Figure 4-1 also shows ratio of operating costs and programme expenditure. The latter shows how many cents were needed to manage 1 euro of PSOM/PSI subsidy. The ratio declined from 0.28 in 2000 to 0.09 in 2015, which means that in in

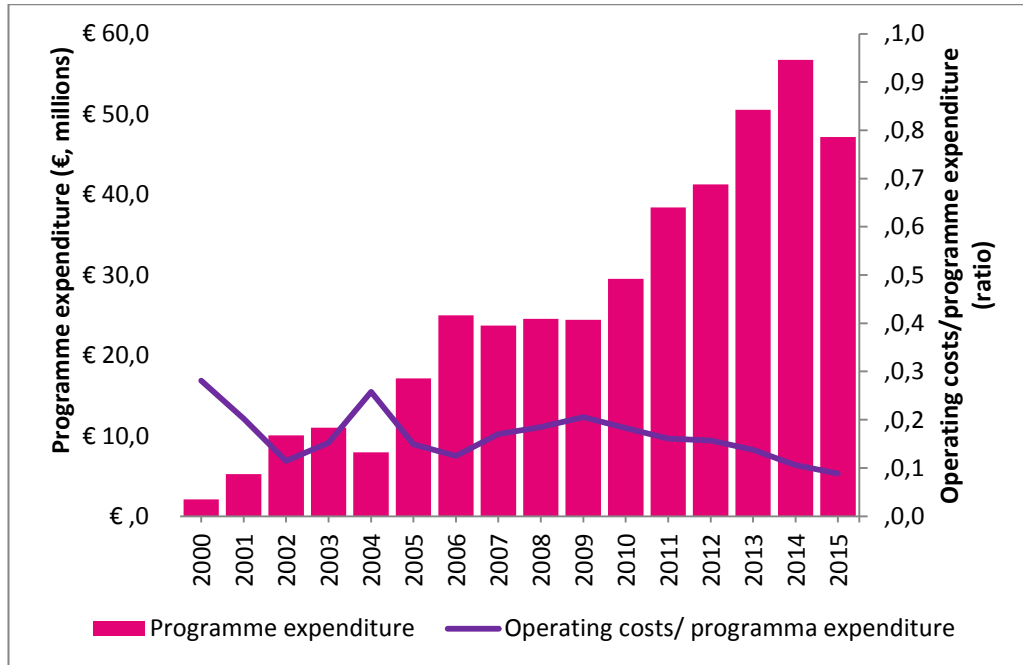
⁹⁸ The analyses in this chapter are based on information from the annual reports 2000-2015. The annual report of 1999 was not available. For some of the indicators information was only available for the years 2004-2015 or 2004-2014.

⁹⁹ The Programme for cooperation with Eastern Europe

¹⁰⁰ The EVD (Economische Voorlichtingsdienst, predecessor of RVO) was merged with the International programmes of Senter Internationaal on April 1st 2004, in order to mainstream the agencies of the Ministry of Economic Affairs.

2000 it took 28 cents to manage each 1 euro of subsidy and in 2015 it took 9 cents.

Figure 4-1 Programme expenditure (€, millions) and ratio operating costs/programme expenditure 2000-2015



Source: Annual reports RVO

4.2.1 How are operating costs divided?

RVO divides total operating costs in three main components: development, management and overhead costs:

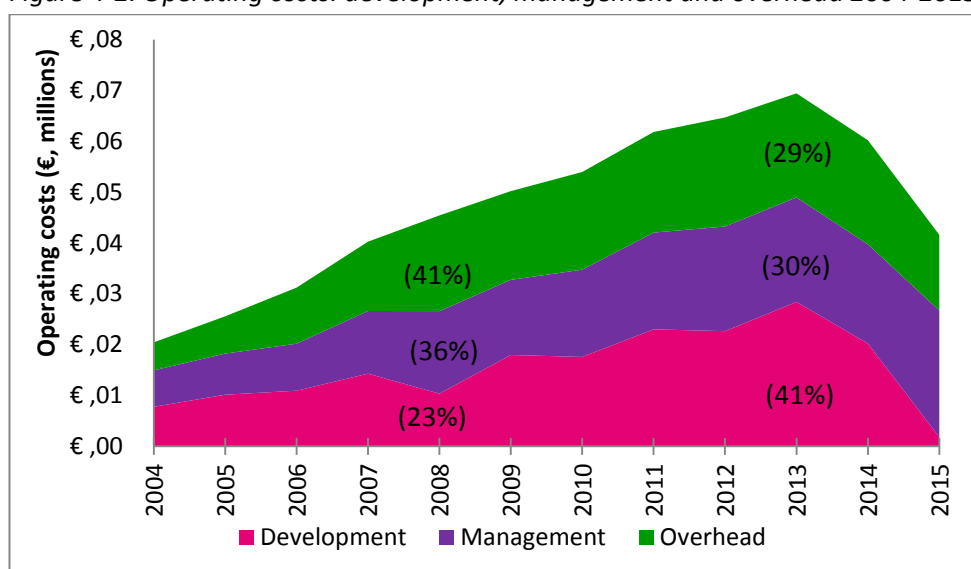
1. Development costs encompass all labour costs associated with the selection of new projects for subsidies: the launch of the tenders, and the scoring, ranking and selection of the applications. This also includes the costs of appeal procedures;
2. Management costs are all labour costs associated with management, monitoring of projects in de PSOM/PSI portfolio and payment of the subsidy;
3. Overhead costs are labour costs as well as out-of-pocket costs.
 - a. These labour costs cover all non-project-related work: general expenditures for, for instance, the development of annual reports and communication efforts¹⁰¹.

¹⁰¹ Other overhead costs concern non-project related coordination with the Ministry of Foreign Affairs, foreign embassies, local governments, NGO's and other RVO divisions;

- b. Out-of-pocket costs are defined by RVO as all non-labour operating costs such as costs of plane tickets for project visits, costs of communication tools and costs of external advice. The latter includes fees for APSI appraisal of applications but also for market conformity checks of local hardware prices and other external advice¹⁰².

Figure 4-2 below shows the trend in the shares of each component for the period 2004-2015¹⁰³. While total operating costs increased, the share of each component remained stable around 30-35%. The main exceptions are the relatively low development costs and high overhead costs in 2008 and the relatively high development costs in 2013. The former can be explained by the transition from the PSOM to the PSI programme in 2008: thus few new projects and a lot of organisational costs. The latter can be explained by the large number of applications for the last PSI tender in 2013. In 2015 there were no new tenders and consequently no development costs.

Figure 4-2. Operating costs: development, management and overhead 2004-2015



Source: Annual reports RVO

development of MoU's with foreign governments; presentation of PSOM/PSI in the Netherlands (chamber of commerce, export seminars, etc); publicity in professional magazines and foreign media; development of policy documents; training of policy officers; internal policy management; general legal costs and general administrative support.

¹⁰² Some of the out of pocket costs are actually related to development (e.g. APSI fees, plane tickets and external advice) or management (e.g. plane tickets and external advice). Nonetheless, the information in the annual reports is not detailed enough to allocate these cost to development or management.

¹⁰³ These figures were not included in the annual reports of 1999-2003.

4.3 Portfolio, staff and target countries

Of course, total operating costs do not paint the entire picture. They are dependent on a number of factors such as the development of the project portfolio, the size and composition of the staff and the number of target countries in which the programme is operated.

4.3.1 Portfolio

Table 4-1 provides an overview of the development of the PSOM/PSI project portfolio between 2004 and 2015.¹⁰⁴ It shows the number of project applications, the number of projects that were selected, and the average workload (number of projects under management) in a year¹⁰⁵.

Table 4-1 PSOM/PSI portfolio (# projects), staff and target countries 2004-2015

Year	Applications	Selected projects	Average workload	Staff (fte)	Target countries
2004	243	68	90	18.8	21
2005	127	99	144	23.0	40
2006	158	83	203	25.2	41
2007	208	86	239	33.5	53
2008	95	50	248	36.7	51
2009	213	101	257	39.6	54
2010	207	103	304	42.1	57
2011	300	106	349	47.2	57
2012	240	120	394	46.1	58
2013	343	125	408	47.3	60
2014	263	58	436	37.9	60
2015	-	-	426	28.5	-

Source: Annual reports RVO

The number of PSOM/PSI applications RVO received fluctuated considerably over the years. RVO did not have any explicit annual targets. The number of applications depended amongst others on the number of tenders per year, communication efforts by RVO, promotion by local embassies, acquisition effort of consultants and (local) economic factors such as the negative effects of the financial

¹⁰⁴ Some of these figures were not included in the annual reports of 1999-2003. Therefore, the analysis starts from 2004.

¹⁰⁵ The total number of project under management vary throughout the year due to the selection of new projects and the completion of running projects. In line with the RVO definition annual workload is calculated by: (the number of projects at Jan. 1st + the number of projects at Dec 31st) / 2.

crisis¹⁰⁶. Up to 2004 separate tenders were set out per country or group of countries. After that, there were generally two tenders per year, with the exception of 2008 when 1 tender was cancelled (due to the transition from PSOM to PSI). This is reflected in the relatively low number of applications in 2008. Similarly, in 2014 one tender was held as well, but for this tender RVO received a record number of 263 applications.

Not all applications were selected for participation in the PSOM/PSI programme (granted a subsidy). The number of selected project per year ranged between 50 (2008 and 2013) and 120 (2012). On average, around 39% of applications was selected annually. However, in 2014 this percentage was much lower (22 %), due to the high number of applications after the announcement of the decommissioning of the programme.

As a result of the steady flow of project applications and selections the average workload showed a continuous increase from 90 projects in 2000 to 436 projects in 2014. After 2014 average workload decreased as no new project were selected.

4.3.2 Staff

Table 4-1 also shows the annual staff-size in full-time equivalents (*fte*). In their annual proposal for funding from the Ministry of Foreign Affairs RVO provides an estimate of the total number of employees needed to manage the programme for the coming year. This estimate is based on the estimated workload and norms for the number of days needed to manage a project. Separate estimates were made for different levels of employees (team leaders, project advisors, support staff, etc.). The total annual number of *fte* employed by RVO to operate the PSOM/PSI programme increased from 19 in 2004 up to 47 at its peak in 2013.

4.3.3 Target countries

Table 4-1 also shows the number of PSOM/PSI target countries. These are the countries that are eligible for new PSOM/PSI projects. Projects were not selected in all eligible countries each year. During the PSOM-period, the number of target countries more than doubled from 21 in 2004 to 51 in 2008. During the PSI period the number increased at a slower pace with about 10 more to a total number of 60 by 2014. As of 2003 the programme was open for non-Dutch applicants for so-called untied countries (see section 2.2). The number of project from untied countries increased as well. Between 2003 and 2008 around 6 % of all selected projects were in untied countries. With the introduction of PSI this increased considerably from 25 % in 2009 to 56 % in 2013, as the number of untied countries increased.

¹⁰⁶ Source: interviews with RVO policy officers

Initially, for the assessment of applications from untied countries, and the management of these projects, a higher number of days was budgeted. This was dropped in 2012¹⁰⁷ after it became clear that untied projects did, in practice, not require much more assessment/management time.

4.4 Productivity

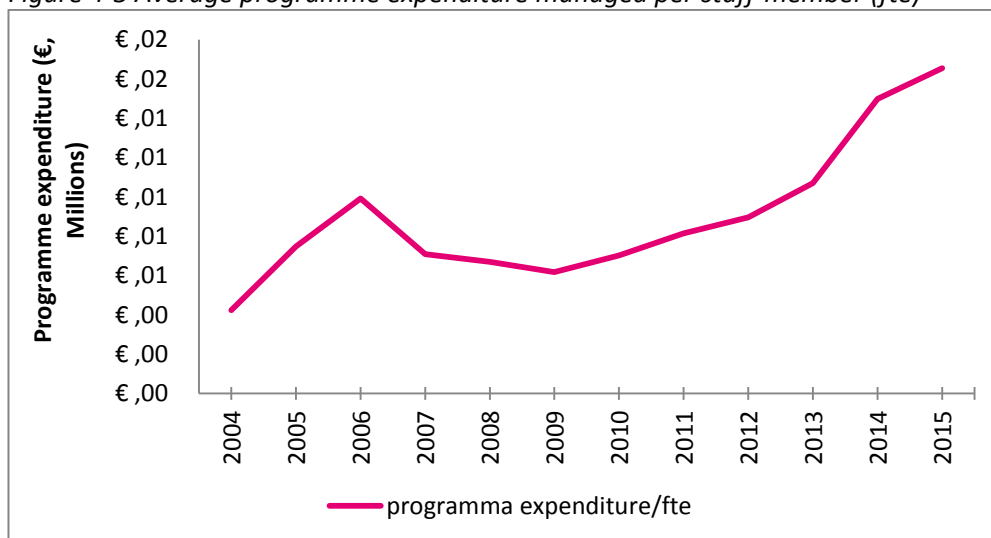
4.4.1 Programme management

Production per staff-member

Figure 4-3 shows the average programme expenditure per *fte*: the amount of subsidy managed by one RVO staff-member. During the PSOM period there was an initial increase in the average programme expenditure managed by one *fte*, but between 2006 and 2009 the graph shows a decrease of over € 0.75 million.

In this period, RVO staff increased from 25 to almost 40 *fte*, while total programme expenditure stayed around 24,000,000. RVO programme officers explained that in this period extra employees were needed for the expansion of the programme and the preparation of the transition to PSI¹⁰⁸. During the PSI period the average programme expenditure per *fte* increased from € 0.6 million in 2009 to € 1.7 million in 2015 as productivity increased.

Figure 4-3 Average programme expenditure managed per staff-member (*fte*)¹⁰⁹



Source: Annual reports RVO

¹⁰⁷ Source: Interviews with RVO programme officers

¹⁰⁸ Source: interviews RVO programme officers

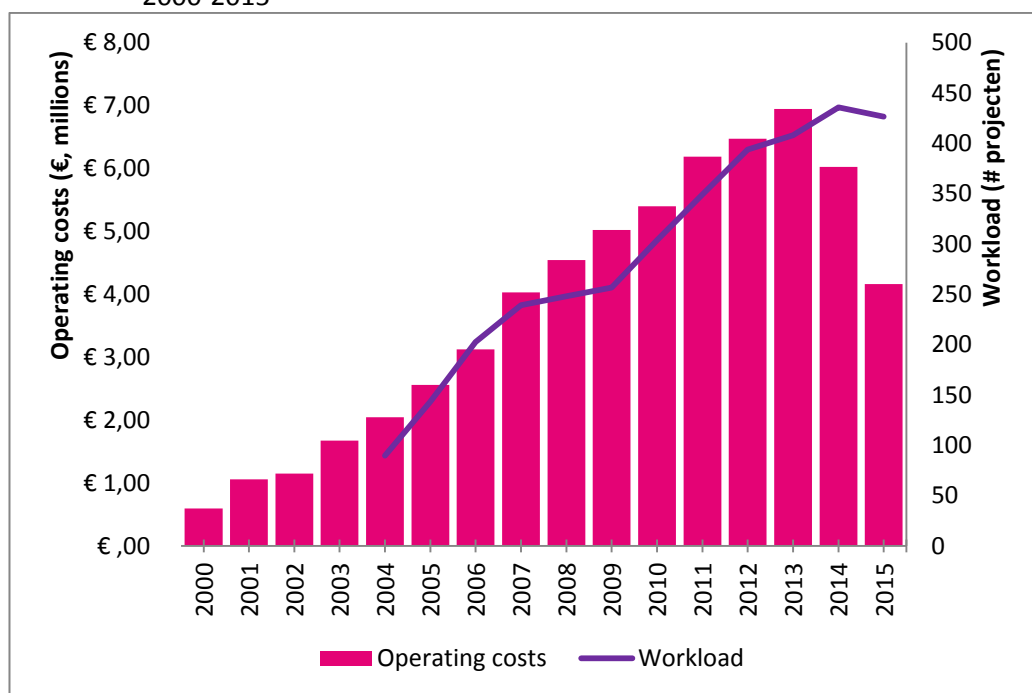
¹⁰⁹ These figures do not include external hires. There costs are included in out-of-pocket expenditures.

4.4.2 Project management

Total operating costs per project

Figure 4-4 shows the trends in total realized operating costs and average annual workload. Both increased steadily over the development of the programme. After a short stagnation in growth with the introduction of PSI, between 2007 and 2009, annual workload increased at a faster rate than total operating costs. As a result of the termination of the programme in 2014, workload and operating costs decreased. In 2004 the average workload was 90, and operating costs were € 2.0 million. In 2014 the average workload was 436, and operating costs were € 6.0 million.

Figure 4-4 Realised Operating costs and workload (number of projects/year)¹¹⁰
2000-2015



Source: Annual reports RVO

4.5 Cost drivers

The previous paragraphs show that productivity increased during the PSI period, as the programme expanded in terms of programme expenditure, portfolio,

¹¹⁰ We were only able to reconstruct the workload per year as of 2004.

eligible countries and operating costs. In this paragraph we extend the cost-drivers analysis that was done for the PSOM/PSI period 2006-2009¹¹¹ to the PSI period 2009-2012. For the cost driver analysis 2009 was selected as this was the first year the PSI programme was fully operated and 2012 as the last ‘typical’ PSI year, e.g. the year before the sharp increase in number of applications enacted by the decommissioning of the programme in 2013 and 2014. Table 4-2 provides an overview of the changes in operating costs and portfolio between these years.

Table 4-2 Developments in operating costs and portfolio 2009-2012

	2009	2012	% change
Total operating cost (€)	5,021,723	6,471,542	29%
<i>Portfolio (# projects/countries)</i>			
Workload	256,5	393,5	53%
Applications	213	240	13%
Selected projects	101	120	19%
Target countries	54	58	7%
<i>Variable costs (€)</i>			
Development costs	1,796,073	2,265,408	26%
Management costs	1,479,857	2,059,664	39%
<i>Overhead (€)</i>			
Total	1,757,113	2,146,470	22%
General	627,952	915,089	46%
OOP	709,399	847,643	19%
Communication	266,395	254,574	-4%
Legal	153,367	129,164	-16%

Source: Annual reports RVO

Between 2009 and 2012, total operating costs per year increased by 29%, while the average workload per year increased by 53%. The largest share of the operating costs are management costs (39%) followed by development costs (26%) and overheads (22%).

Table 4-3 shows a breakdown of the main cost drivers. First, it shows the increase in total realised operating costs between 2009 and 2012 (1). This is € 1.449,819. Second, it shows the management and selection costs (2) and the overhead costs (3) that would occur in 2012 based on the efficiency level (operating costs per project) of 2009 and the change in the number of project applications and selections between 2009 and 2012. Based on the efficiency levels of 2009, manage-

¹¹¹ Ibid.

ment and selection costs would be € 1,018,082 in 2012 and overhead costs would be € 938,497. This is higher than the actual increase in operating costs. The calculated management and selection costs (70 %) and the overhead costs (65 %) together are 35 % higher than the total increase in operating costs. Hence, total operating costs are 35 % lower than would be expected based on the 2009 efficiency level. This indicates higher productivity in terms of lower selection and management costs per project or lower overhead costs. In paragraph 4.4.2 we saw that management costs and overhead costs per project indeed decreased in this period while development costs per selected project stayed the same despite of the increase in the number of applications.

Table 4-3 Cost drivers of annual realised operating costs, between 2009 and 2012¹¹²

<i>Cost drivers (€)</i>	<i>2009-2012</i>
Total actual increase in operating costs (1)	€ 1.449,819 (100%)
<i>Increase in costs keeping efficiency constant</i>	
Management. & selection costs (2)	€ 1.018,082 (70%)
Overhead costs (3)	€ 938,497 (65%)
<u>Other increase in costs (i.e. efficiency) (1-2-3)</u>	-€ 506,760 (-35%)

Source: Annual reports RVO with own calculations

If we compare this to the cost driver analysis in the Triodos evaluation we find some interesting differences. Between 2006 and 2009 the increase in operating costs was 17.6 %-points higher than expected based on 2006 efficiency level. This translates to an annual additional cost increase of around 6 %. According Triodos the change could be partially explained by inflation and increases in wages and partially by changes in overhead. Conversely, based on our analysis, between 2009 and 2012 the increase in operating costs was 35 %-points lower than expected based on 2009 efficiency levels. This translates to an annual cost decrease of 10%. Which may be explained by an increase in workload (scale economies), increased standardization of and familiarity with the PSI selection procedure, stabilization of the number of countries (less marketing efforts), a decrease in communication efforts (with the planned decommissioning of the programme in 2014) and possibly efficiency gains. A large part of the increase in workload consists of projects in untied countries (Paragraph 4.3.3). On the basis of our analyses we find no indication that projects in untied countries lead to higher operating costs.

¹¹² As the composition of out of pocket costs differ per year, the analysis is done while leaving out out-of-pocket costs except for communication and legal costs.

4.6 Conclusions

Programme expenditure (€ 2.1 million in 2000 - € 56.8 million in 2014) and operating costs (€ 0.6 million in 2000 - € 6.0 million in 2014¹¹³) increased during PSOM/PSI, as did the portfolio (workload: 90 projects in 2000 – 435,5 projects in 2014), staff (*fte*: 19 in 2004 – 38 in 2014¹¹⁴) and number of (untied) target countries (21 in 2004 – 60 in 2014). Overall, we see an increase in productivity throughout the programme in terms of operating costs and *fte* per programme expenditure and operating costs and *fte* per project. We distinguish three different trends over the course of the programme:

- First, between 2000 and 2005 we observe an increase in productivity, with the exception of 2004, the year in which the PSOM and PSO programme were integrated and EVD merged with Senter International.
- Second, between 2006 and 2009 there was a decrease in productivity. While total operating costs increased from € 3.0 million to € 5.0 million, total programme expenditure stayed stable around € 24,000,000. The main cost-drivers in this period were wages, interest rates and overhead costs (legal costs and implementation of PSI).
- Lastly, in the PSI period between 2009 and 2014 we observe a steady increase in productivity. Operating costs and *fte* per programme expenditure and management and overhead costs per project all decreased during PSI. The only exception is the development costs per project. This increased due to the high number of applications in the last few tenders. Hence, the number of applications is an important cost driver in the PSI period. Other cost drivers that partially explain the increase in efficiency are: the increase in workload (scale economies), the increased standardization of and familiarity with the PSI selection procedure, stabilization of the number of countries (less marketing efforts), the decrease in communication efforts (with the planned termination of the programme in 2014) and possibly other efficiency gains.

¹¹³ Almost € 7.0 million in 2013.

¹¹⁴ 47 in 2013.

5 Effectiveness

5.1 Introduction

Following the evaluation matrix described in the inception report,¹¹⁵ effectiveness is assessed in the following ways:

- Goal achievement: the extent to which the project targets have been met in terms of jobs and training, sales and investments, and engaging outgrowers.¹¹⁶
- Attribution: the extent to which PSOM/PSI contributed to the observed changes (among other factors contributing to success or failure of projects).¹¹⁷

As such, PSOM/PSI effectiveness is a combination of goal achievement and operational success of PSOM/PSI projects, requiring moreover a significant contribution of PSOM/PSI to these achievements. Additionality is also an important feature to consider the success of the programme (as discussed in chapter 3). In the longer run, impact and sustainability are further requirements for the programme being successful. Goal achievement can be answered using RVO monitoring data, the other aspects of PSOM/PSI effectiveness require evaluation to assess the contribution of the programme to goal achievement and commercial success.

¹¹⁵ APE Public Economics (2016). *Evaluation PSOM/PSI (1998-2014): inception report*.

¹¹⁶ The extent to which PSOM/PSI projects are innovative, also part of this evaluation question, has been described extensively in chapter 3.4.2. as part of the evaluation of relevance.

¹¹⁷ Note that the inception report refers to the attribution of the observed changes to the intervention ('What are the changes in the effect variables in comparison to the situation at the start (baseline)?'). As will be discussed here below, given the evaluation methodology (and lack of counterfactual), it is more appropriate to refer to the *contribution* of PSOM/PSI rather than attribution.

Figure 5. Evaluation of PSOM/PSI effectiveness



This chapter starts off with the evaluation of goal achievement based on a descriptive analysis of RVO monitoring data (as described in chapter 1) and validation of this data based on the country case studies (5.2.1). The different definitions of success are explored in 5.2.2, while 5.2.3 provides illustrations from the case studies. RVO monitoring data is used for statistical analysis, assessing whether indicators used during the application process are possible determinants of later goal achievement (5.2.4). Subsequently, this chapter reports on the evaluative findings on PSOM/PSI contribution to the achievements of projects, including the ways through which this contribution is made (5.4). Section 5.5. combines both goal achievement and attribution to determine the effectiveness of the PSOM/PSI programme.

5.2 Goal achievement

5.2.1 Targets

Based on the above described RVO monitoring data, Table 5-1 provides information on the key indicators and targets for all currently finalized PSOM/PSI projects (428 out of 721 projects). The table includes separate averages for PSI and PSOM, totals for PSOM and PSI together, for the case study countries, and the sample of case study projects. The totals in the table are lower because monitoring data are incomplete: for instance, regarding employment we have data on proposed versus realised jobs for 330 (out of 428) projects. This illustrates the extent to which digitalised RVO monitoring data are incomplete.

Taking PSOM and PSI together proposed and realised figures are in line as regard employment and sales. On average, more people are trained than proposed. The percentage of projects that achieved its goals is 66% for employment and training, and 54% for sales. In relation to the planned numbers and amounts the PSI projects perform better than PSOM projects.

In the following the achievement of key targets is discussed on the basis of the RVO monitoring data for finalized and stopped projects (with additional remarks based on the case study findings):¹¹⁸

Employment

- About two third of the projects for which data was reported (221/330) did achieve the targets with regard to the amount of jobs created. 109/330 projects did not achieve this target, on a further 98 projects the BAS system does not contain data on employment.

¹¹⁸ Unfortunately, the case studies include too many projects with incomplete reports so that their targets and realizations are omitted from the tables here below. Among others, due to the often long recall period and lack of available information, verification during company visits was not possible.

Table 5-1 Key results indicators PSOM/PSI (based on 428 finalized projects)

	Employment (# jobs)			Knowledge transfer (# persons)			Sales		
	<i>N completed</i>	<i>Proposed (average)</i>	<i>Realized (average)</i>	<i>N completed</i>	<i>Proposed (average)</i>	<i>Realized (average)</i>	<i>N completed</i>	<i>Proposed (average)</i>	<i>Realized (average)</i>
PSOM	239	85	77	225	246	291	174	€ 983.202	€ 834.511
PSI	91	49	71	89	300	411	84	€ 996.127	€ 1.318.990
Total	330	75	76	314	261	325	258	€ 987.411	€ 992.248
Achieved goal (%)	221 (67%)			208 (66%)			139 (54%)		
Bangladesh	8	72	158	8	71	73	8	€ 168.300	€ 916.300
<i>Sample</i>	6	118	175	6	75	77	6	€ 577.333	€ 1.178.833
Bosnia	8	16	18	8	16	18	7	€ 857.691	€ 931.884
<i>Sample</i>	4	12	15	4	12	15	3	€ 593.667	€ 535.905
Egypt	11	33	38	11	53	65	11	€ 1.018.830	€ 945.909
<i>Sample</i>	5	123	80	5	100	66	5	€ 769.532	€1.066.289
Sierra Leone	5	57	47	5	66	53	5	€ 834.600	€ 560.560
<i>Sample</i>	4	58	52	4	59	54	4	€ 859.500	€ 642.489
Uganda	11	67	65	11	507	518	9	€ 634.444	€ 657.693
<i>Sample</i>	3	128	68	3	128	68	2	€ 275.000	€1.955.604
Peru	11	74	96	10	103	232	10	€ 831.430	€ 1.621.153
<i>Sample</i> ¹¹⁹	6	92	85	5	128	186	5	€ 1.161.200	€ 2.645.131

Source: Monitoring data, calculations APE

¹¹⁹ The evaluation team visited 11 projects in Peru. Because three projects had the same local partner and actually consisted of one prolonged project, these are reported as one case study. The total number of Peruvian case study projects reported in this report is therefore 9 projects.

- On average, PSOM/PSI projects employed 76 new people, ranging from 23 in Eastern Europe to 80 in Africa and Latin America (see Table 5-2). As can be expected, the average increase in employment is highest in the agricultural sector (80). Compared to services and industry, agriculture is relatively labour intensive. The regions with the highest average employment increase are Latin America and Africa (80).

Based on the country case studies, the following caveats are to be noted:

- Employment reported to RVO does not always consist of 'extra' employment (solely for the PSOM/PSI project), as there are cases in which the project is integrated in a larger enterprise and people were shifted between operations.
- Employment figures do not always distinguish between contract and seasonal employment.

Table 5-2 Employment targets: average number of jobs (based on 428 finalized projects)

	N	jobs proposed	Jobs created at completion	Committed subsidy per job
PSI	91	49	71	
PSOM	239	85	77	
Total	330	75	76	
<i>Sector</i>				
Agriculture	206	58	80	€ 17.000
Industry	100	45	56	€ 21.000
Services	36	27	30	€ 20.000
<i>Region</i>				
Africa	136	54	80	€ 16.000
Asia	116	53	59	€ 17.000
Central and Eastern Europe	22	23	27	€ 33.000
Latin America	47	55	80	€ 22.000
MENA	21	41	46	€ 20.000

Source: Monitoring data, calculations APE

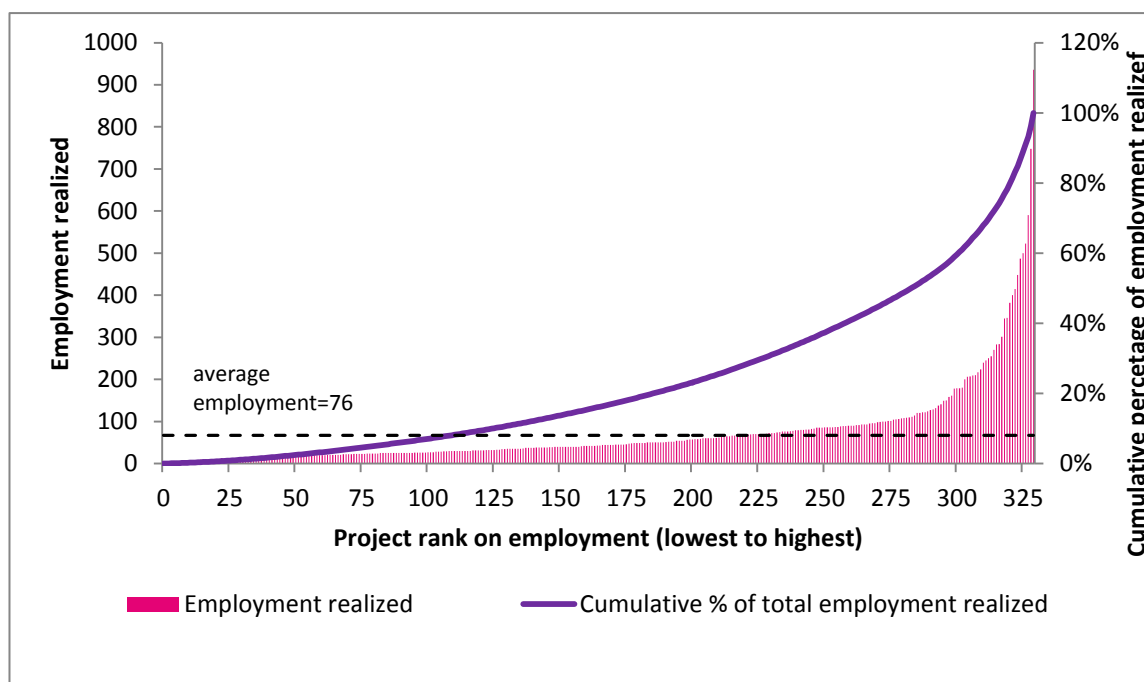
The spin-off study by RVO confirms these findings. According to the spin-off report the PSOM/PSI programme is associated¹²⁰ with employment growth. Espe-

¹²⁰ The survey solely provides descriptives on certain output, outcome and impact criteria. It does not provide proof on causality. The findings therefore cannot be fully attributed to the PSOM/PSI programme.

cially in the agriculture the number of jobs increased significantly after the grant period. A large part of this increase consists of seasonal jobs. In general, most created jobs are at a basic skill level. The service sector provides most high level jobs. All wages are stated to be on or above the legal minimum wage¹²¹. The employment of women varies considerably among the projects. In industry and services the vast majority of employees are men while in agriculture it is the other way around.

Figure 5-6 shows the distribution of employment gains per project, sorted from the project with the lowest gain to that with the highest gain. The figure gives insight into the distribution of the employment gains. Even though average job increase per project is 76, some 73% of projects had a lower increase in employment. 14% of projects generated 50% of gained employment.

Figure 5-6: Distribution of employment gains



Source: Monitoring data, calculations APE

¹²¹ This information was obtained by surveys with company directors/managers and not cross-checked with employees.

Knowledge transfer

- Two thirds of the projects (208/314) achieved its targets with regard to the number of people trained. 106/314 projects did not reach their targets, while 114 projects did not report on training.
- On average, PSOM/PSI projects trained 325 people, ranging from an average of 43 in Eastern Europe to 500 in Africa (see Table 5-3). The sector in which most employees were trained was agriculture.

The country case studies provide the following insights with regard to this target:

- Most training consists of instructions provided by suppliers of hardware procured with the help of PSOM/PSI funds. Such instruction is a natural part of learning to work with new hardware.
- In a smaller number of projects, additional training offered comprised field trips of applicant's staff and/or local partner, use of international experts, training in areas less related to production (e.g. AIDS training, computer and language skills). Within the scope of this evaluation, it was not possible to assess whether this extra training was just offered because of availability of funding, and whether it had an additional impact on the companies' effectiveness.

Table 5-3: Number of employees trained (target and realized), total 428 finalized PSOM/PSI projects

	N	# trained pro- posed	# trained at completion
PSI	90	230	411
PSOM	225	246	291
Total	314	261	325
<i>Sector</i>			
Agriculture	201	339	471
Industry	97	77	132
Services	36	46	65
<i>Region</i>			
Africa	136	307	500
Asia	112	217	248
Central and Eastern Europe	21	43	46
Latin America	44	196	247
MENA	21	86	106

Source: monitoring data, calculations APE

Female employment

For a more limited number of projects (89/428), information was collected on female employment: RVO reports targets and realizations on female employment for PSOM and PSI projects. However, proposed targets are only known for PSI projects.

Almost three quarters (65/89) of the finalized PSOM/PSI projects did achieve its targets on female employment. 24/89 did not achieve their targets. Section 6.1.3 discusses the findings of the case studies in this area, which indicate that despite these targets, the programme has limited effect on female employment.

Sales

- 139/258 of PSOM/PSI projects did reach their targets with regard to sales according to RVO data. The complement (119/258 projects) did not realise their sales targets, while 170 did not report on sales.
- On average, sales vary between € 264.298 per annum in the service sector and to € 1.190.872 in the industry sector (see Table 5-4). The region with the highest sales level was Asia (€ 1.084.573).
- However, document review and company observations during the case studies did point out that a lot of applications projected rates of return and sales targets that were too optimistic given the limited time frame of PSOM/PSI support. Moreover, the definition of sales changed over the years: under PSOM it was cumulative sales over the duration of the project; under PSI it is the most recent report on annual sales.

Table 5-4 shows the sales per job created. This ratio varies considerably between sectors and between regions, being highest in Central and Eastern European projects (€ 41.445 per employee), and lowest in African projects (€ 16.970 per employee). It differs little between sectors agriculture and industry, but is much lower in services.

Table 5-4: Average sales –target and realized, total 428 finalized projects

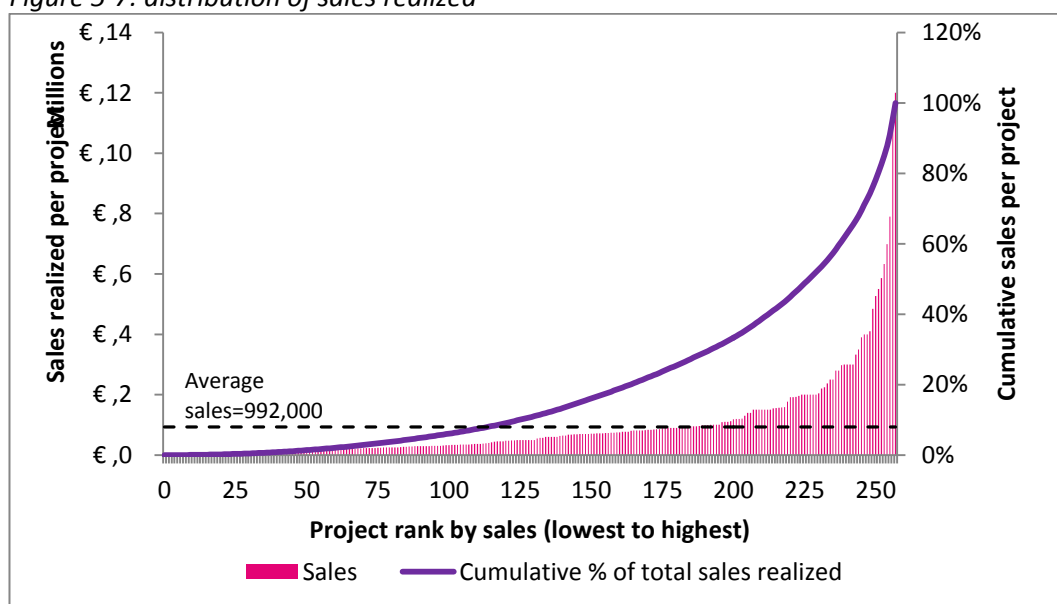
	N	Sales proposed	Sales realized	Sales per job
PSI	84	€ 996.127	€ 1.318.990	€ 29.172
PSOM	174	€ 983.202	€ 834.511	€ 20.499
Total	258	€ 987.411	€ 992.248	€ 23.367
<i>Sector</i>				
Agriculture	156	€ 956.496	€ 1.017.219	€ 24.416

Industry	73	€ 1.186.429	€ 1.190.872	€ 26.423
Services	29 ¹²²	€ 652.734	€ 357.943	€ 10.317
<i>Region</i>				
Africa	115	€ 865.148	€ 870.754	€ 16.970
Asia	69	€ 1.212.646	€ 1.084.573	€ 23.593
Central and Eastern Europe	18	€ 1.145.405	€ 981.278	€ 41.445
Latin America	36	€ 814.595	€ 1.220.226	€ 37.079
MENA	21	€ 1.082.230	€ 971.837	€ 18.467

Source: monitoring data, calculations APE

Figure 5-7 shows the distribution of realized sales over the participating projects, and appears to be in line with the previous graph on employment. Projects are ranked from lowest sales to highest sales (bars, left axis). The line shows the cumulative percentage of total sales. Average sales were € 992.248, but 74% of projects realized lower sales. The top 12% of projects generated 50% of total sales.

Figure 5-7: distribution of sales realized



Source: monitoring data, calculations APE

¹²² One finalized project is in the sector transport. We included this project into the sector services.

Outgrowers

The number of outgrowers¹²³ realized is monitored under PSOM and PSI. Outgrowers proposed are only monitored under PSI, and not consistently monitored (or registered) in the BAS system.

- 93% of projects for which outgrower data is monitored (31/33) achieved the targets with regard to the number of outgrowers covered in the project.
- On average, the number of outgrowers realized varies between 84 per project in Eastern Europe to 1.227 in Africa (see Table 5-5).

Although this target is only relevant for agricultural projects RVO can classify projects with an agricultural character in another sector. For instance, a food processing project is classified as industrial while it can have outgrowers.

Table 5-5: Outgrowers – average targets and realized, total 428 finalized projects

	N	Outgrowers pro- posed	Outgrowers rea- lized
PSI	28	593	756
PSOM	9	385	747
Total	37	543	754
<i>Sector</i>			
Agriculture	33	567	803
Industry	4	338	350
Services	-	-	-
<i>Region</i>			
Africa	18	827	1.227
Asia	8	228	325
Central and Eastern Europe	2	108	84
Latin America	5	377	396
MENA	4	215	266

Source: monitoring data, calculations APE

Subcontractors

RVO monitors the number of subcontractors¹²⁴ since the introduction of PSI. Therefore, there are only a few projects, 31 out of 100 finalized PSI projects, with information on both the target proposed and the target realized.

¹²³ Outgrowers are defined as farmers who deliver their products to a project. These farmers are not contracted employees of the project.

¹²⁴ Subcontractors are defined as companies or organizations that deliver goods and services towards a PSI project. Subcontractors can occur in all three sectors.

On average, 8 subcontractors were proposed to engage in PSI projects. Eventually, 14 subcontractors were engaged in PSI projects. Herewith, 28/31 of the PSI projects did achieve their target regarding subcontractors.

(Follow-up) investments

- In all projects, the partners themselves did invest a lot, both financially and in-kind. The average share of own contributions is € 577,646). In general, the applicants' investments are in cash and those of local partners in kind (land, management time, buildings).¹²⁵
- Follow up investments during the project period vary. According to RVO data (table 5-6), follow up investments fall short of targets, in all sectors and regions, except for Latin America.
- Among the respondents of the spin-off survey 75% of the companies did follow-up investments, with an average of € 1,000,000 per company. Most of these investments were financed by the companies' own resources.

Table 5-6: Follow-investments – average targets and realized, total 428 finalized projects

	N	Follow-up investments proposed	Follow-up investments Realized
PSI	35	€ 1.233.629	€ 979.631
PSOM	148	€ 1.911.488	€ 770.682
Total	183	€ 1.781.842	€ 810.645
<i>Sector</i>			
Agriculture	123	€ 1.909.175	€ 817.322
Industry	44	€ 1.703.329	€ 769.824
Services	16	€ 1.018.885	€ 871.571
<i>Region</i>			
Africa	84	€ 1.543.543	€ 640.742
Asia	54	€ 2.361.355	€ 690.862
Central and Eastern Europe	7	€ 742.143	€ 548.049
Latin America	29	€ 1.475.271	€ 1.460.941
MENA	9	€ 2.333.170	€ 1.223.956

Source: monitoring data, calculations APE

¹²⁵ Case study interviews. Too limited information on follow-up investments was provided to the evaluators (for various reasons including this being strategic business information no longer under obligation to share with RVO).

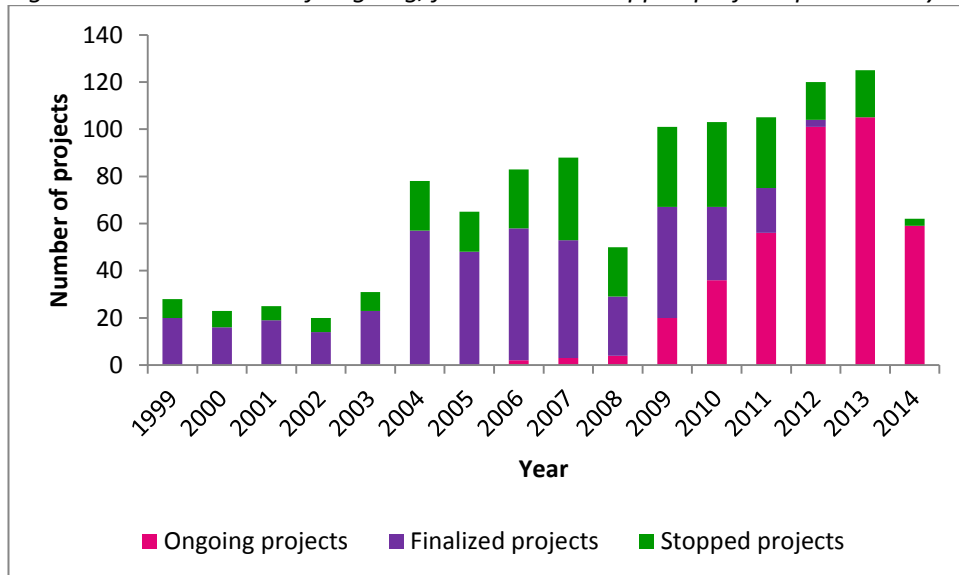
5.2.2 Stopped and finalized projects

Subsidies for projects that are unsuccessful can be halted prematurely. The applicant, RVO or these two together can decide to stop the subsidy. According to RVO (based on an analysis of 262 unsuccessful projects), 60% of the projects are terminated by the applicant, 35% by RVO and 5% are a joint decision or the reason is unclear.

The majority of unsuccessful projects face problems during the initial phase of the project. Reasons to terminate a project are: problems concerning partners, market conditions, unachieved results, financial problems, lack of confidence in successful completion of the project, failure to meet the obligations or changes in the political situation. Often, more than one of those reasons may lead to project failure.¹²⁶

Figure 5-8 shows the number of stopped, ongoing and finalized projects per tender year. Across 1999-2006, approximately 30% of the granted projects per tender are deemed unsuccessful and are stopped. The percentage of unsuccessful projects is higher for tenders 2007 and 2008. The percentage is around 40% for these two tenders. The percentage of unsuccessful projects declines from 2009 onwards. However, a lot of projects from these tenders are still ongoing and so success is still uncertain. In total, 293 projects are stopped until October 2015, which is the moment of data collection at RVO.

Figure 5-8: The number of ongoing, finalized and stopped projects per tender year



N = 1107; all granted projects Source: RVO monitoring data, analysis: APE

¹²⁶ Wortelboer, J. (2015) PSI & PSOM overview 1998-2015, Den Haag: RVO

5.2.3 Disclaimer on goal achievement

PSOM/PSI intends to support innovative projects in often difficult country contexts (with the exception of activities in more stable middle income countries like Peru). Therefore, it is fair to note that projects that did not fully achieve their targets, are not necessarily a failure or lack of success.

In all case studies, there are examples of projects that did not implement what was proposed, or did not fully achieve each and every target, but nevertheless generated results that are in line with PSOM/PSI objectives, significantly contributing to development. Box 10 provides examples of such cases.

Box 10: Success despite targets

Project successful with a very different business than envisaged

In Egypt there is the extreme example of PSOM/PSI support (2000) to a poultry farm that was successfully turned into a fish feed producer. The poultry farm was initially successful, exceeding its targets, however, the 2006 avian flu hit the company hard. The Dutch embassy actually provided the company with the idea to go into aquaculture, which the joint venture took up through a pilot scale production facility. The company produced both poultry feed and fish feed (2/3 of its turnover). The joint venture has now been taken over by a large multinational company.

Project did not succeed, but components are used elsewhere

In Uganda one of the PSOM/PSI projects that was successfully finalised (vegetable production) had to close its business operations after a few years because of difficulties with production circumstances (temperature for tomatoes, plant diseases, payment collection). However, the greenhouses and most employees are now working for a different business (flower cuttings), also supported by PSOM/PSI.

There are of course also real ‘failures’ of PSOM/PSI, i.e. projects that should have been avoided (e.g. through better selection processes or monitoring). In this category fall projects that are fraudulent, where there seems to be an intentional inappropriate use of subsidy for the benefit of the applicants. However, of the 49 case studies, only one such suspected case was identified.¹²⁷ Another example of a failed project is where the PSOM/PSI subsidy was not provided to a company, but rather to a development project, for which this subsidy was certainly not intended.

¹²⁷ Currently under investigation

There are, however, also some projects where the incentives associated with PSOM/PSI might have contributed to the lack of success.¹²⁸ These are projects that were set up too ambitiously for their own good in response to the amount of funding available through the subsidy, rather than growing organically from smaller initiatives that would have fitted better with the projects partners' capacities, demand, market opportunities and other business-related factors. In these projects there is evidence of overinvestment in:

- Amount and sophistication of hardware (e.g. unsuitable for the local company or country context)
- Employment (to many staff recruited at once)
- Training (e.g. extensive travel)

Several of these projects are among those where there are doubts about the additionality of the PSOM/PSI support as well (chapter 3.6.3). Box 11 provides illustrations of projects that the evaluators did consider to be 'true' failures.

Box 11: Failures

Example of an unsuccessful project

In one of the country case studies, the evaluators visited a private clinic supported through PSOM/PSI. During the visit, there was no single patient in sight nor was there evidence of any activity ongoing or having been going on recently. The Dutch embassy confirmed this lack of success. Both the applicant and the local partner benefited from the project even before its implementation, through managerial fees (applicant) and equipment sales (local partner).

5.2.4 Predictors of success

Monitoring data collected by RVO was combined with the ranking scores in order to investigate whether these scores predict success. The definition of success is whether a project was implemented according to plan (i.e. subsidy paid out). To find potential determinants of success profiles of projects were constructed to see which characteristics of granted projects differed significantly between successful and unsuccessful ones. Moreover, logistic regression and discriminant analysis were used to determine which set of project characteristics best distinguished between success and failure (more detail on the methodology can be found in annex V).

These analyses rely on the ranking scores of granted PSI project applications because the PSOM ranking scores are too incomplete to be useful. Moreover, even

¹²⁸ This category is hard to determine through interviews but at least in six cases did company visits and interviews provide an indication that slower and lower investments might have been more appropriate and effective.

among the PSI data only the 2010 and 2011 tenders used consistent ranking systems which can thus be used for statistical analysis.

Profiles

As a starter, financial profiles were constructed for all finalized (100) and stopped (139) PSI projects (annex V provides an overview).¹²⁹ Ongoing projects were not considered as it is too early to determine whether they are successful or not.

Of all the ex-ante financial indicators,¹³⁰ only the applicant's balance (total of assets) and equity ratio (this ratio measures the proportion of the balance financed by the applicant) differ significantly between stopped and finalized projects, i.e., lower for stopped projects than for finalized projects.¹³¹

Table 5-7: Financial indicators with a significantly different mean for finalized and stopped PSI projects (n = 100 finalized and 139 stopped PSI projects)

Variable	Finalized		Stopped	
	N	Mean	N	Mean
Balance applicant	82	€ 8.720.452	113	€ 5.504.171
Equity ratio applicant	82	11,69	113	6,77

Logistic regression

Annex V describes the different ways in which an attempt was made to estimate the chance of success or failure based on the scores of a project proposal given by RVO before the APSI ranking. A main challenge was to obtain a sample size that was sufficiently large without losing too much detail with regard to the independent variables. This was an issue even though the analysis focused on the scores from the 2010 and 2011 ranking forms (N = 113 PSI projects), a period in which there is a relatively large number of finalized and stopped projects in both tenders

¹²⁹ These profiles are based on company information from both partners and proposed project characteristics reported in the application form. We constructed also constructed financial profiles for all 616 selected PSI projects and a sample of 249 rejected PSI projects.

¹³⁰ Originally committed subsidy, Project characteristics (intentions), Hardware (%), Technical assistance (%), Internal rate of return, Division of shares applicant (%), Division of shares local partner (%) / Characteristics applicant (before application): Own contribution, Equity, Balance, Turnover, Net profit, Cash flow, Number of employees, Equity ratio, Financing ratio, Solvency ratio, Liquidity ratio / Characteristics local partner (before application): Own contribution, Equity, Balance, Turnover, Net profit, Cash flow, Number of employees, Equity ratio

¹³¹ At a 5% confidence level. At a 10% confidence level, equity and turnover are also significantly lower.

(compared to the 2012 till 2014 tenders, where most projects are still ongoing, or earlier tenders when scoring was much less elaborate).

Different success indicators were analysed, such as the project status given by RVO; the number of proposed targets that were achieved;¹³² the percentage of originally committed subsidy that was disbursed, and the accomplishment of each of the proposed targets separately - employment, training, outgrowers, subcontractors, females, sales and follow-up investment.

Inspection of the correlation matrix suggests that the accomplishment of each of the proposed targets is correlated with scores on specific components (score for innovativeness in marketing or the score on proposed number of high or medium level trainings). However, remarkably, a project's total score is not in any way significantly correlated with any of the success indicators analysed. Similarly, the logistic regression did not identify any variables in the ranking that significantly influences achievement of targets.

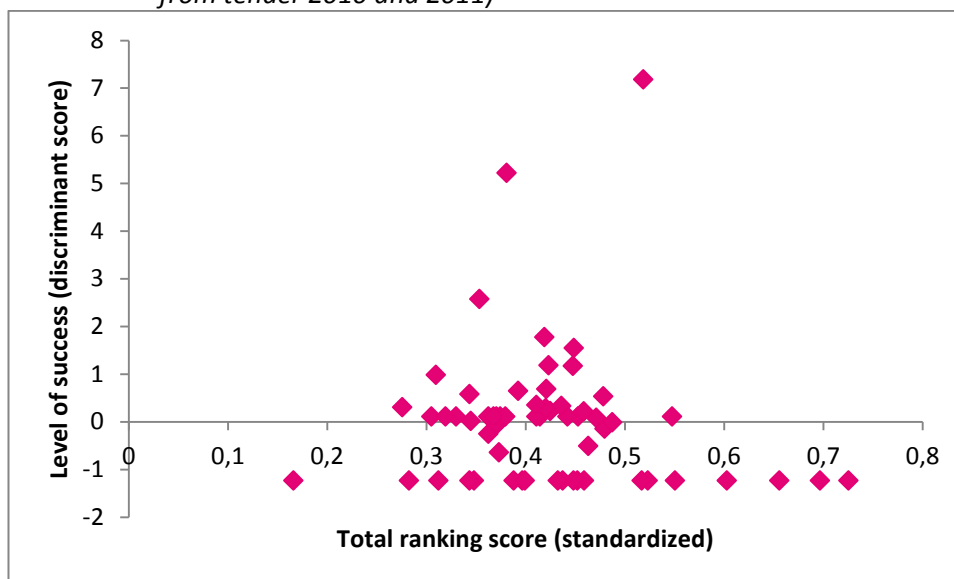
Discriminant analysis

Discriminant analysis is another way to analyse the predictability of success. This type of analysis has the additional advantage of being able to construct a continuous indicator of success from the resulting coefficients. This analysis used goal achievement (i.e. difference between target proposed and target achieved relative to target proposed) with regard to employment, training and sales as predictors of success (projects being finalized or stopped). Other achievement indicators, like female employment, outgrowers, subcontractors and follow-up investments, have too few observations to allow for a reliable analysis. In total 372 out of 721 finalized and stopped PSOM/PSI projects have information on all three key indicators. The resulting scale can take any value, positive or negative.

Figure 5-9 plots the total ranking score against the resulting discriminant score, as an indicator of success. The total ranking score is the weighted sum of the scores that applicants get on several items (see par. 3.2). While one would expect that projects with a higher ranking score would also have a higher success score, Figure 5-9 does not show such a pattern. There are projects that have a total ranking score of 0,6 or higher who did not realise the targets as proposed. The majority of the projects that did meet their targets have a total score between 0,3 and 0,5, which is certainly not the highest score possible.

¹³² Achieved is defined as target proposed \leq target realized. The targets are employment, training, sales, females, outgrowers, subcontractors and follow-up investments.

Figure 5-9: Scatterplot discriminant score vs. total score ranking (n = 59 projects from tender 2010 and 2011)



Source: monitoring data, analysis APE

Hence, whether a project comes to full completion (finalized rather than stopped) or reaches its targets (or the majority of them) cannot be predicted on the basis of the ranking score at application. This is not surprising given that the application is a snapshot, aimed at obtaining a subsidy, and after application the indicators can easily change. Moreover, there are many external factors, not included in the scoring, that affect whether or not a project achieves its targets.

On the other hand, proposals are assessed on the basis of their expected viability, and the ranking scores are presumed to indicate the project's potential success. The absence of a (statistical) relationship between the ranking scores and the eventual success shows that these scores lack predictive power. The analysis based on correlations in the previous section suggests that some of the item scores may be better predictors than the weighted sum across these items.

5.2.5 Conclusions on goal achievement

The following table provides an overview of the projects that achieved its separate targets, as monitored by RVO.¹³³ There are several possibilities (e.g. all or part of the targets reached, or accomplishment on each category of targets separately), though each of them has implications for the sample size as the monitoring by RVO has been adapted over time and not all targets are available for all projects.

¹³³ Achieved is defined as target proposed \leq target realized.

Table 5-8 shows the number of finalized projects that achieved their target, per programme, sector and region (see also Table 5-1). As the monitoring data is incomplete, goal achievement is only reported for finalized projects for which information, both on target proposed and target realized, is available. The extent to which achievement rates are different for projects with unknown data is of course unclear. Likewise, it is unclear whether the outcomes in Table 5-8 are biased.

Table 5-8. Goal achievement, total finalized project is 428¹³⁴

	Employment	Training	Outgrowers	Sales	Follow-up investment
PSOM	152 (238)	140 (226)	6 (9)	90 (173)	57 (146)
PSI	69 (92)	68 ((89)	25 (28)	49 (84)	13 (38)
Total	221 (330)	208 (315)	31 (37)	139 (257)	70 (184)
<i>Sector</i>					
Agriculture	128 (200)	121 (192)	27 (33)	83 (157)	50 (122)
Industry	66 (94)	62 (89)	4 (4)	43 (73)	16 (44)
Services	27 (35)	25 (34)	-	13 (29)	4 (16)
<i>Region</i>					
Africa	85 (135)	85 (129)	16 (18)	58 (116)	33 (85)
Asia	68 (106)	62 (100)	8 (8)	39 (68)	15 (54)
Central and Eastern Europe	18(22)	17 (21)	1 (2)	11 (18)	3 (7)
Latin America	35 (47)	29 (43)	4 (5)	21 (36)	16 (29)
MENA	15 (20)	15 (20)	2 (4)	10 (20)	3 (9)

Overall, two thirds or more of the finalized projects achieved their targets on employment, training, or outgrowers. Finalized projects have a lower goal achievement rate on sales and follow-up investments. In short, the projects are more successful in reaching development goals than in achieving business targets.

¹³⁴ Percentage goal achievement for a particular target is defined as the number of finalized projects that had a higher target realized than their target proposed as a share of all finalized projects with information, both proposed and realized, on that particular target. For instance, 128 projects in the agricultural had a higher number of jobs created than they proposed. Both employment proposed and employment realized is registered for 201 agricultural projects. Therefore, the percentage goal achievement is 64%.

5.3 Contribution PSI/PSOM

5.3.1 Introduction

In this Section we investigate to what extent PSOM/PSI grants have contributed to the goals achievement rates discussed in the previous Section. The evaluation matrix for the evaluation of PSOM/PSI 1999-2014 refers to the question of *attribution* of the observed changes to the intervention. However, as noted above, given the multitude of external factors that affect the outcome of PSOM/PSI projects, it is hard to determine the exact attribution of desired changes to PSOM/PSI. This is particularly so because there is no baseline for new projects and it is virtually impossible to construct a counterfactual for the PSOM/PSI projects, i.e. find innovative projects/companies that have the same characteristics (firm-level, sector and market), but did not use the support of PSOM/PSI. Therefore, it is more appropriate to refer to the contribution or influence of PSOM/PSI to the outcomes of the projects supported.¹³⁵

In this evaluation, an attempt is made to establish the contribution of PSOM/PSI in two ways (methodologies are described in chapter 1.3):

1. Qualitative evaluation based on country case studies
2. Quantitative evaluation based on RVO monitoring data

The rationale is that the qualitative information complements the statistical analysis, by providing more in-depth insights into the way in which PSOM/PSI contributed to the goal achievements. Moreover, the qualitative analysis could be used to validate the findings of the quantitative analysis. As will be discussed here below, the quantitative analysis is, however, limited, so that the evaluation relies mostly on the qualitative analysis for drawing conclusions on the contribution of PSOM/PSI.

5.3.2 Quantitative data analysis on PSOM/PSI contribution

As discussed above, most information is available for the targets achieved with regard to the key indicators employment, training and sales, as these data were collected throughout the PSOM/PSI evaluation period. Different contribution models have been used to determine what caused changes in these outcome variables.¹³⁶ Possible determinants of these key indicators were:¹³⁷

¹³⁵ i.e. PSOM/PSI is said to have had an influence on the project, without deriving this through comparison with other similar projects

¹³⁶ i.e. these three indicators are the dependent variables in the models described in the subsequent paragraphs. The logarithm of sales realized are used in order to normalize the error terms.

- Committed subsidy for hardware and training (variations),
- Sector (industry, agriculture, services),
- Regions (Africa, Asia, Latin America, Central and Eastern Europe, Middle East and North Africa),
- Specific tenders¹³⁸

Only for PSI projects is it possible to distinguish between subsidy committed for hardware and for training (as proposed in the application form). With only 100 finalised PSI projects with information on goal achievement, it was not possible to maintain this distinction in the modelling because 100 projects is too small a sample to reliably establish the contributory effect of a PSOM/PSI grant.

In the analysis we include an indicator for probability of being selected¹³⁹ in order to take account of selection bias. Selection bias may be present if, for instance, projects are selected on the basis of proposed targets. In that case proposed targets cause projects to be awarded a grant, instead of the grant contributing to target achievement. To correct for such ‘built-in’ effects we include an estimate of the probability to be selected.

The results are summarized in Table 5-9 (the full result tables can be found in Annex V). The PSOM/PSI subsidy significantly contributes to the achievement of the employment target. This effect is robust against different ways of modelling. This outcome implies that if PSOM/PSI committed subsidy is raised by ten percent (say from € 550.000 to € 605.000), the number of jobs created at the end of the project is increased by almost 4, keeping other things equal. A higher subsidy also translates into more sales, albeit at a lower level of confidence: 10% more subsidy means 5.3% more sales. PSOM/PSI is not associated with more training, as shown by the high P-value of the coefficient estimate.¹⁴⁰

¹³⁷ An agricultural project in Africa selected in 2009 is the reference project, described by the intercept.

¹³⁸ Dummy variables for tenders up to 2012. No dummies for 2013 and 2014 are included because there are no finalized projects from these tenders yet.

¹³⁹ Constructed for PSOM and PSI projects by regressing a dummy for selection on dummies for sector, region and tender. Financial indicators were not included as this would lower the sample size by too much.

¹⁴⁰ As a reminder: this analysis assesses the effect of a change in the size of the subsidy (rather than with or without subsidy).

Table 5-9. Summary statistical analysis impact PSOM/PSI

Committed subsidy impact on:	Coefficient	P-value	N	R ²
Employment	39,31**	0,02	332	0,131
Training	-37,80	0,82	327	0,127
Sales (log)	0,53*	0,10	264	0,142

**significant at a 5% confidence level; * significant at a 10% confidence level.

From the case studies emerge indications that this result might be because the partners responsible for the projects have more influence on the employment and sales targets than on training targets. Actually, there are examples of projects in which the PSOMPSI targets were said to have been an incentive to maintain staff members through periods of crisis. For example, in some projects in Sierra Leone during the Ebola crisis, project implementation was on hold, but staff was retained given the targets (albeit with adapted contracts and reduced wages). However, the case studies also identified projects where maintaining the employment target was commercially not optimal, in which case employment was reduced shortly after the ending of the project (e.g. IT company in Bosnia Herzegovina).

This reasoning implies that PSOM/PSI would have a significant influence on training as well, as this target might be even more in the hands of the project management (more flexible and short term than employment is). On the other hand, employment and sales are closer linked to programme implementation and will vary with the size of the projects, while training is relatively cheap and a less inherent part of production.

5.3.3 Case study results on PSOM/PSI contribution

The case studies, which include document review, interviews with applicants and local partners, and company observations, were used to reconstruct the PSOM/PSI contribution for a representative sample of 49 projects. Box 3 in chapter 1.2.4 describes the way in which contribution was assessed in this evaluation. In short, a distinction was made between

- a) *minimal* contribution, whereby PSOM/PSI is one of *many* factors contributing to the success of the project (merely through the financial contribution); or
- b) *decisive* contribution, whereby PSOM/PSI is considered by the project partners to be one of the *main* factors, going beyond the mere financial support, including less tangible contributions such as risk-reduction, catalyst role and positive effects of the international partnering that are all non-financial components of the programme.

In sum, as depicted in Table 5-10 , PSOM/PSI has had a decisive contribution to the projects in 19 out of 49 of the cases. In these cases, the conclusion of the case studies is that PSOM/PSI had a decisive influence on the project, and was of signif-

icant importance for its outcomes (without PSOM/PSI the outcome might have been markedly different).¹⁴¹ In 28 out of 49 cases PSOM/PSI was thought to have contributed, at least through its financial contribution, but there were other, much more important factors that determined the outcomes of the projects.

Table 5-10: *Summary of PSOM/PSI contribution*

	Bangladesh	Bosnia- Herzegovina	Peru (9)	Sierra Leone	Egypt	Uganda	Total
PSOM/PSI one of many factors contributing	5	1	8	6	2	6	28
PSOM/PSI one of the main factors contributing	3	6	1	2	6	1	19
Too early to tell		1				1	2

From the case studies follows that the contribution of PSOM/PSI to projects happened through (Box 12 provides some examples):

Financial support for hardware and training: In principle, all companies would benefit from a substantial subsidy as provided through the PSOM/PSI programme. The amount of subsidy ranges between 50% and 60% of the total project budget.¹⁴² Though for some companies this grant support is more important than for others that might have been able to access funding through other sources, it is for all companies rare to receive such financial support for free.¹⁴³ As such, PSOM/PSI is considered to in principle always be one of the (many) factors contributing the projects' outcomes.

With PSOM/PSI it is possible to obtain the hardware for the project from the applicant. Because of the difficulty of following the money in PSOM/PSI projects, it is unclear whether this contribution is always matched with own contributions. Moreover, as noted above, there are cases in which the investments in hardware seem to have been excessive compared to true need, and driven by the subsidy available.

In principle, PSOM/PSI allows partners to spend more on training than would otherwise have been the case. There is evidence that such training has benefited, for

¹⁴¹ This does not imply that this influence is necessarily additional, i.e. could not have been achieved through other means.

¹⁴² RVO monitoring data

¹⁴³ This point links to the evaluation of additionality, as discussed in chapter 3.6.

example, farmers engaged as outgrowers. Employees of projects have also benefited from more training than usual (e.g. with regard to health). At a management level, there are examples of spending funds for travel between the country of the applicant and the country where the project is located (e.g. technicians that provide training on hardware visiting more often and for longer periods of time). While those who manage the projects state this kind of training has been very useful, it is hard to determine with certainty to what extent such extra training is more effective than what would have otherwise been provided.

Risk reduction: PSOM/PSI was also said to have been important because the subsidy allowed the project to overcome high initial investment costs and thus start up a risky, innovative project quicker and bolder than would have been otherwise possible. In particular the applicants noted that the subsidy of PSOM/PSI allowed them to accept the risk associated with the project or country-context. For local partners, an additional benefit was the way in which the international partnership had a positive effect on the reputation of the project and thus the local partner.¹⁴⁴ Once the PSOM/PSI project had taken off, interest in follow-up investment could be generated, including from local sources.

Knowledge transfer: Not all the transfer of knowledge occurs through the training component of the PSOM/PSI subsidy. The international partnership, which is part of the design of the PSOM/PSI programme, in itself can stimulate the transfer of knowledge, technology and innovation through working together and using joint systems and production methods. Several local partners called it a 'Dutch way of working' that was transferred through the partnership and was thought to have contributed to the success of the project (e.g. anti-corruption, more participatory management styles). There are other examples where the partnership has led to improved management standards and professionalization of local businesses. On the other hand, local partners provide the applicants (Dutch or otherwise) with crucial information and knowledge as well (e.g. on context-appropriate management styles, access to local networks, knowledge of business environment). This is an indirect contribution of PSOM/PSI, which is not directly linked to the subsidy, but facilitated by the requirement of establishing a longer term international partnership.

Indeed, the idea that local companies in PSOM/PSI target countries benefit from a joint venture with international (non-PSOM/PSI) countries through knowledge transfer is an implicit part of the PSOM/PSI philosophy¹⁴⁵. However, this is certain-

¹⁴⁴ Several projects actively promote this international character or the association with the country of the applicant (e.g. use of flags, in logos)

¹⁴⁵ For example see: PSOM tender documents 1999-2008 and PSI Government Gazette 2009-2014

ly not applicable to all local entrepreneurs and in all PSOM/PSI countries. In a middle-income country with relatively high education levels as Peru, the local entrepreneurs certainly do not lack access to up-to-date knowledge and technology. There are also examples where the applicant plays a very minimal role, which would by nature also limit knowledge transfer either way. Moreover, if there is a lack of knowledge, this could potentially be accessed through other sources (e.g. consultants, courses, acquisition, suppliers of hardware). For example, one of the joint ventures in Egypt made use of the PUM programme.

Additional support from the Netherlands: Some of the projects have received crucial support from Dutch embassies, even projects that did not have any connection with the Netherlands apart from being subsidized by PSOM/PSI (non-Dutch applicant and local partner). Some embassies supported the projects, e.g., in official business affairs (e.g. approval for land acquisition). In one case the embassy actually provided the idea with which the original project plan could be transformed into a successful one after it had run into problems (see box 9).

Though it is not always directly attributable to PSOM/PSI, several of the projects have been supported by other Dutch actors as well. For example, Dutch NGO Wilde Ganzen has supported a project in Bangladesh with community outreach (in kind and financially). Furthermore, a few projects have benefited from the services of PUM, Netherlands Senior Experts programme, which provides technical assistance in management. There is also an example whereby a project cooperates with the Dutch university, Wageningen (WUR).

Box 12: Example of contribution PSOM/PSI

Industrial production, Bosnia Herzegovina

The applicant was working in China, and wanted to relocate to Eastern Europe. The PSOM/PSI subsidy was instrumental to the decision to move operations to Bosnia-Herzegovina and not to another, non-PSI, country (e.g. Poland or Check Republic). Bosnia-Herzegovina was thought to be riskier than the other countries, but the PSI grant compensated for this. This joint venture allowed the local partner to expand its market.

Industry, Sierra Leone

The applicant of this project worked with a local partner who had lived in the Netherlands before. Together they set up a joint venture (with a long-term loan from the applicant to the local partner), supported by PSOM/PSI. According to the local partner, the joint venture and close working relationship that this implied led to a new way of working, e.g. with regard to the relationship with workers, stance against corruption and the 'step-by-step' approach (rather than quick wins). This was actively disseminated by the local partner, e.g. through university lectures, within the business community and through interns. So apart from the training required to operate the business (including retraining of personnel), the joint venture – supported by PSOM/PSI - was thought to have contributed to more significant knowledge transfer. Without PSOM/PSI, less collaboration might have resulted in less of such transfer.

5.4 Effectiveness: combining success and contribution

As discussed, goal achievement and commercial success of PSOM/PSI projects have to be combined with a significant contribution of PSOM/PSI for PSOM/PSI to be considered a truly effective subsidy programme. In the longer run, impact and sustainability are additional requirements for the effectiveness of the programme.

RVO collects monitoring information on goal achievement and commercial success (targets and 'finalised projects still active'). However, the availability of monitoring data differs strongly between the indicators. For employment 67% of finalised project for which data was reported reached the target, for sales 54% of projects reached the target, and for training 87%. For other indicators data was reported for less than 100 projects. More generally, given the situation that monitoring data on goal achievement is only available for about half of the finalised projects the question arises how representative this data is.

Despite their shortcomings these monitoring data were used to analyse the effect of the subsidy on the employment, sales and knowledge transfer targets. The PSOM/PSI subsidy appears to significantly contribute to the achievement of the employment target. A higher subsidy also translates into more sales, albeit at a

lower level of confidence. PSOM/PSI subsidies are not found to be associated with more training.

This evaluation was intended to evaluate whether PSOM/PSI was an effective programme, which requires the PSOM/PSI support to have in some way contributed to the successful continuation of the projects. Moreover, an additional requirement for an effective subsidy programme is that the financial support is additional, i.e. that the projects would not have happened at the same scale without this support (the assessment of ex ante additionality is discussed in chapter 3).

Box 13: Defining success

RVO monitoring of projects =

% of goals achieved (monitoring data)

% of subsidy disbursed (financial information)

‘Finalised still active’ in the longer term (spin-off survey)

Effectiveness of PSOM/PSI programme =

Operational business + Significant contribution PSOM/PSI

(case studies and quantitative analysis limited by data availability)

Market and sector impact + sustainability in the longer term (not assessed per project in this evaluation)

Therefore, to evaluate the effectiveness of PSOM/PSI as a programme, and to answer these extra questions of additionality and contribution, this evaluation relied on case studies, assessing 49 projects in 6 different countries, with projects starting in 2000 and some running until 2017. As described in Section 5.3.2, statistical analysis was also used to assess the contributory effect of PSOM/PSI, which could be determined for employment and sales, though not for training.

What do the case studies tell us in this regard (see Annex VII for an overview of projects)?

4. Firstly, 33 of 49 projects visited were operational businesses. In five cases it was too early to tell. However, this 75% (33/44) cannot be compared with RVO monitoring information on goal achievement because of a bias in the sample as operational businesses can be visited, while non-performing projects are by nature less accessible.

5. Secondly, in 18 out of all the 44¹⁴⁶ projects (41%) evaluators concluded based on interviews with applicants, project partners, file review and company visits that the PSOM/PSI programme played a crucial role in the resulting company (i.e. decisive contribution without which the outcome of the project might well have been different). In the remainder of the projects visited, PSOM/PSI was seen to have been only one of many factors contributing (at least by providing a grant), but this support was considered to not have been decisive for its achievements.¹⁴⁷
6. Finally, if we then combine this information, out of the 49 projects visited, 17 projects that were operational businesses, received a contribution from the PSOM/PSI programme that was considered to be decisive - 5 projects started too recent to assess (39% or 17/44).¹⁴⁸

The effectiveness of PSOM/PSI depends on the ability of RVO to select the right projects to invest in or to collaborate with, i.e. those that have the potential to be commercially successful **and** for which PSOM/PSI can make a difference (ex-ante additionality as well as decisive contribution). For example, in a country like Peru, it is relatively easier to identify potentially successful entrepreneurs (given skills level and market development), but more difficult for PSOM/PSI to make a decisive contribution. In this context a subordinate loan might have been more effective (both with regard to additionality and significance of contribution). In Sierra Leone, on the other hand, it is much more difficult to facilitate a successful business (given skills and market development and country-specific risks), but PSOM/PSI will more likely be a decisive factor in the achievements of the projects. In such contexts, the PSOM/PSI grants seemed to have more potential for effect (albeit if adapted to the size of the companies as the Uganda case shows). A more tailor-made programme (with regard to what is offered) might have been more appropriate given the variety of country contexts.

¹⁴⁶ For ease of reading we exclude the 5 cases in which it was too early to tell whether a company was operational or not, though that does not necessarily exclude an assessment of the contribution (which can be made at very early stages).

¹⁴⁷ See box 3 for the assessment of contribution as either decisive (main factor, going beyond the financial contribution) or minimal (one of many factors, merely a financial contribution) for the achievement of results.

¹⁴⁸ If you would subtract from the 49 project those considered not to be ex ante additional (see chapter 3 on relevance), 14 projects would be left that are operational and to which PSOM/PSI made a significant contribution (32% or 14/44).

Table 5-11: PSOM/PSUI contribution

	Business status		Total
	Operational	Not-operational	
PSOM/PSI contribution	Decisive	17	1
	Not decisive	16	10
		33	11

Box 14: Significant but not additional contribution of PSOM/PSI

In case of a decisive, but not additional contribution of PSOM/PSI, case studies indicate that there has been a decisive influence of the PSOM/PSI programme on the project. However, with regard to financial resources, risk or knowledge (i.e. aspects in which PSOM/PSI is to add extra value or be additional), the partners could have done without PSOM/PSI. This results in the rare combination (3 cases) of a decisive contribution that was nevertheless not additional (ex-ante).

Industry, Sierra Leone

In this case, PSOM/PSI is thought to have significantly contributed to capacity development in Sierra Leone, even though the project itself would probably have happened at a similar scale and pace without PSOM/PSI. Because without PSOM/PSI there is a reasonable chance that the partnership between the applicant and the local partner might have been a different, e.g. a less reliant and close partnership, which would have led to less knowledge transfer (beyond the PSOM/PSI training) and cooperation between partners. As such, PSOM/PSI provided a decisive contribution (i.e. more than other factors and beyond the financial contribution), even though it is considered not ex ante additional.

6 Impact

As listed in the evaluation matrix, the impact of the programme includes:

- Impact of PSOM/PSI on:
 - Corporate social responsibility policies as applied by the project, including capacitating employees and good working conditions (with special attention to gender),
 - Sector (value chain) and market (country) development in the country of implementation.

Moreover, sustainability was also included among the evaluation topics, measured by:

- continuation of completed projects and assessment of the economic viability of ongoing projects,
- factors ensuring the economic viability of the projects on the long run.

This chapter describes, based on the country case studies, the projects' possible impact on CSR policies and practices, especially conditions (6.1). This part of the evaluation is based on company visits and interviews with local partners and applicants, as well as group interviews with employees. The chapter subsequently discusses the effects of PSOM/PSI projects on the wider environment, meaning beyond the project itself. This includes the sector (value chain) and the market (country), as described in 6.2. Sustainability is described in 6.3.

6.1 CSR, including working conditions

With regard to corporate social responsibility (CSR) in general, the main conclusion from the case studies is that the role of PSOM/PSI (directly through selection criteria and targets in this area, or indirectly through knowledge transfer in the partnerships) is limited. This is partly due to the design of the programme, in which attention to CSR is one of the selection criteria. As a result, PSOM/PSI works with entrepreneurs that already take CSR into account (e.g. applicants have CSR policies or are at least positively disposed to CSR). Furthermore, the case studies reveal that longer-term attention to CSR is strongly driven by the market, i.e. the demands of the customer of the PSOM/PSI projects, rather than by PSOM/PSI. This is particularly true for companies exporting agricultural produce. These are

nearly always subjected to some sort of certification incorporating CSR (no child labour, decent work condition, sometimes organic production or fair trade. So though PSOM/PSI might provide financial means for certification, the fact that the company complies with the regulations for such certification is regardless of PSOM/PSI.

Nevertheless, the case studies found some examples where influence of PSOM/PSI on applying CSR policies was noted. PSOM/PSI had strong influence on CSR in only 4 out of 49 projects, and 'some' influence in 19 out of 49 (see Table 6-1). Such influence ranges from companies discussing CSR amongst the partners (including some transfer of knowledge), to an agricultural project in Sierra Leone that does no longer accept child labour from communities 'because we are not allowed by PSOM/PSI' (however this company was already committed to CSR from the start). Strong influence happens in cases where PSOM/PSI seemed to have been a driving factor for CSR e.g. in some cases organic produce was a requirement for PSOM/PSI support, in others PSOM/PSI financial support was used for certification of products or other community-related activities (e.g. training facilities used by the community).

Working conditions garnished most attention, including employment for female employees, and community involvement. In almost all cases RVO included conditions with regard to wages. For example wages needed to be a specified percentage above the minimum wage. Much less attention was given to CSR in the area of environmental or ecological impact.

The spin-off survey, conducted by RVO (2015) also addressed CSR. The CSR component of the spin-off analysis mostly focusses on certification and chain responsibility. Companies have certification for quality¹⁴⁹ (46%), environmental safety¹⁵⁰ (27%) and social responsibility¹⁵¹ (14%). The spin-off survey confirms the findings of the case studies that the need for certification seems to be driven by clients on export markets (rather than PSOM/PSI). As for chain responsibility, 20% of the respondents set CSR standards for their suppliers. These mostly concern prohibition of child labour or forced labour; environmental measures and certification. The report also lists a few challenges that were identified by the respondents: work safety; environmental protection; facilitating payments¹⁵². The country case stud-

¹⁴⁹ For example, HACCP, ISO 9001 and ISO 22000.

¹⁵⁰ For example, organic, Global Gap, ISO 14000 and MPS.

¹⁵¹ For example, Fair Trade, ETI and SA 8000.

¹⁵² Facilitating payments are defined as 'small payments that facilitate certain processes'. They are not considered as corruption (RVO 2016 PSI spin-off analysis).

ies confirmed lack of work safety and environmental protection during the company visits (see 6.1.1. on working conditions, including safety).

6.1.1 Working conditions

Working conditions in PSOM/PSI projects are in general equal or above what is common in the countries studied. In all but one case it was possible to conduct a group interview with employees without attendance of management, which is already a positive sign. In general, employees spoke out frankly and freely, both on positive and negative aspects of their employment with the PSOM/PSI project. Box 15 provides some interesting points from the group discussions in Sierra Leone, Bangladesh and Egypt.¹⁵³

In four cases working conditions seemed to be less than what is to be expected given the country context. In several projects, in particularly in the lower income countries, the evaluation team observed that safety measures were not strictly followed (e.g. use of protective gear). This is, however, common practice in many countries, which does not seem affected by a once-off grant such as PSOMPSI (e.g. requiring adaptations in regulation). In one case, those closely involved were of the opinion that the attention to CSR (requested by PSOM/PSI), in the form of training and involvement of outgrowers in the surrounding villages, actually negatively affected the commercial viability of the project due to the increased costs and limited commercial opportunities (e.g. bananas production in Peru).

¹⁵³ Peru and Bosnia Herzegovina were generally positive without particular points of attention.

Box 15. Some points of interest from worker interviews¹⁵⁴

Bangladesh

- According to the workers in all of the companies in the sample, salaries are well above the minimum wage ceiling. The salary and over-time payment cycle is considered to be regular. In general, the basic components of the country's labour laws are adhered to.
- However, in none of the companies visited was there trade union participation (either workers were not allowed to join or discouraged or unaware of the possibilities), even in a factory size of over 2000 workers. Workers' Participation and/or Welfare committees did exist in 3 of the 8 cases. In general, workers were not aware of workers' rights issues.

Egypt

- According to the workers there was no discrimination. However, with regard to women employment, women's ability to work or perform certain tasks and shifts was repeatedly said to be restricted due to stated cultural, religious or customary rules. No special measures were taken to expand such boundaries to improve women's employment opportunities.
- In one group interview the workers felt the local company was trying to replicate the sister Dutch company, not only in the technology used but also in the work conditions. Two companies (of the 8) supported schools in the area to serve staff and people (often temporary workers) in the neighborhood.

Sierra Leone

- In at least two cases, the workers voiced concerns about their working conditions (e.g. lack of contracts and limited availability of safety measures). Compensations for injuries and accidents at work varied a great deal between the different cases (with several examples of no compensation and lack of insurance cover). Observations revealed that protective gear was often missing or not being used.
- The Ebola crisis obviously also impacted on working conditions and workers-management relations. In several cases, the crisis was weathered by (temporarily) reducing staff and salaries. For example, in one of the projects staff was called to a meeting to choose between either terminating contracts or accept temporary halving of monthly salaries. After two months, the company repaid the missing half and provided a bonus for the hard work during the Ebola emergency response.

¹⁵⁴ Because of the varying nature of the companies visited (various sectors, technologies, sizes, countries), it is not possible to synthesis the findings of the workers' group discussions. The findings are incorporated in the evaluation of corporate social responsibility and some of the most interesting points are summarized in this box.

6.1.2 Community involvement

Several visited projects were involved in community development practices in the direct vicinity of the businesses (e.g. supporting health centers, setting up charities, offering new employment opportunities). There are examples of the PSOM/PSI grant being used to build communal training centers, however, in most of these cases such activities were financed from own resources and already integral part of the business practices of the local partners. They were therefore not necessarily a result of PSOM/PSI support.¹⁵⁵

Table 6-1. PSOM/PSI impact on CSR

CSR	B	BiH	P (9)	SL	E	U ¹⁵⁶	Total
Little evidence of CSR		1	3	3	2	1	10
CSR, but no influence	1	2	5	1	2	3	14
PSOM/PSI							
CSR, some influence by PSOM/PSI	6	5		4	3	1	19
PSOM/PSI							
CSR, strong influence PSOM/PSI	1		1		1	1	4

6.1.3 Gender

It is striking how little attention there has been for gender in the PSOM/PSI programme. Gender has, for example, for a long time not been an important issue in the application process (e.g. scoring). With the launching of PSI targets for female employment were set, albeit with limited weight.

None of the 49 cases studied have female applicants or local partners. Only in two cases was the interview conducted with a female project manager.

The case studies reveal that an explicit target with regard to female employment (at management levels) might result in increase in the number of female employees (at least during project duration). However, such targets were often seen as a target to comply with to be eligible for PSOM/PSI grant and were not necessarily sustained after the grant period. In one case, however, project managers claimed

¹⁵⁵ Given the fungibility of PSOM/PSI support (i.e. it shifts expenditure from the recipient towards areas that are not funded), it is difficult to assess whether this own contribution is nevertheless linked to PSOM/PSI. However, often local partners would also engage with the community in their other businesses or declared that community involvement was part of necessary business operations, in which case the link with PSOM/PSI was considered less strong.

¹⁵⁶ Uganda misses two observations because in those cases it was considered too early to determine the influence of PSOM/PSI on CSR.

that hiring women to comply with PSOM/PSI targets made them aware of the benefits thereof.

As such, following the DCED, PSOM/PSI can be considered a 'gender aware' programme (i.e. disaggregating data) but definitely not yet 'gender mainstreamed' (i.e. explicitly benefiting men and women) or 'women targeted'.¹⁵⁷ The focus of PSOM/PSI is on the target (i.e. number of women), rather than on policies and practices required to employ and retain women and improve decent working conditions. Often project managers referred to the limited opportunities for women to be employed (e.g. due to cultural norms, safety, conventional male/female job categories) in their sector or country, instead of actively addressing barriers to female employment in the PSOM/PSI supported projects (e.g. through transport, child support, training and sensitization).

6.2 Impact on market and sector development

The terms of reference for this evaluation requested evidence of the extent to which PSOM/PSI worked as a catalyst to develop a market¹⁵⁸ or a sector¹⁵⁹ in the country, beyond the direct effect on the supported project and company. Measuring such development impacts is beyond the scope of this evaluation. This would have required an in-depth study and analysis of suppliers, clients and competitors of the PSOM/PSI projects. Moreover, such impacts are expected to occur long after the PSOM/PSI grant period has expired, while projects visited were most often ongoing or recently finalised. For example, in some cases there were potential (temporary) negative welfare effects due to substitution of smallholder farmers for larger commercial enterprises (e.g. poultry, pigs). The ultimate effect can only be assessed in the longer run and with a broader evaluation perspective.

The country studies revealed that to date 18 out of 49 projects had some effect on the sector performance (in particularly by working with of outgrowers and local suppliers). Four projects provided evidence of some impact on the market at large, mainly through import substitutions for some goods (eggs, herbs, textile), but also by offering consumers a more reliable or safer energy source (gas rather than coal).¹⁶⁰

¹⁵⁷ Market, 2014, Guidelines for measuring Women's Economic Empowerment in Private Sector Development http://www.enterprise-development.org/wp-content/uploads/Measuring_Womens_Economic_Empowerment_Guidance.pdf

¹⁵⁸ Links with suppliers, clients

¹⁵⁹ Import substitution, technology and innovative products for use in local market

¹⁶⁰ Note the difference with chapter 3.4.3 on relevance, which described the extent to which PSOM/PSI projects are rightly supported given their potential development impact. Out of 49 projects, 39 were thought to have a *potential* impact on the sector (in

The ultimate impact on the local sector and market will among others depend on whether the PSOM/PSI project is actually serving the local market or focused on exporting. Several cases were identified where the local company was just a production unit for the applicant, often being the sole client. This certainly limits the external effects of the PSOM/PSI project in a country. All in all, 13 out of 49 projects were directed solely at exports. Those projects would by nature have less effect on market development, but can still have a sectoral impact (e.g. suppliers) over time.

Local production and import substitution are not necessarily positive developments. The impact of supported projects will depend on the efficiency of production and the ability to maintain competitiveness over foreign products. In several cases, cheaper imports proved to be a significant barrier to longer term commercial success (e.g. eggs in Sierra Leone, pork in Bosnia). The extent to which PSOM/PSI projects gain a competitive advantage over others in the country also matters for the sectoral impact (as discussed in 3.6). Again, evaluating the ultimate impact would require an evaluation after a longer period of time and with a wider perspective (e.g. including all competitors).

Box 16: Impact pilots and PSD apps

PSOM/PSI focusses on project-level interventions. Wider sector developments are mainly influenced indirectly via the project. One of the conclusions of the 2008 evaluation was that the programme could do more to contribute to sector effects that encompass the individual project level. The evaluation recommended involving local stakeholders, embassies, and other private sector organisations. As a result of these recommendations RVO launched several ‘impact pilots’ in 2011. These pilots were aimed at improving the business climate in target countries. They were not evaluated during this evaluation. The business environment activities now fall under *PSD Apps*, a RVO programme aimed at supporting embassies with their business environment activities.

6.3 Impact on applicants

The effect on the applicants, in particular those in the Netherlands, could not be assessed within the scope of this evaluation. In general, it is safe to assume that the applicant (irrespective of their nationality) applied for PSOM/PSI only if they

particular through outgrowers), while 19 out of 49 projects could *potentially* have an impact on the broader market (e.g. import substitution).

were convinced of the business case of the project, which implies there is an expected benefit for the applicants. The expected benefits identified are (i) direct financial return on (financial) investments made in the local companies (increase in share value) (ii) news sales opportunities for the applicant (e.g. seed potatoes exported from the Netherlands), or (iii) secured supplies of cheap products (e.g. herbs, onions, furniture exported the Netherlands). In a few cases, explicit altruistic motives were stated as reasons for applicant's involvement (e.g. piggery in Bosnia Herzegovina, poultry in Sierra Leone).

The RVO survey among successful projects demonstrated that over half of the responding applicants experienced additional positive effects of PSOM/PSI on their initial business (in the Netherlands). These include increases in turnover (50%), stronger market position (39%) and increased range of products/markets (31%).

6.4 Sustainability

In the terms of reference for this evaluation, sustainability related to the continuation of the projects after the PSOM/PSI grant period. RVO monitoring information, including the spin-off survey recently conducted, was expected to provide evidence about the continuation of completed projects. It was, however, not possible to conduct statistical analysis of those projects to determine what factors determine the economic viability of the projects on the long run (this would have required information from a counterfactual group to control for external factors influencing longer-term success).

The RVOs spin-off survey revealed that 75% of the respondents continued to invest in their joint venture after successful completion of the PSI grant. The average follow-up investment amounted to € 1,000,000 per project. Most often, (74%), resources from one of the partners or cash-flow from the joint venture were used for the investment as opposed to external funds. For the survey sample each 1 euro of PSI subsidy has had a leverage of 2.7 euros of additional capital, including the initial investments of the project partners.¹⁶¹ No such number are known for the total all PSI projects combined nor for PSOM projects.

For PSOM/PSI to have a lasting impact, the grant must be converted into equity for the joint venture and as such provide a longer term financial structure (rather than merely serving shorter term expenditures). However, the assessment of this potential longer term impact of PSOM/PSI is hindered because of the lack of a proper audit trail in PSOM/PSI project (tracking the PSOM/PSI grant once it has

¹⁶¹ RVO 2016 PSI Spin-off report

been transferred to the international applicant). Upon receipt of (advance) payments of grant funds the applicant subsequently transferred payments directly to the local implementing partner or to the joint venture, often together with some of its own investments, but without explicitly accounting properly for such transfers. Applicants tended not to request from local partners to show how funds transferred and received were recorded. As the applicant formally remains accountable for the grant funds until final grant amount has been defined, such accounting would might not seem problematic. In practice, however, clear audit trails cannot be made in the absence of proper recording procedures. For example, of the nine projects visited in Peru, only in two cases were management able (or willing) to clarify how PSOMPSI funds were recorded and and even then it was difficult to discern properly between PSOM/ PSI funds and other investments made.

As a result of the PSOM/PSI procedures, the ownership of the funds, and related assets, is difficult to determine. Technically, RVO remains de jure owner until it has determined the final subsidy amount and sent a letter to the applicant confirming that RVO has indeed granted the subsidy. Only at that moment can the applicant decide to pass on ownership of the funds (and assets procured with those funds) to the joint venture. At that moment, part of the funds could have been used for short term expenditures (e.g. project establishment costs, consultants) and not be traceable in financial reports. How grant funds have resulted in strengthening the financial structure of local company or joint venture could thus not be determined.

On first sight, country case studies indicate that after PSOM/PSI, it is business as usual. The companies that were economically viable during the PSOM/PSI period remain so afterwards, obviously depending on all external factors that determine company success (e.g. economic developments, political and other crisis such as Ebola and the Egyptian revolution). Similarly, attention to CSR continues, in particular if it was there before and if there is a clear business case (e.g. customers requiring certification).

Several companies, in particular in more difficult contexts such as Sierra Leone, do point out problems with financing of follow-up investments and further growth of the projects. Several entrepreneurs suggested a programme that would provide loans for successful PSOMPSI projects to finance further growth.

Box 17. Longer term sustainability of PSOM/PSI support

The evaluators had the benefit of reviewing some PSOM projects that had been completed long ago. Examples were Skretting in Egypt (PSOM 2000), EPEC Egypt (PSOM 2004), Sekem Lotus Egypt (PSOM 2005), all of which had hugely expanded through repeated rounds of reinvestment, now reaching sales some 10x the volume at PSOM spin-off. Likewise, there are examples of PSI projects in BiH that in fact follow from an earlier PSO project (e.g. Bema, Lockwood), which also show tremendous progress over the years.

What all of these have in common was a slow start and initial underperformance (compared to PSOM plan), later more than made good once the initial commercial and technical challenges have been overcome. This holds lessons for the recent PSI projects that somewhat lag behind: a slow start does not forbid successful operations and growth in the future. A second lesson is that a small number of successful PSOM/PSI projects due to their leverage can compensate for a larger number of failures.

6.5 Conclusions

The role of PSOM/PSI projects in promoting CSR is limited. CSR is often market driven which limits the scope for PSOM/PSI to contribute to CSR. In half of the cases studied there is some (19 cases) or strong (4 cases) influence of PSOM/PSI on CSR.

Certification and chain responsibility are found to be promoted by PSOM/PSI. Working conditions are mostly above the country's average but this is partly due to RVO's selection procedure.

PSI focuses on female employment in numbers but much less on policies and practices required to employ and retain women and improve decent working conditions.

To the extent that sectoral effects could be observed 18 out of 49 cases were found to have an effect on outgrowers and local suppliers. On the other hand, 13 out of 49 of the applicants were found to use the project to enhance their production capacity.

Ultimately, whether a business venture is commercially sustainable depends on the entrepreneurial skills of those who become the owners of the project, once the grant period is concluded. Several examples show that PSOM/PSI contributions have helped to launch a project that proved successful.

7

Lessons learned

This evaluation has shown that in many respects PSOM/PSI has been a relevant and effective programme. Several lessons can be learned that may be of value for current or future PSD programmes. This Chapter discusses those lessons and proposes five related recommendations.

7.1 International partnerships

From the case studies, we learn that most of the selected projects are innovative within context and commercially viable. 61% of the projects would not have been realised on the same scale without the financial contribution of PSOM/PSI. The subsidy contributes directly to employment through the newly established joint ventures. Moreover, in some cases and contexts these international partnerships are seen to have contributed to a type of ‘professionalization’ of the local business environment, for example by improving production processes, quality standards or management practices. While the subsidy is not large enough to distort markets, it has the potential to develop import substitution and thus strengthen the local economy (e.g. diversification). Similarly, quality improvements generated through the international partnerships enabled entrepreneurs to become more competitive internationally (e.g. packaging sector). As recognized by RVO programme managers, the interpersonal relationship between the applicants and the local partners seems to be an important determinant of longer term success of the joint ventures supported by PSOM/PSI.

Recommendation 1: To generate benefits to the local economy, international PSD programmes require **strong partnerships** between international and local stakeholders. In most cases these partnerships will exist before the subsidy (e.g. commercial and trade relations). Moreover, subsidies and grants for medium enterprises aimed at promoting the application of innovative technologies requires attention to the **local capacity** to absorb these innovations and thus professionalize (e.g. qualified and trained staff).

7.2 Adaptability

The six country case studies revealed that one programme design (e.g. tools, M&E, intervention logic, objectives and results) was used for PSOM/PSI in a very heterogeneous set of countries (e.g. regarding stability, income, entrepreneurship, business environment). Minor adaptations were made for the Arab region and fragile states (PSI Plus), and the local context was considered in the selection process and project management based on experience of RVO programme staff and information from embassies. Nevertheless, the PSOM/PSI programme approach provides all projects with the same funding model (grants), expecting the same type of results (albeit with different targets). The evaluation identified considerable differences in the business environments, the capacity of local entrepreneurs, the access to finance and country risks among PSOM/PSI countries, all of which require a more tailor-made approach. In Uganda, for example, local entrepreneurs could barely mobilize their share in the joint venture investment. In Peru, on the contrary, the use of grants seemed to have been unduly generous, thus limiting the relevance of the programme. This lack of flexibility regarding the type of support affected the additionality and relevance of the PSOM/PSI grants.

Recommendation 2: International programmes such as PSOM/PSI, that aim for results in rather distant environments, require an elaborate **context and problem analysis** to inform the programme design, including adjustments to changes in the context. When applied to such a heterogenous group of countries, a PSOM/PSI-like programme should have an **adaptive programme design** that responds to country and sector specific needs (e.g. including a suite of types of support, offering choice between subordinate loans and grants, including capacity development).

7.3 Gender

Before PSI, the programme did not pay particular attention to gender. With PSI an important step was taken to include the assessment of gender in the selection process and add targets for female employment. As discussed in the report, while this moved the programme towards being 'gender aware', it is still far off from being able to make a substantial difference for women. Indeed, the evaluation found that there were very few female entrepreneurs associated with the PSOM/PSI programme. Attention to female employment increased due to targets, but this did not lead to changes in the opportunities of women (including increased employment or greater opportunities for growth, changes in management or other ways of facilitating female workers). Often the context was used as an excuse not to make an extra effort.

Recommendation 3: A programme like PSOM/PSI has an important role to play in stimulating gender mainstreaming (i.e. ensuring benefits for both women and men) and perhaps even gender targeting (i.e. extra effort to include women). From a development perspective, and in line with the programme objectives, a more convincing focus on gender is desirable to achieve an inclusive PSD programme. This requires stimulating grantees to undertake real actions to promote female employment, regardless of the sector and country context, such as:¹⁶²

- a) Encourage company policies that facilitate women in the workforce and in management positions (e.g. flexible working hours, transport, safety measures);
- b) Encourage women as project partners (applicants or partners or otherwise involved), e.g. by increasing the weight in the selection process;
- c) Pay attention (leverage support, open dialogue) to issues that affect the position of women in the sectors in which the programme is active (e.g. land rights, access to credit, difficulties in connecting to the market).

7.4 Trade

The 'untying' of the PSOM/PSI subsidy from Dutch entrepreneurs may run against current practices, while at the time this change in the programme was recognised as a good practice and in line with international agreements to make aid more effective by reducing ties with donors' interests. Moreover, opening PSOM/PSI internationally also reduced the potential market disruption of the subsidy.

At the same time, fitting with the current Aid & Trade agenda, PSOM/PSI also provides sufficient cases in which the subsidy strengthened the position of the Dutch entrepreneurs abroad and enabled the internationalisation of Dutch medium-sized enterprises. The position of the local entrepreneur was strengthened as well as he got access to a subsidy that he could not have accessed otherwise.

This 'aid and trade' effect could have been stronger if PSOM/PSI would have been linked more closely to other (Dutch-funded) programmes in the same sectors, including private sector development and economic diplomacy instruments supported by Netherlands embassies. Although all embassies are contacted by RVO during the selection process, afterwards cooperation varies. Some embassies were very active in promoting PSOM/PSI and monitoring results (e.g. Egypt, Bosnia and Herzegovina), others were unaware of PSOM/PSI operations in the country. In all of the country case studies other donors were also involved with private sector development, but not in conjunction with each other (and thus not with PSOM/PSI either).

¹⁶² Several guidelines for gender mainstreaming exist (e.g. from UNIDO, World Bank, GTZ, EU).

Recommendation 4: Create stronger links between the different **Dutch** (private sector) development programmes, centrally managed or through the embassies. Where possible and relevant, link with the work of **other international actors** in the same field and sectors (e.g. other bilateral and multilateral donors, development banks) to divide labour and leverage results. In certain country context, more connection between the Dutch programme and **national government** might also be useful (e.g. using PSOM/PSI to leverage improvements in the business environment).

7.5 Boosting an enterprising culture

The evaluation of PSOM/PSI revealed that the programme has been administered as a subsidy programme for projects, rather than a subsidy programme for new companies being set up or expanded. Although entrepreneurs generally appreciated the rigour and discipline that PSOM/PSI imposed (e.g. in interaction between partners but also due to reporting requirements), there can at times also be friction between the entrepreneurial way of working and the design of the subsidy programme (e.g. regarding risk sharing and development targets). As a result, the evaluation noted that often consultants were used to translate the language of the programme to the entrepreneurs involved. Of course, some aspects of the PSOM/PSI reporting and funding approaches are inherent features of public sector programmes (e.g. results monitoring on different indicators than business would use), by nature distinguishable from, e.g. the approach of banks (who would, however, not have financed the same projects).

Recommendation 5: Similar programmes might be able to find more of a middle way between a business and a public sector approach to the management and administration of the programme. This requires certain capacities of staff and advisors, but might also have implications for risk sharing arrangements. Also, the use of consultants in different stages in PSOM/PSI-like programmes needs to be re-assessed to ensure such programmes remain demand-driven.

7.6 Monitoring and Evaluation

This evaluation is intended to learn about the PSOM/PSI experience for the improvement of future programmes, such as the Dutch Good Growth Fund. Such a results evaluation requires reliable information, whether qualitative or quantitative methods of analysis are used. Unfortunately, the data relating to PSOM/PSI were found to be incomplete. To some extent, this is due to the relatively long evaluation period, which covered intermittent changes in programme objectives and M&E data requirements. Such changes limited the benefit of having a long evaluation period over which longer term changes could be tracked. However,

there were also data gaps that resulted from difficulties within RVO to keep the records complete and up to date, in particular for the more recent projects. Furthermore, some key information for evaluating results and programme contribution had not been systematically collected. For example, consistent information on rating scores and the reasons for rejecting applicants would have enabled a more thorough quantitative investigation. At the level of grants, the focus on the supported joint venture as a project risks missing out information about the results of the programme (e.g. regarding the ownership, longer term sustainability of the PSOM/PSI project as an enterprise).

Recommendation 6: A sound M&E system is preferably built around the agreed **intervention logic** with results categories that are broad and solid enough to withstand some changes in the programme over time (e.g. indicators can be added, some definitions can be expanded if necessary). Not only the indicators linked to this intervention logic, but also the data collection tools should be firmly in place from the outset of the programme.

Monitoring indicators are to be defined and systematically collected at the levels of activities and **outputs**. However, the system should also provide for links with **outcomes** (e.g. through reporting by the grantees, maintaining links after projects have officially closed), which are to be used in evaluation of longer term impacts. In case of private sector development, monitoring (financial) **inputs** of different stakeholders requires extra attention. **Audit trails** provide information on how and which assets have been financed and how ownership has changed over time, would be useful to assess the full contribution of PSD programmes such as PSOM/PSI (e.g. regarding improvements in financial structures through increased equity).

The M&E **indicators** should also be collected (and externally verifiable) without unreasonable effort and cost for RVO, grantees and evaluators. This implies that the indicators must remain limited in number and be simple by nature (which also aids in their flexibility), and recorded in a way that facilitates collating and analysing information (rather than being partly digital and partly paper-based, and definitely not overwriting old values). Such a system should also allow for collecting qualitative information.

Annex I Interviews

People interviewed in the Netherlands

Name	Function	Date
Buchem, S.M. van	Team manager RVO	10 November 2015
Dijksterhuis, R.G.	Member of the board International Programs RVO	25 November 2015
Freitas de Sousa, L. de	Financial advisor RVO	10 November 2015
Hamers, K.	Team manager RVO	10 November 2015
Huntjens, E.N.	Project Advisor RVO	10 November 2015
Paalman, B.	APSOM/APSI member	12 November 2015
Vink, M.	Project Advisor RVO	10 November 2015
Bleeker, P.	Avance Consulting	June, 2016
Veul, J.	Head private sector development MFA	20 June 2016

Annex II: Terms of Reference

Background information

General

The Programme for Co-operation with Emerging Markets (PSOM) was established by the Minister for Development Co-operation at the end of 1998 with an initial budget of 41 million euro for the period 1998-2001. The programme supported initial investments in innovative business-to-business ventures in a number of developing countries. Over time the programme was enlarged, because of its success, both in scope and budget and had in 2013 a budget of 90 million euro. In 2008 PSOM was stopped, because of judicial problems. The programme could no longer be implemented in the form of an assignment, because it had all the characteristics of a subsidy. A new programme was set-up: the Private Sector Investment programme (PSI). The final tender of PSI closed in March 2014.

The goal of the PSOM/PSI Programme was to stimulate sustainable economic development by means of fostering innovative private sector investments in developing countries. PSI was a grant programme and focused on economic growth, creation of employment opportunities, income generation and knowledge transfer. The grant was accessible for (Dutch and non- Dutch) companies wishing to make an innovative investment, in cooperation with a local business partner, in one of the PSOM/PSI countries. The programme intended to encourage Dutch and foreign entrepreneurs to start an investment project in developing countries in partnership with local entrepreneurs. The programme aimed at triggering an investment project that otherwise would not have been realized because of the high product/market risks.

PSI consisted of two sub-programmes: PSI regular and PSI Plus. PSI Plus focused on fragile states/regions, the subsidy percentage was 60%, offered extra arrangements for security costs and more flexibility in combinations of project partners. For both sub-programmes the same budget ceiling was applicable.

Since 2012 a separate budget and ranking was available for projects in the Arab region. The criteria for projects in the Arab region were almost the same as for projects in other countries. The only difference was that for PSI Arab there was a preference for projects that focused on employment of young people and women and projects with a Local Partner owned by young and female entrepreneurs. Otherwise, the procedures and documents were the same as for projects in other countries.

The programme is implemented by Netherlands Enterprise Agency (RVO.nl) on behalf of the Ministry of Foreign Affairs and International Cooperation.

The following PSOM/PSI phases can be distinguished.

Table 1 PSOM/PSI phases

	PSOM/PSI period	Period	Total budget available	Countries
1	PSOM 1st phase	1998-2001	€ 37.9 million	8

2	PSOM 2nd phase	2002-2004	€ 129 million	2002: 11 2003: 17 End of 2003: 21
3	PSOM 3rd phase	2004-2006	€ 45.9 million	42
4	PSOM 4th phase	2007-2010	€ 235 million	53
5	PSI 1st Phase	2009-2010	€ 140 million	51
6	PSI 2nd phase	2011-2014	€ 232 million	59 (see country list in Appendix 1)

Previous evaluations

In 2005 the PSOM programme was evaluated by Ecorys. The evaluation consisted of desk research and a field study. For the desk research files of 47 completed projects were studied elaborately. Then, 22 of these studied projects in five countries were selected to be visited in the field. The countries visited were Ghana, Thailand, Indonesia, Tanzania and Mozambique.

In 2009, an evaluation of PSOM/PSI over the period 1999-2009 was implemented by Triodos Facet BV. The PSOM/PSI evaluation consisted of a desk study on 60 completed projects, telephone interviews and desk research on 25 stopped projects, assessment of the EVD organisation through desk study and staff interviews and field visits to 32 projects in six countries (Ethiopia, Ghana, Indonesia, Mozambique, Suriname and Vietnam). The report can be found on the website of the Ministry of foreign affairs¹⁶³.

Current evaluation

These ToR describe the expectations, scope, questions and process for the evaluation of the PSOM and PSI projects that were selected for PSOM or PSI financing in the period 1999 -2014 and the implementation of the programmes by RVO.nl.

As a preparation for this evaluation, a quality assessment of the M&E system used by PSI and of the data collected was carried out by an independent organisation. The results of this study are available (Appendix 2). Also, two parties performed a study on the possibilities for using control groups and baselines in evaluations of PSI activities, which proves to be a challenge. The results are attached in Appendix 3 and 4. Furthermore, an inventory among projects not selected has been implemented by RVO.nl. A copy of the findings is also enclosed (Appendix 5). Finally, in 2015 a survey will be carried out among projects that are successfully finalized and a desk study among projects prematurely finalized. The set-up for the data analysis will be provided as Appendix (Appendix 6). The results will become available by the end of 2015. In Appendix 7 you will find a report which provides an overview of PSOM and PSI projects over 1999 - 2014 and an analysis of successful, unsuccessful and ongoing projects.

¹⁶³

www.minbuza.nl/binaries/content/assets/minbuza/nl/import/nl/producten_en_diensten/evaluatie/afgeronde_onderzoeken/2010/07/evaluatie_psom_psi_1999_2009_en_mmf/evaluation-psom-programma-samenwerking-opkomende-markten-psi-private-sector-investment-programme-and-mmf-mmf-matchmaking-facility

Table 2 Completed and stopped projects until December 2014

	Africa	Central and Eastern Europe	Asia and the Middle East	Latin America	Total	Total cumulative
1999	-	-	-	-	-	-
2000	-	-	-	-	-	-
2001	-	-	-	-	-	-
2002	7	-	3		10	10
2003	16	-	4		20	30
2004	16	-	10		26	56
2005	18	-	7		25	81
2006	12	-	21	3	36	117
2007	28	-	29	6	63	180
2008	23	3	32	4	62	242
2009	24	5	24	10	63	305
2010	28	6	19	10	63	368
2011	37	4	22	10	73	441
2012	24	11	21	10	66	507
2013	44	16	14	9	83	590
2014	34	7	18	12	71	661
Number of projects	311	52	224	74	661	661

Source: PSOM/PSI 2 Annual reports from 2000 to 2014

PSOM & PSI M&E plan

The PSOM/PSI programme was set up in 1998. Throughout the fifteen years of implementation of PSOM/PSI, Monitoring & Evaluation of results (M&E) was continuously developed and improved. In October 2011 the Ministry of Foreign Affairs, Department Sustainable Economic Development (DDE) as principal of the programme, requested further enhancement of the M&E of its instruments focussed on private sector development. Based on a protocol provided by the independent Policy Operations and Evaluation Department IOB from the ministry, the existing PSI M&E system was further systematized, aligned and professionalized. New elements in PSI M&E are impact measurement and improved focus at Quality Assurance in project monitoring.

The *PSI beleidsmemorandum* gave input for the identification of the majority of result indicators at output and outcome level. PSI committed itself to the main targets set for these indicators. However, PSI cannot commit itself to any (potential) targets of indicators at impact level, since these effects depend on a variety of circumstances which cannot be influenced by PSI and PSI project partners.

For the PSOM programme no well elaborated M&E plan was developed. For that reason, information on some indicators mentioned in the PSI M&E plan has never been

gathered and is not available for PSOM projects. However, as mentioned before a survey is carried out in 2015 to capture some of this missing information.

PSI's Result chain

The result chain was established in 2012 and has slightly been adjusted in 2015 in order to align better with the OECD/DAC criteria.

In accordance with the standard OECD/DAC guidelines, PSI's result chain distinguished inputs, activities, outputs, outcomes and impacts. At the input level, the result chain discerned the (total) budget and RVO.nl (human) resources. RVO.nl activities were leading to projects subsidized by PSI (RVO.nl output). The PSI subsidy was input for the investor for the establishment of innovative businesses. For PSI this is the outcome level: with the PSI subsidy DGIS and RVO.nl aim at influencing the behaviour of (potential) investors, stimulating them to invest in innovative businesses, creating jobs and ensuring the transfer of technology, etcetera.

Intermediate and long term effects of the individual projects are impacts which are expected to occur, but they are beyond the direct control of PSI and the investor. For PSI projects, the majority of these changes are measured two years after a project has been positively finalized (in the spin-off phase). PSI is not legally involved in the project anymore and the project partners are fully responsible for the additional changes they make with additional investments. The impact represents the consolidation phase of PSI projects and gives the extent to which projects are locally embedded.

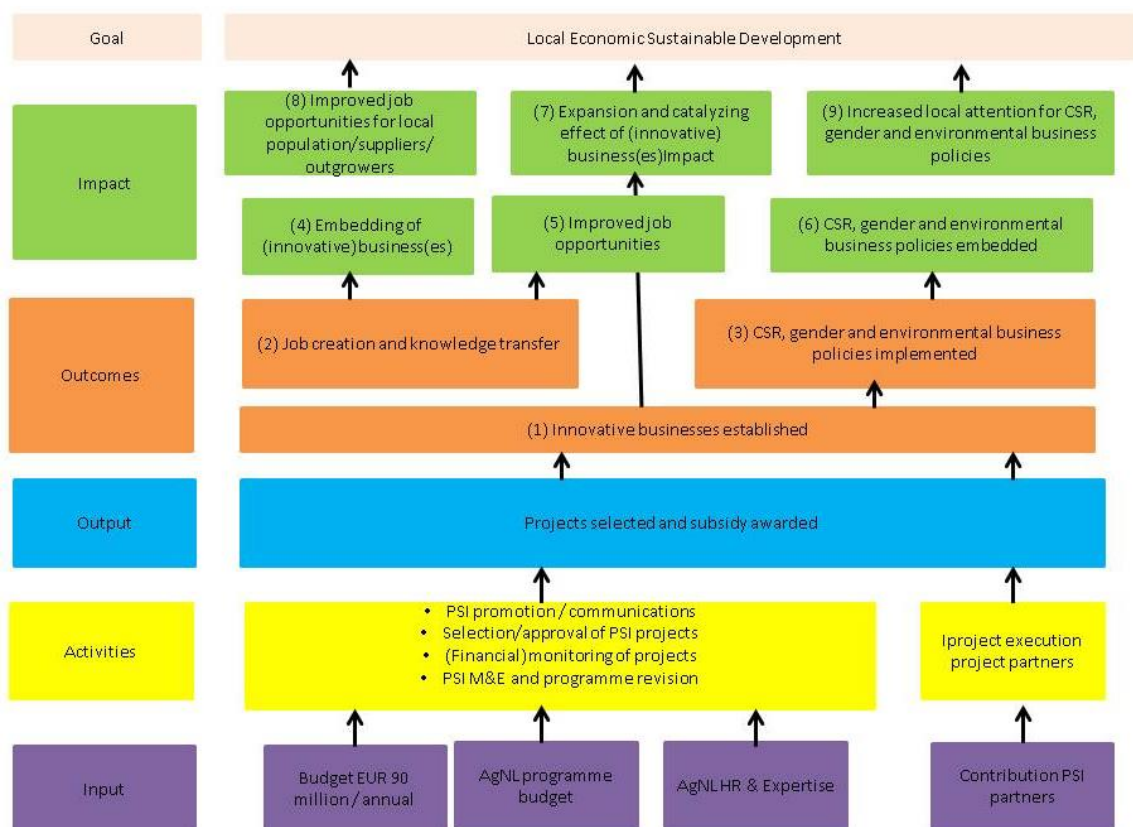


Figure I Results chain, including the different levels of change

At each of the above mentioned levels of change (or result) indicators were formulated to measure results. The indicators are described below.

Inputs

The PSI inputs were given facts which may change over period of time. These inputs were: the PSI grant budget, the PSI programme budget, amount of full-time employees for execution of PSI programme, type of available knowledge and expertise among PSI programme personnel base.

Table 3 Inputs

Input	Indicator	
Grant budget	<ul style="list-style-type: none"> Allocated grant budget per year Committed grant budget per year 	Data available at RVO.nl
RVO.nl programme budget	<ul style="list-style-type: none"> Programme budget Budget specified per hour, activity and pay level 	Data available at RVO.nl
RVO.nl HR & Expertise	<ul style="list-style-type: none"> Amount of FTE specified per level 	

The availability of financial means and knowledge among project partners who execute the projects is checked during the selection procedure of PSI. This is not monitored throughout the project implementation.

Activities and output

Programme activities

The inputs are used for activities at RVO.nl as PSI promotion, project appraisal, project monitoring, financial management, project evaluation and programme revision. The direct output consists of the projects selected and awarded with the PSI subsidy. This can be measured according to the following indicators.

Table 4 Activities and output

Programme activity	Indicator	
PSI Promotion/ Communications leads to submission of sufficient qualitative proposals	<ul style="list-style-type: none"> Amount of workshops given Amount of promotion sessions 	Data available at RVO.nl
Selection/approval of PSI projects	<ul style="list-style-type: none"> Amount of project proposals received Amount of projects which are declined because of the ranking Amount of projects which are approved (per sector / country) Average programme budget spent on appraisal 	Data available at RVO.nl
(Financial) project supervision	<ul style="list-style-type: none"> Amount/percentage of failed projects vs amount of money spent (failed projects stopped in time) Average PSI hours spent per project per activity (ap- 	Data available at RVO.nl

	praisal, supervision, M&E) <ul style="list-style-type: none"> • Average grant budget spent per project (vs planned) 	
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Project activities

At company level inputs are used for the execution of projects. During the selection of PSI project, PSI judges the efficiency of planned project activities. If the costs of a project are too high, then the budget is reduced. Also during project implementation hardware purchase is controlled by market conformity checks by an independent body. Also project execution is supervised by verification of project sub results. PSI will not do extra efficiency measurement during project implementation and no indicators at this level are formulated.

In January 2014 a client satisfaction study was executed. The results of this survey are available.

Outcomes

The anticipated effects of each PSI intervention are the investment in commercial activities (establishment of PSI projects). These activities create direct development results at outcome level which are monitored and verified by PSI throughout the implementation of PSI projects. At first this leads to the *establishment of innovative businesses* in a development country (1). Secondly this leads to *job creation and knowledge transfer* (2). Thirdly at outcome level the company implements responsible *policies with regards to CSR, gender and environmental sustainability* (3). The indicators at each level of change are the following and are monitored and measured via progress reports and project visits.

Table 5 Outcomes

Outcome	Indicator	
Innovative businesses established	<ul style="list-style-type: none"> • Successful finalization of project (per sector per country) (coincides with DCED indicators) • Annual turnover of project 	Data partially available at end of 2015 at RVO.nl
Job creation and knowledge transfer	<ul style="list-style-type: none"> • Number of (direct/indirect) net (additional) jobs as well as suppliers/outgrowers of the project (coincides with DCED indicators) • Average investment per created position • Amount of high level and low level employees / suppliers / outgrowers trained • Percentage of total project inputs/raw materials from local suppliers / outgrowers 	Data partially available at end of 2015 at RVO.nl
CSR, gender and environmental business policies implemented	<ul style="list-style-type: none"> • Amount of female employees in project • Amount (and type) of implemented environmental mitigation measures in project • Amount (and type) of obtained international certificates 	Data partially available at end of 2015 at RVO.nl

	<p>in project that proof qualitative business standards</p> <ul style="list-style-type: none"> • Existence (and components) of implemented HRM/CSR policies • Employees: percentage of income on top of minimum loan • Suppliers: percentage earnings on top of minimum market prices (only if control data is available) • Existence of an implemented outgrower scheme, collecting scheme or related scheme 	<p>Suppliers: no data available</p>
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Impact

At impact level, the above mentioned outcome likely leads to intermediate term results. At this level PSI measures if the development effects are locally embedded and consolidated. Therefore, a few indicators which are measured at outcome level are also measured at impact level. However, at impact level growth or improvement of the indicators can demonstrate durability and consolidation. The outcome *Job creation and knowledge transfer* will on the intermediate term likely lead to the impact of *improved job opportunities* (5). It is PSI's objective that PSI projects do reinvestments, to increase development results. Growth indicators can say something about the strength and consolidation of the PSI projects. It is likely that *The Establishment of Innovative businesses* will on the intermediate term lead to *embedding of (innovative) business(es)* (4). Finally it is plausible that the *Implementation of CSR, gender and environmental business policies* leads to the impact of *embedded CSR, gender and environmental business policies* (6).

PSI aims to create leverage and amplify development effects on the long term over sectors or regions. The majority of the impact indicators can only be measured on the longer term. This will mainly be done by means of external evaluations after the spin-off period (two to five years after the finalization of the PSI project). Nevertheless, impact measurement will also be done with the spin-off report. However, at that point project have just finalized the consolidation phase and impact effects are expected to be low.

At first it is expected that *improved job opportunities* in terms of more FTE, good salaries and good prices for outgrowers are created. On the longer term PSI hopes that it will also lead to *improved job opportunities* (5) for outgrowers in terms of increased sales and production volumes. Secondly, it is plausible that the *embedding of (innovative) business(es)* will on the long run lead to the *Expansion and catalysing effect of (innovative) business(es)* (7). PSI projects can be a showcase to other companies. With the expansion of a business, companies tend to influence governments and/or other entities to come to an optimum working environment. New entering companies can profit for this path which has been paved. Thirdly, *embedded CSR, gender and environmental business policies* will on the longer run lead to the *increased local attention for CSR, gender and environmental business policies* (9). Altogether, this can contribute to the PSI objective to promote local economic sustainable development.

Table 6 Impact

Impact	Indicator	
Embedding of (innovative) business(es)	<ul style="list-style-type: none"> • Continuation of business after the spin-off phase • Spin-off (average) annual turnover in EUR (expected, realized at closing, realized in spin-off and at time of measurement) • Annual net (additional) income in EUR of the company (coincides with DCED indicators) (expected, realized at closing, realized in spin-off and at time of measurement) • Amount of follow-up investment (expected, realized at closing, realized in spin-off and at time of measurement) • Additional amount of EURO investments which are done for every subsidy EURO (input additionality) 	Data partially available at end of 2015 at RVO.nl
Improved job opportunities for local population / suppliers / outgrowers	<ul style="list-style-type: none"> • Number of follow-up (direct/indirect) net (additional) jobs as well as suppliers/outgrowers (coincides with DCED indicators) • Amount of people who moved to better positions in the PSI project because of improved skills 	Data partially available at end of 2015 at RVO.nl Data not available
CSR, gender and environmental business policies embedded	<ul style="list-style-type: none"> • Amount of employees who work in improved working conditions (baseline needed) • Amount of female managers • Amount (and type) of additional international certificates that proof qualitative business standards • Amount (and type) of additional environmental measures • Application of additional components in HRM/CSR policy • Employees: percentage of income on top of minimum loan • Suppliers: percentage on top of minimum market prices (if control data is available) 	Data not available
Expansion and catalysing effect of (innovative) business(es)	<ul style="list-style-type: none"> • Number of events in which the project shared technical knowledge with third parties • Number of times that the project is copied • Number of times that the project (partners) put a topic with regards to the improvement of the business climate on the political agenda (e.g. via newspaper, appointment at government level) • Amount of products/services which contribute to import substitution (with use of new technologies) • Amount of improved products/services for consumers on 	Data partially available at end of 2015 at RVO.nl Data not available Data not available Data partially available at end of 2015 at RVO.nl

	the local market (which are not being imported either)	
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Assumptions

It is the assumption that PSI projects comply with several pre-conditions. Otherwise, projects will not be sustainable and will not be able to achieve the foreseen development results on the longer term. The pre-conditions are verified during project appraisal phase. The assumptions for proper project implementation and achievement of development results are the following.

Table 7 Assumptions

Assumptions	Indicator
Partners	<ul style="list-style-type: none"> • Project partners have the capacity (financially as well as in terms of knowledge and expertise) to carry out the project • PSI project partners have a common goal and aim for a long term collaboration • The PSI project partners work according to high CSR standards (ILO labour standards, OECD guidelines and UN convention on biodiversity)
Business case	<ul style="list-style-type: none"> • Business plans of PSI projects are financially viable • The technologies used in the PSI projects are suitable and commercially proven • There are good market opportunities for the products/services of the PSI project • The project risks are manageable and can be mitigated
Other	<ul style="list-style-type: none"> • The embassy has the capacity to advice during project appraisal

Scope, specific objectives and evaluation questions

Scope of the evaluation

The purpose of the 5 yearly evaluation which is tendered through these ToR is:

1. To assess the outcome of the PSOM/PSI selection process (Appendix 8), and the additionality ex-ante of the PSOM/PSI financial contribution for the realisation of the projects; did PSOM and PSI select the right projects to achieve the goals of the PSOM/PSI programme; do the projects selected differ from the projects rejected, would the project not have been realized, or only on a smaller scale, in a slower pace or with less impact, without the financial contribution of PSOM/PSI (additionality ex-ante – see note developed by DCED, Appendix 9)
2. To assess the goal achievement of PSOM/PSI projects, which has been monitored by RVO.nl or collected in the 2015 survey, for a sample of projects.
3. To assess the effectiveness of PSOM/PSI projects, which has been monitored by RVO.nl or collected in the 2015 survey, for a sample of projects.
4. To analyse the impact of PSOM/PSI projects (through case studies) on:
 - a. employees (improvement of income, working conditions, knowledge and/or job opportunities) and

- b. clients, suppliers and/or competitors (to what extent has the investment worked as a catalyst to develop a sector or a market in the country).

The evaluation of the programme includes several components:

- the assessment of PSOM/PSI monitored output and outcome results
- field studies among a representative sample of projects for project evaluation.
 - o This includes an investigation whether the output and outcome data on paper correspond with reality.
 - o It includes an assessment of the effectiveness at project level (see IOB criteria).
 - o collection, measurement and evaluation of – longer term - impact effects.

The PSOM/PSI evaluation must cover a representative sample of projects and countries involved in the programme. Specific questions that will be treated will vary according to the nature of the projects (stopped or completed) and must be elaborated in the inception report (see paragraph 4.1). When selecting countries to be included in the field work, the experiences gained with the previous PSOM/PSI evaluations of 2005 and 2009 must be taken into account.

Geographic coverage

Whereas the evaluation will cover all countries where PSOM and PSI projects have taken place, it should concentrate on a number of countries (5-7), selected on basis of the following criteria:

- a) Geographical coverage: including regions Africa, Latin-America, Asia, Eastern Europe;
- b) Project status: at least 5 completed projects in a country;
- c) Development and income levels: including at least 3 Lower Income countries (LICs), 1 Lower Middle Income Country and 1 UMIC;
- d) Fragility: inclusion of at least one fragile state;
- e) Sector coverage;
- f) At least one country of the PSI Plus country list and at least one country from the PSI Arab list.

In the 2009 evaluation the following countries were included: Ethiopia, Ghana, Indonesia, Mozambique, Suriname and Vietnam.

Evaluation questions

The evaluation will be based on the OESO/DAC criteria. This resulted in the following basic research questions that need to be answered. However, the evaluator is invited to propose other questions to be able to better answer the main evaluation questions.

Basic research questions are:

1. Relevance of the PSOM/PSI programme: i.e. are the PSOM/PSI projects consistent with the country needs and is the intervention appropriate to realise the objectives and did the PSOM/PSI subsidy fill a gap?
2. Efficiency of the country list and the involvement of 3rd country companies.

3. Effectiveness of PSOM/PSI, i.e. determine if and to what extent:
 - A. the completed PSOM/PSI projects have achieved intended results and
 - B. the subsidy was required to realise these results.
4. Impact of the PSOM/PSI, i.e. what were the impacts on employees and on the sector in the country?
5. Sustainability: continuity of activities.

Table 7 Evaluation questions

Criteria	Questions	Possible design
Relevance	1.1. Do the selection criteria and process ensure the selection of projects in line with the objectives of PSOM/PSI? 1.2. Are the supported investments in line with the objectives and priorities of the PSOM/PSI country? 1.3. Would the projects have been realized on the same scale, in the same pace and with the same impact without the financial contribution of PSOM or PSI (additionality ex ante according to DCED)	Document analysis, interviews, benchmark
Efficiency	2.1 How is the efficiency of the implementation of the PSI programme by RVO affected by: <ol style="list-style-type: none"> a. the PSI country list (the number of countries on the list) b. applicants from third countries 	Document analysis, interviews, benchmark
Effectiveness	3.1 To what extent are the targets of the projects met (goal achievement) in terms of <ul style="list-style-type: none"> - number and type of jobs created by the PSOM/PSI supported companies? - number of outgrowers contracted - number of people trained / type of trainings implemented - extend of innovativeness of projects in the PSOM/PSI country 3.2 What factors contribute to success of projects or to failure of projects? 3.3 What are the changes in the effect variables in comparison to the situation at the start (baseline)? <ul style="list-style-type: none"> - which is the attribution of the observed changes to the intervention? 	Assessment of output and outcome monitoring data Data analysis, Contribution analysis, Qualitative Comparative Analysis
Impact	4.1 What is the impact of the projects on the development of the sector in the country of implementation (vertical linkages)? 4.2 What is the impact of the projects on the development of the market in the country of implementation (horizontal linkages)? 4.3 What is the impact on the employees of the PSI supported company? (when possible disaggregation between male/female employees and special attention to impact on female employment and on decent working conditions for women) 4.4 What is the impact of projects on the implementation of	Data collection and analysis, Contribution Analysis, Process tracing.

	<p>CSR principles? How has this affected employees/environmental issues/other local enterprises, etc?</p> <p>4.5 Which other (non-intended) effects can be attributed to the projects?</p> <p>a. on actors or aspects in the PSOM/PSI country?</p> <p>b. on the business of Dutch companies (applicants) in the Netherlands (e.g. effect on employment, effect on trade flows and/or volumes)</p>	
Sustainability	<p>5 Given the information available (gathered by RVO.nl through monitoring and the spin-off survey) on stopped, completed and ongoing projects; how sustainable are the PSOM/PSI investments?</p> <p>a. what is the available evidence about the continuation of completed projects?</p> <p>b. which factors were important for ensuring the economic viability of the projects on the long run?</p> <p>c. is it possible to give an assessment of the economic viability of ongoing projects based on the available information?</p>	Document analysis, interviews, literature review.

Approach and methodology

The evaluation should provide answers on the evaluation questions. The evaluators are supposed to use different techniques including a desk study of available (statistical) data and documentation; a survey among users; interviews of key informants, etc. Triangulation of data is deemed essential. The Inception Report should include a detailed approach for the evaluation.

The remainder of this section includes some ideas for the evaluation. Tendering parties are free to offer an alternative approach.

1. Assessment of the outcome of the PSOM and PSI selection process, and the additionality ex-ante of the PSOM contribution and PSI subsidy for the realisation of the projects.

The evaluator should propose an evaluation method to assess the additionality ex-ante of the PSOM contribution or the PSI subsidy. Additionality is defined as “the net positive difference that is expected to result from a donor-business partnership. The extent to which activities (and associated results) are larger in scale, at a higher quality, take place quicker, take place at a different location, or take place at all as a result of a donor intervention” (DCED). The DCED report attached in Appendix 9 describes eight criteria of additionality and eight principles for assessing and enhancing additionality ex-ante. The evaluation should focus on the criteria 3 and 5:

Criteria 3: Without the public subsidy, the company would be unwilling to implement the proposed business model and/or changes in operational standards because of a perceived negative balance of costs/risks and benefits.

Criteria 5 The cost-shared project does not displace other companies already operating in the market, or that are ready to undertake the same project without public support.

One question the evaluator might ask, is whether these criteria were sufficiently addressed by the PSI programme ex-ante (during the project selection process).

There are several ways for assessing the additionality. First of all, the evaluators have to analyse the additionality for a sample of projects (using document analysis, interviews and literature on the type of investment). In addition, it may be possible to assess the additionality by analysing the portfolio and comparing selected projects with proposals that have not been selected. If additionality plays an important role in the selection process, it might be possible to find differences between selected projects and rejected proposals. An option seems to be assessing the probability of being considered additional as a function of a number of project characteristics (such as country and sector of investment).

2. To assess the goal achievement of PSI projects, which has been monitored by RVO.nl or collected in the 2015 survey, for a sample of projects.

In 2015 RVO.nl will carry out a spin-off survey. This survey is mainly directed to gather information on outputs and outcomes of successfully finished projects. The interviews will be conducted by the current project advisors and will be integrated in the monitoring activities of their country portfolios.

The evaluator should verify the monitoring data collected by RVO.nl, and the data collected through the spin-off survey in 2015.

3. Assessment of the effectiveness of PSOM and PSI projects, which has been monitored by RVO.nl and gathered via the 2015 survey, for a sample of projects¹⁶⁴;

The evaluator should assess the effectiveness of PSOM and PSI, using monitoring data collected by RVO.nl, and the data collected through the spin-off survey in 2015, through desk study and data collection during field visits for a sample of projects. It is suggested to make use of surveys and/or semi-structured interviews for data collection. Draft survey/interview protocols should be provided during the Inception Phase, allowing the Reference Group to give feedback.

4. Gather and analyse data on the impact of PSOM and PSI projects (through case studies) on:
 - a. employees (improvement of income, working conditions, knowledge and/or job opportunities if feasible with gender disaggregation) and
 - b. clients, suppliers and/or competitors (to what extent has the investment worked as a catalyst to develop a sector or a market in the country).

Although the PSOM and PSI programme monitors the direct effects of projects (which will be verified by the evaluator as described above), there is limited knowledge on the impact that projects have on their employees and on the sector/market. Although these impacts are highly project specific, the evaluator is asked to explore the impacts through case studies of several projects. This can be done rigorously (e.g. by

a. ¹⁶⁴ To assess additionality ex-post, the evaluation should ideally make use of an explicit counterfactual. However, a counterfactual might be a serious challenge, given the nature of the PSI programme. In 2012 AIID and Erasmus University have been asked to give an advice on using baselines and control groups in the evaluation of PSI. It was concluded that as many PSI activities created new firms, baselines were not possible. The feasibility of using control groups for impact evaluation was highly project specific and dependable on the PSI indicator. A copy of both reports is included (Appendix 3 and 4). The evaluator is invited to come up with a proposal on how to address the additionality question and to perform an evaluation of sufficient quality given the circumstances.

making use of a counterfactual scenario, for example at the employee-level, or at the level of clients, suppliers (e.g. smallholders) and/or competitors), or less rigorously (e.g. with qualitative interviews). Although more rigorous methods are preferred, the evaluation budget might not allow for this.

The evaluator is asked to come up with a method to assess the impact of PSOM and PSI projects on employees and/or the sector/market to the best extent possible given the budget.

The impact evaluation is supposed to combine monitoring information with field work, using a larger sample (based on monitoring data) for statistical analysis and a smaller sample for more detailed research. For the field work a sample of projects is required. While most projects are still being implemented, the evaluation should focus especially on completed projects. For reasons of efficiency, it is proposed to focus on countries with relatively many (completed) projects. The evaluation will require about 5-7 countries for the field work.

Deliverables and schedule

The proposed deliverables are presented in the schedule below, as well as an estimation of the planning. The evaluator is free to comment on the proposed planning.

Table 8 Deliverables and schedule

Subject	Deliverable	Estimated / proposed Timing	Responsible	Meeting Committee
Expression of interest (EoI) sent	These Terms of Reference	June 22rd, 2015	Ministry of Foreign Affairs	
Receipt EoI	Response by email	June 30st, 2015	Parties invited to send in EoI	
Request for Concept notes (CN)*	These Terms of Reference	July 3 th , 2015	Ministry of Foreign Affairs	
Receipt of CN	Standard Template	July 17 th , 2015	Parties invited to send in CN	
Invitation to Tender	These Terms of Reference	August 6 th , 2015	Ministry of Foreign Affairs	
Final date for posing questions by tenderers	List of questions about the ToR	August 21 st , 2015	Parties invited to send in proposal	
Receipt of Full Proposals	Proposal (Standard Template: Appendix 10)	August 28 th , 2015	Parties invited to send in proposal	
Selection of evaluator		September 21 st , 2015	Ministry of Foreign Affairs in cooperation with reference group	Yes
PHASE 1 Inception phase				
Start	Proposal for the process in Phase 1 and 2	September 2015	Evaluator	Yes

Sample selection: Selection of representative sample of projects and project clusters for project evaluation	Proposal for sample selection	September - October 2015	IOB / DDE / external evaluator	Yes
Desk study (over all projects) for <ul style="list-style-type: none"> validation of input and outcome data implementation by RVO.nl 	Validation of projects output and outcome	October – November 2015	Evaluator	
Discussion draft Inception Report with reference group	Draft Inception Report (including feasibility report on how a counterfactual can be achieved)	December 2015	Evaluator	Yes
Receipt final work plan for phase 2	Work plan (including indicators, research questions, selection of projects)	January 2016	Evaluator	Yes
PHASE 2 Evaluation				
Kick-off				
Field research of representative sample of projects for validation of input and outcome data and evaluation of efficiency and effectiveness	Evaluation of project sample	January – June 2016	Evaluator	
<ul style="list-style-type: none"> Data collection of sample of PSI projects, clusters and stakeholders of projects which passed the spin-off phase Data collection control groups (if applicable) Comparison to baselines and control groups (if applicable) Consideration of other indicators 	Project impact measurement and evaluation	January – June 2016	Evaluator	

<p>which can attribute to impact</p> <ul style="list-style-type: none"> Data measurement, analysis and evaluation 				
PHASE 3 Reporting				
Discussion Draft Final report	Draft Final report	September 2016	Evaluator	Yes
Receipt Final report	Final report & accompanying Database	October 2016	Evaluator	Optional

*When less than four (4) parties send in an Expression of Interest, the Request for Concept Notes can be omitted and interested parties will be requested to directly send in their Full proposal.

Phase 1 Inception Phase

Given the complexity of the evaluation we want to start with an Inception phase. The aim of this phase is to make an inventory of the available information and to prepare the design and methodology of the evaluation. The inception phase will result in a research protocol as part of the inception report. The inception phase covers the following topics:

- The evaluation team will be briefed by the Ministry of Foreign Affairs and the PSOM/PSI team at RVO.nl. The evaluation will be accompanied by a reference group established and chaired by DDE. The evaluation team will start the evaluation at RVO.nl office in The Hague with the examination of relevant background materials and documentation. The main outcome of this phase will be the elaboration on and development of a detailed evaluation matrix.
- For the assessment of the effectiveness and relevance of the programme a desk study will be performed on a certain number of completed PSOM/PSI projects in the 5-7 countries that will be visited. For each country to be visited a number of projects will be selected from the sample of projects reviewed in the desk study. For the assessment of the effectiveness and efficiency of implementation by RVO.nl an extra sample of stopped and running projects will also be viewed by the evaluators, through desk study and interviews. No client satisfaction survey is required as this will be done separately by the RVO.nl. The results of this survey are available.

During the inception phase the evaluation team will have the opportunity to discuss the details and logistics of the subsequent phase of the field work in consultation with the reference group and the Embassies concerned.

At the end of the inception phase the consultants are expected to submit an inception report, which will contain:

- Detailed evaluation matrix, evaluation criteria and methodology;
- Proposal how to include control groups in the evaluation (if applicable);
- Detailed proposal for the field studies to be undertaken;

- Questionnaire for the survey to be conducted for the projects in the 5-7 countries;
- Detailed schedule of work, including field studies in the 5-7 countries and proposed projects to be evaluated, and list of main persons to be interviewed;
- Any further data requirements from RVO.nl in order to fulfil the project;
- Proposed table of contents for a draft version of the final report, including a brief overview of suggested structure and content of each chapter. Suggestion of lay-out of the project data sheet per project visited.

The inception report will be discussed with the reference group. A final agreement on the details of the evaluation methodology needs to be reached between the reference group and the evaluators.

Phase 2 Evaluation

The field studies will concern visits to the selected PSOM/PSI projects in the 5-7 developing countries, to the Netherlands Embassies and the Government counterpart ministries or other relevant institutions in recipient countries. The evaluation team will brief the Ministry of Foreign Affairs (DDE) and RVO.nl on the data it has collected after the first country visit(s).

The team will present one or more interim reports based on the field visits to the reference group for comments.

The reports should be written in English and comply with the IOB 'Evaluation policy and guidelines for evaluations'. The reports should be understandable for people who are not familiar with methodologies used in impact studies. The methodology used should be presented in appendixes.

Furthermore, it should be clear what the judgement of the interviewee is and what the judgement of the evaluator is. The source of the information provided should be clearly indicated.

Ownership and usage of data

Evaluation reports will be published in name of the evaluator as an independent project evaluation. After approval of the report by the Reference Group the report will be published on the PSI website. Discussions on certain topics between the evaluator and the Reference Group will be addressed in an appendix to the report.

The report and all underlying data (survey data and other data collected as part of the evaluation) will be owned by the Ministry of Foreign Affairs. The (anonymized¹⁶⁵) data will become publicly available at the time of publishing of the report. As soon as

¹⁶⁵ If it is impossible to anonymize the data at a specific level, anonymising of the publicly available dataset may be ensured by aggregation or by combining regions. Researchers with full access to the data will be in a position to analyse the data at the lower level of aggregation for the report, provided that they respect the agreed anonymity.

the report and data are published by the Ministry, the evaluator is free to use reports and data for other scientific uses¹⁶⁶.

Institutional arrangements and guiding principles

Guiding principles and values

The evaluator should adhere to the guiding principles and ethical standards described in Chapter 5 of the IOB 'Evaluation policy and guidelines for evaluations' and should make explicit in the proposal which code of ethics they adhere to (and attach a signed version).

Reference Committee

For this project evaluation, a reference committee will be formed, with the following representatives:

Antonie de Kemp – IOB

Geert Thijssen - Quality Assessment Unit, RVO.nl

Job Runhaar - DDE

Frans Baneke - Member APSI

Sylvia van Buchem - RVO.nl

Marjolein Vink - RVO.nl

Els Huntjens – RVO.nl

Support for local clearance

PSI will, through the Applicants of the projects, support the evaluator in receiving clearance for performing local data collection (surveys) and meeting the local stakeholders of the projects.

Submission Guidelines and Assessment

Communication

¹⁶⁶ For this reasons, two amendments have been made to the ARVODI:

- Notwithstanding Article 11.5 of the ARVODI the following applies: The contractor is allowed to remain working papers containing copies of relevant documents in respect of the engagement. The working papers are the property of the Contractor.
- Notwithstanding Article 23 ARVODI the following applies. The Contracting Authority is the owner of all intellectual property rights that may be exercised now or in the future in relation to the results of the Services performed by the Contractor, irrespective of where and when they may be exercised. However, the Contracting Authority will not make changes to the reports written by the Contractor and published in name of the Contractor. The Contracting Authority (and Reference Committee) can ask the Contractor to make amendments to the report before approval and publication, in case of incorrect data, methodological errors and other mistakes or lack of clarity in the proposed report. Moreover, the Contracting Authority, taking into account the advice of the Reference Committee, decides about publication of the report. The report may not be published if the quality is below standard.

All communication relating to this tender needs to take place with the following contact persons at the Ministry of Foreign Affairs, Mr. Job Runhaar (job.runhaar@minbuza.nl) and at RVO.nl, PSI unit, Els Huntjens (els.huntjens@rvo.nl).

Lodging the quotation

Proposals should be submitted using the template attached in appendix 10 (Guidelines full proposal). The final deadline for submitting the quotations is August 28th, 2015 at 12.00h CET, this is a strict deadline. The quotation must be transmitted by email to Job Runhaar and Els Huntjens. Quotations which are not sent in the prescribed manner and/or are sent after the final delivery date and time will be put aside.

The template in Appendix IO should be used for the quotation. The quotation needs to be complete; that is to say, all requested supplements, or other information, need to have been included. If in your opinion there are other matters of interest, you can raise these matters in a separate supplement.

We stress that the tenderer is responsible for the completeness of its quotation. An incomplete quotation can lead to exclusion from the tender process. Your quotation needs to be signed by the authorized official.

Assessment of the quotations

The decision will be announced latest September 21st, 2015 through an email to the contact person given in the quotation. The contract will be awarded to the economically most advantageous tenderer, based on the award criteria, including the relevant weighting as described in Chapter 9 below. The economically most advantageous tenderer is the tenderer with the highest definitive final score. The contracting authority rounds off tenderers' final scores to one place after the decimal point. To determine definitive final scores, the marks are not rounded off.

General

The contracting authority reserves the right to stop this tender completely or partially, temporarily or permanently, up to the moment of signing the Agreement. In such a situation, tenderers are not entitled to any compensation or to reimbursement of any costs incurred within the framework of this tender. By lodging a quotation, the tenderer declares to be in agreement with these conditions and all other conditions referred to in this call for tenders.

Delivery, payment and/or other conditions - however referred to - from the tenderer are expressly excluded. The General Government Terms and Conditions regulating the issue of assignments to provide services (ARVODI 2011, English version) are applicable as stated in the Framework Agreement Article 7.1.

The contracting authority is not responsible for any costs involved in the preparation and release of a quotation, including the provision of any further information. Any costs and/or losses which (can) arise from this tender not being granted (to the tenderer) are at the risk of the tenderer.

Any dispute between those involved in the tender process which might arise by reason of this tender process will only be brought before the authorized Court in The Hague. Only Dutch law is applicable.

By lodging a quotation, the tenderer guarantees the accuracy of all requested and delivered data and agrees with all specifications and conditions indicated in this document.

The tenderer's quotation will not contain any reservations. By issuing a quotation the tenderer declares that he agrees with this condition and all other specifications from this tender. A quotation containing one or more reservations will be excluded.

The contracting authority reserves the right to put a quotation aside, and to exclude the tenderer from any further participation in the tendering process if a quotation does not conform to the specifications contained in this chapter.

Questions

The final date for lodging questions relating to the tender is August 21st, 2015 12.00h CET. All answers will be sent by email as well as made available to all organisations invited to submit a proposal. Questions can be directed through email. The answers (Summary of Information) will constitute an integral part of this call for tenders.

The contracting authority will assume that there is no lack of clarity relating to components about which no questions have been raised. In case of inconsistencies between the call for tenders and the summary of information, the summary of information will prevail.

Contract and payment

Budget

The indicative budget for the evaluation is € 300,000 (VAT included). This budget includes all deliverables described in Chapter 4; an inception report, a baseline report, midterm report and a final report. Tenderers may want to offer additional evaluation possibilities over and above the specification (such as additional midterm report(s) and/or additional studies), in which case these optional proposals should be budgeted separately.

Contract

A contract will be signed with the winning tenderer for the evaluation.

The evaluator will perform the Services specified therein for a fixed maximum price, including VAT, or should mention VAT reverse charge if applicable, as given in the quotation following these ToR. It is possible that the scope and budgets for the different phases are changed due to progressive insights of the evaluator. In this case the evaluator will advise the Ministry of Foreign Affairs of the changes. The evaluator will only implement the changes after the reference group gives its consent. The evaluator guarantees that the sum (the fixed maximum price) will not be exceeded. The Ministry of Foreign Affairs may also cancel specific deliverables or parts thereof due to progressive insights. Consequently the budget for these individual deliverables can be cancelled or adjusted by the Ministry. Inflation can only be corrected according to inflation rates in the Netherlands. The fixed maximum price should include all

the deliverables as described in chapter 4 above. The tenderer is free to include other deliverables (such as additional midterm report and/or additional studies), which will be considered as optional. The Ministry can decide whether or not they will make use of these services. The evaluation of the price (please refer to chapter 9) will only be based on the (non-optional) deliverables for phase 1, 2, 3 and 4 as described in chapter 5 above.

The tenderer should guarantee that the project leaders mentioned in the proposal will be available for the project. Changes related to project leaders should be presented to and accepted by the reference group.

Award criteria

	Award criteria	Weighting factor
1	<i>Evaluation team</i>	45%
	Coverage required expertise by team. Expertise means both availability and contribution of team members on one hand and level and type of relevant available knowledge on the other.	
a	Expertise international team leader <ul style="list-style-type: none"> • CV (max. 1) • Interview team leader 	15
b	Expertise other international team members <ul style="list-style-type: none"> • CVs (max. number will be indicated) 	10
c	Expertise local team leader / members (if applicable) <ul style="list-style-type: none"> • CVs (max. number will be indicated) 	5
d	Elaboration on how team composition and available expertise (excluding methodology) will guarantee results	10
e	Input on this subject has to match the information given in the LoI, or Concept Note.	5
2	<i>Methodology: technical proposal</i>	45%
a	Address evaluation quality criteria	10
b	Additional specific methodology and elaboration on how results are guaranteed	20
c	Implementation plan and calendar	5
d	Elaboration on who is responsible for which aspect of the project execution (methodology).	5
e	Input on this subject has to match the information given in the LoI, or Concept Note.	5
3	<i>Price: Financial proposal</i>	10%

Ad 1: The qualifications and experience of the team as a whole (if more than one person is required). This is assessed on the basis of CVs.

In general:

- Existing collaboration between network partners on the specific subject will be an advantage in the assessment of the proposal;
- the technical ability and experience of the team will be assessed on the basis of the CVs and interview (team leader);
- Quality measurements must be taken in order to guarantee the required quality level (see schedule IV and schedule V).

Ad 2: A technical proposal will be requested in which the candidate elaborates a more detailed methodology and planning of the evaluation. This is used to judge the tenderers understanding and approach of the assignment.

Ad 3: A quotation should be provided that falls within the maximum range stated in the tender document and provides details about man-days, fees for the various evaluators and details of all other costs. The quotation is used to assess the cost of the evaluators and the total price, as well as the overall feasibility of the proposal. Also a maximum fee can be set as a requirement per impact evaluation.

Annex III: Evaluation team and reference committee

The evaluation team was composed of:

- Philip de Jong (APE)
- Phil Compernelle (APE)
- Bert van Manen (Timpoc)
- Klaas Molenaar (Timpoc)
- Karen Rijen (MDF)
- Mike Zuijderduijn (MDF)

The reference committee was composed of:

- Anthony de Kemp (IOB)
- Geert Thijssen (RVO)
- Job Runhaar (DDE)
- Frans Baneke (Member APSI)
- Sylvia van Buchem (RVO)
- Marjolein Vink (RVO)
- Els Huntjens (RVO)

Annex IV: Case study interview guide

This is the interview guide as well as the reporting format for the interviews with the local management. The interview with the applicant can be reported in this same format (but please reference those statements separately). The interview is semi-structured so the order of questions may be changed as seen fit during the interview. List and rankings (green sections) to be done by the interviewer, reflecting perceptions of the interviewed persons (please color your own observations to distinguish from the quotes/information from those interviewed). Separate reporting format for interviews with employees.

General information ¹⁶⁷	
Date of interview	
Project/Company name	
Names informants + functions + contact details	
Personal involvement of those interviewed with PSOM/PSI? ¹⁶⁸ (If so, what function)	
Remarks ¹⁶⁹	

PSOM/PSI origins ¹⁷⁰	
1	Relationship with applicant:
a	When/how did you meet your (Dutch/foreign) partner (the applicant)?
	Did you work together prior to PSOM/PSI? If so, how?
b	What kind of arrangement did you make for the project?¹⁷¹ Why?

¹⁶⁷ For general information on the company, see files RVO (to be read before the visit).

¹⁶⁸ For example, did the person being interviewed also participate in the design, in the implementation of the project, do they personally know the applicant or was that his/her predecessors?

¹⁶⁹ Points of attention with regard to the company/project/applicant (from files) that need to be taken into consideration throughout the interview/report should be mentioned here (e.g. tensions between applicant/partner, unfortunate events...)

¹⁷⁰ Part of the assessment of relevance

¹⁷¹ For example, legally established joint venture, nothing formal, subcontract, MoU, ...

	When was it formalised? ¹⁷²	
	On what date was the first investment made (with PSOM/PSI)?	
	How is the financing determined (use of subsidy)?	
c	How is the current relationship?	<i>None / good / bad Clarification/evidence¹⁷³</i>
2	Origins of PSOM/PSI project	
a	When and how did you first hear about PSOM/PSI	▪
b	What were the main motives to join the programme	<ol style="list-style-type: none"> 1. Access to foreign investment 2. Access to technical assistance and training 3. Access to foreign exchange 4. Access to innovative processes/products... 5. Access to new markets 6. Expand existing commercial relations with foreign partner 7. Other (specify)
c	How and by whom was the project proposal developed? How much were you involved?	
3	Agency NL / EVD/ RVO	
	What is your experience with Agency NL / EVD/ RVO?¹⁷⁴	<i>None / good / bad + clarification/evidence¹⁷⁵</i> ▪ ▪
Who is involved (or could be)? – <i>additionality</i>		
4	Apart from PSOM/PSI, what other (public and private) parties <u>are or were</u> involved with the project? With what inputs/activities (investment, knowledge transfer, CSR incentives, innovation promotion, other)?¹⁷⁶	

¹⁷² This question is added because several projects stopped shortly after having been selected because partners could not come to an agreement about the division of tasks and funds (despite having submitted a 'joint' proposal). Answer to be compared with RVO monitoring data.

¹⁷³ Examples that provide evidence of the state of the relationship (e.g. contact moments, appreciation or not...)

¹⁷⁴ The first point of contact for RVO is with the applicant. However, in many cases, RVO did visit the projects (and might for example have been asked to follow up on specific issues).

¹⁷⁵ For example, knowledge of RVO, contact moments, appreciation

¹⁷⁶ 'None' is also a possible answer.

e.g. Government, Private investors, Business associations, Other partners ¹⁷⁷		
Organisations		Input/activities
1		<i>List</i>
5 What <u>would have</u> been other sources of investment/knowledge transfer if not PSOM/PSI? <small>178</small>		
Why not used? e.g. Government, Private investors, Business associations, Other partners		
Organisations		Type of funding
1		
<i>Comment on rating</i>		
6 Would the project have happened without PSOM/PSI? What would have been different? <i>Prompter: would you have applied for a PSOM/PSI loan rather than a grant?</i>		
Effectiveness: project goals		
7 Comparison of goals with achievements ¹⁷⁹ (using the project document and the company fiche that lists key anticipated results) <i>Per target: Not achieved / partly achieved / fully achieved</i>		
	Target	Achievement
1		
	Notes	
2		
	Notes	
3		
	Notes	

¹⁷⁷ Initially the other actors were to be compared to PSOM/PSI as possible substitute (S) or complement (C), and being less (1), equally (2) or more (2) important for the project's success than PSOM/PSI. However, this option was dropped from the questionnaire.

¹⁷⁸ 'None' is also a possible answer.

¹⁷⁹ Targets to be extracted from project documentations. Rows can be added (if need be during the interview to document targets not mentioned in project documentation).

4		
	Notes	
8	Other results achieved (not anticipated or not listed in fiche)	
9	List critical success factors: 1. 2. 3. 4. 5.	
10	List major barriers to success: 1. 2. 3. 4. 5.	
11	Extent to which PSOM/PSI contributed to these achievements (how and if not why not)?¹⁸⁰	
a	Investment in hardware: <i>1. Negligible / 2.one of the factors / 3. one of the main factors / 4.crucial</i>	
	<i>Clarification</i>	
b	Knowledge transfer, training and technical assistance: <i>1. Negligible / 2.one of the factors / 3. One of the main factors / 4.crucial</i>	
	<i>Clarification¹⁸¹</i>	
c	Direct employment creation (per skills level): <i>1. Negligible / 2.one of the factors / 3. One of the main factors / 4.crucial</i>	
	<i>Clarification</i>	
d	Other: ¹⁸² <i>1. Negligible / 2.one of the factors / 3. One of the main factors / 4.crucial</i>	
	<i>Clarification</i>	
	Assessment of the evaluator based on observations:	
	0 = unsuccessful project	
	1 = Negligible contribution of PSOM/PSI to results	

¹⁸⁰ PSOM/PSI = subsidy as well as cooperation with applicant

¹⁸¹ Through training, (management) cooperation, experience, other?

¹⁸² Can be more than one

	2 = PSOM/PSI one of many factors contributing to results (not crucial)
	3 = PSOM/PSI one of the main factors contributing to results
	4 = PSOM/PSI crucial to achievement of results (indispensable)
	Clarification (incl. key area of contribution?)
12	How innovative is this project?
a	Y Innovation of product / service / management / production method / means of service provision N Not particularly innovative <i>Clarification</i>
b	Are there comparable projects/products in the country (examples)?
c	What were the main competitors at the start of the programme? And how is the current situation?
	Assessment of the evaluator based on observations:¹⁸³
	0 = not innovative in any way
	1 = new for the company (in the country of application)
	2 = new for the company and new in the sector (in the country of application)
	3 = new for the company, new for the sector and new for the country
	4 = a world first (new globally)
	Clarification
13	Corporate social responsibility
a	How active was your company with regard to CSR before the project? <i>Not / somewhat / very + examples</i> - Working conditions - Environment - Gender - Other aspects?
b	How important is CSR in the project? <i>Not / somewhat / very + examples</i> - Working conditions - Environment - Gender - Other aspects?
c	Has the project affected CSR practices in other parts of your company? In what way? Or why not? <i>Not / somewhat / very + examples</i>

¹⁸³ Categorisation roughly based on AECF rating. Innovation serves as a proxy indicator for (-) market displacement

	<ul style="list-style-type: none"> - Working conditions - Environment - Gender - Other aspects? 		
d	<p>Since you started with CSR, has this been taken on board by others in your chain, market, sector (e.g. copied)? In what ways? Or why not?</p> <p><i>Not / somewhat / very + examples</i></p> <ul style="list-style-type: none"> - Working conditions - Production processes - Environment - Gender - Other aspects? 		
Assessment of the evaluator based on observations:			
0 = little evidence of CSR			
1 = no added value PSOM/PSI with regard to CSR			
2 = CSR of project supported by PSOM/PSI (some influence)			
3 = CSR of project strongly influenced by PSOM/PSI			
4 = CSR of project influenced by PSOM/PSI <i>and</i> spill over to others			
Clarification			
IF PROJECT STILL ONGOING during/after subsidy¹⁸⁴			
14	Key data project¹⁸⁵		
	Value sales	Target	Current
	Employment (fte of the project)	Target	Current
	Current jobs		
	<i>Male/Female</i>		
	<i>High/low skill level</i>		
	<i>Flexible/Fixed contracts</i>		
	<i>Younger than 25 years</i>		
	Evidence of upscaling		
Follow up ¹⁸⁶ (# and sum)	Target	Current	

¹⁸⁴ The analysis will take into account differences between categories of companies (e.g. ongoing projects or those that have been finalised for several years but are still active).

¹⁸⁵ Some of this information is in the company fiche, in which case this serves as a validation. Other information should be collected during the interview.

	# of outgrowers/contractors	
	# of locations	
	Other	
15	What are your expectations for the future of the project (in case of still active)	
Wider impact		
16	Has the project affected other parts of your <u>company</u>?¹⁸⁷ If so, how? With examples	
	<i>1.No / 2.somewhat / 3.a lot / 4.crucial</i>	
17	Has the project affected others in the <u>sector</u> (e.g. suppliers, outgrowers clients)? If so, who and how?¹⁸⁸ With examples	
	<i>1.No / 2.somewhat / 3.a lot / 4.crucial</i>	
18	Has the project affected others in the <u>market/country</u>? If so, who and how?¹⁸⁹ With examples	
	No / somewhat / a lot / crucial	

Wrap-up question

19 What do you recommend for future investment programmes? What should definitely continue / be stopped?

Summary and personal assessment by evaluators¹⁹⁰

Relevant (Does the company and project fit the selection criteria and objectives of PSOM/PSI?)
Y/N + clarification

Additionality (Could the project have happened without PSOM/PSI at about the same scale,

¹⁸⁶ New investors

¹⁸⁷ E.g. employment, working conditions, technologies, innovation...

¹⁸⁸ E.g. employment, new technologies adapted, working conditions

¹⁸⁹ E.g. replication of business models and/or of technology, changes in working conditions, laws and regulation

¹⁹⁰ These answers will be discussed in depth during the workshop for the country experts to ensure consistency in assessments. The information above will substantiate the seemingly simple answer Yes/No (as there is obviously always more nuance and middle ground). However, providing clear answers to the main questions, will facilitate the synthesis of findings within broad categories that will be elaborated on with more detailed examples and clarifications.

pace and impact?)

Y/N + clarification

Effectiveness (expected results achieved)

Y/N

Contribution PSOM/PSI¹⁹¹
No / one of many / crucial

Turnover/sales

Direct employment

Knowledge transfer

CSR

Other

Impact (evidence of results beyond project)

Y/N

Contribution PSOM/PSI¹⁹²
No / one of many / crucial

Local company

Sector

Market

Other

Embeddedness of the business (Is the project sustainable after PSOM/PSI or does it seem to have the potential to be sustainable?)

Y/N + clarification

Other remarks by evaluator

¹⁹¹ No causal link / one of many factors / significant causal link

¹⁹² No causal link / one of many factors / significant causal link

Annex V: Employee survey guidelines

Topic sheet group interview employees on working conditions

The interview with a group of employees will be used to validate the information with regard to working conditions and CSR, obtained through the PSOM/PSI reporting and interviews with the local project management and applicant.¹⁹³ This sheet should be used to report the answers to the questions posed by the interviewers in ways that are most appropriate for the specific context and culture.^{194,195}

The group consists of 5-10 employees together, both male and female, (having been) working in the PSOM/PSI project at different levels (non-management).¹⁹⁶

After introduction, description of purpose of interview, confidentiality,
List people in the group, names, age, sex and function:

	Y	N	Comments ¹⁹⁷
Work			
People in this company			
earn at least minimum wage ¹⁹⁸			
<i>What is this wage (more or less)?</i>			
Get paid on a regular basis			
<i>Daily? Weekly? Monthly?</i>			
Always get paid for overtime			

¹⁹³ The aim of this exercise is to confirm that the working conditions in the PSOM/PSI projects are as expected. It is difficult to measure change, and in particular attribute this to PSOM/PSI (even more so because CSR is a precondition as well as an expected output, moreover the attention to CSR varies over time and within RVO). Nevertheless, at the end of the discussing an attempt will be made to determine changes in the past years, which the evaluators can link to the PSOM/PSI timeline.

¹⁹⁴ The questions draw on ILO's Decent Work questionnaires (abbreviated), using internationally accepted aspects of decent working conditions.

¹⁹⁵ Questions can be posed directly to the group ('how many of you...') or asked in general for the company. Y is the answers if the majority of people answer positively, or if the group agrees this is the case for the company (with possible exceptions). Otherwise N.

¹⁹⁶ Given the scope and nature of this evaluation (with a focus on the PSOM/PSI programme managed by RVO and funded by the Ministry of Foreign Affairs, rather than being focused on CSR of participating companies), it is unavoidable that these employees will be selected by the project management, interviews are conducted on-site and the evaluation does not allow for third party involvement (e.g. trade unions).

¹⁹⁷ Statements to be answered with Y/N, nuances (e.g. differences between levels, people) to be noted in comment section. It is important to probe/double check answers (examples provided in the list, to be added depending on type of project/sector/country). Observations of interviewers also to be noted in the comment section (in a distinct colour).

¹⁹⁸ To be determined and assessed by the local expert (Note: there might be differences between legal minimum wage and what is considered a minimum living wage. In that case living wage is to be assessed.).

Are always over 15 years old			
<i>How old is the youngest employee? What does he/she do?</i>			
Are allowed to terminate employment at will or after serving a notice			
Have the right to join a trade union ¹⁹⁹			
<i>What is the union called?</i>			
	Y	N	Comments
Holidays			
People in this company			
Get a weekly rest period of at least 1 day a week			
<i>What days are off?</i>			
	Y	N	Comments
Employment security			
People in this company			
Receive a written statement of particulars at the start of employment ²⁰⁰			
<i>Does everybody have a contract? Signed?</i>			
Can work on tasks of a permanent nature without fixed term contract (i.e. as contract workers)			
<i>Are there more flex or fixed contracts? What tasks are flex contractors?</i>			
Get due notice before termination of employment contracts			
Receive severance pay in case of sudden termination of employment			
<i>Do you know of people who have received this severance pay?</i>			
	Y	N	Comments
Sickness and employment injury benefits			
People in this company			
Receive paid sick leave during the first months ²⁰¹			

¹⁹⁹ Obviously, this question is only to be asked in appropriate context (i.e. when legal in the country)

²⁰⁰ contract, appointment letter or other

²⁰¹ Note % of wage and for how long?

<i>Do you know of people who had this happen to them? In this company? Elsewhere?</i>			
Are adequately compensated in case of an accident/work injury or occupational disease			
<i>Do you know of people who had this happen to them? In this company? Elsewhere?</i>			
	Y	N	Comments
Maternity			
Women in this company			
Can adapt their work (e.g. hazardous work, night shifts) during pregnancy			
Are protected from dismissal during pregnancy			
Have maternity leave (at least partly paid) ²⁰²			
<i>Do you know of people who had this happen to them? How long is maternity leave?</i>			
	Y	N	Comments
Health and safety			
People in this company			
Have a safe and healthy workplace			
Use protective equipment, including clothing, free of cost to them			
<i>Examples of safety measures (and unsafe situations)?</i>			
	Y	N	Comments
Fair treatment			
People in this company			
Receive equal pay for similar/equal work without discrimination			
Are treated equally in employment opportunities (appointment, promotion, training...) without discrimination of:			
Sex/gender			
Religion			
Political opinion			
Place of birth			
Trade union mem-			

²⁰² Note % of wage and for how long?

bership			
Other?			
<i>Do you have examples of ways in which women are supported in their work?</i>			
<i>Do you have examples of discrimination that was halted/punished?</i>			
Training			
What types of training have the employees received in the past 5 years? ²⁰³			
Was this useful and why (not)?	Y	N	Comments
Health and Safety			
...			
...			
Change over time			
In the past few years, what have been the main changes in the areas discussed (positive/negative)? ²⁰⁴ How did this come about?			
Overall comments of interviewers on process ²⁰⁵			

Topic sheet group interview employees on working conditions

The interview with a group of employees will be used to validate the information with regard to working conditions and CSR, obtained through the PSOM/PSI reporting and interviews with the local project management and applicant.²⁰⁶ This sheet should be used to report the answers to the questions posed by the interviewers in ways that are most appropriate for the specific context and culture.²⁰⁷²⁰⁸

The group consists of 5-10 employees together, both male and female, (having been) working in the PSOM/PSI project at different levels (non-management).²⁰⁹

After introduction, description of purpose of interview, confidentiality,
List people in the group, names, age, sex and function:

²⁰³ Or during the PSOM/PSI project period.

²⁰⁴ If possible, to be linked to the PSOM/PSI project period.

²⁰⁵ Attitude of the group, possible differences between answers of men and women, credibility of the answers,...

²⁰⁶ The aim of this exercise is to confirm that the working conditions in the PSOM/PSI projects are as expected. It is difficult to measure change, and in particular attribute this to PSOM/PSI (even more so because CSR is a precondition as well as an expected output, moreover the attention to CSR varies over time and within RVO). Nevertheless, at the end of the discussing an attempt will be made to determine changes in the past years, which the evaluators can link to the PSOM/PSI timeline.

²⁰⁷ The questions draw on ILO's Decent Work questionnaires (abbreviated), using internationally accepted aspects of decent working conditions.

²⁰⁸ Questions can be posed directly to the group ('how many of you...') or asked in general for the company. Y is the answers if the majority of people answer positively, or if the group agrees this is the case for the company (with possible exceptions). Otherwise N.

²⁰⁹ Given the scope and nature of this evaluation (with a focus on the PSOM/PSI programme managed by RVO and funded by the Ministry of Foreign Affairs, rather than being focused on CSR of participating companies), it is unavoidable that these employees will be selected by the project management, interviews are conducted on-site and the evaluation does not allow for third party involvement (e.g. trade unions).

	Y	N	Comments ²¹⁰
Work			
People in this company			
earn at least minimum wage ²¹¹			
<i>What is this wage (more or less)?</i>			
Get paid on a regular basis			
<i>Daily? Weekly? Monthly?</i>			
Always get paid for overtime			
Are always over 15 years old			
<i>How old is the youngest employee? What does he/she do?</i>			
Are allowed to terminate employment at will or after serving a notice			
Have the right to join a trade union ²¹²			
<i>What is the union called?</i>			
	Y	N	Comments
Holidays			
People in this company			
Get a weekly rest period of at least 1 day a week			
<i>What days are off?</i>			
	Y	N	Comments
Employment security			
People in this company			
Receive a written statement of particulars at the start of employment ²¹³			
<i>Does everybody have a contract? Signed?</i>			
Can work on tasks of a permanent nature without fixed term contract (i.e. as contract workers)			

²¹⁰ Statements to be answered with Y/N, nuances (e.g. differences between levels, people) to be noted in comment section. It is important to probe/double check answers (examples provided in the list, to be added depending on type of project/sector/country). Observations of interviewers also to be noted in the comment section (in a distinct colour).

²¹¹ To be determined and assessed by the local expert (Note: there might be differences between legal minimum wage and what is considered a minimum living wage. In that case living wage is to be assessed.).

²¹² Obviously, this question is only to be asked in appropriate context (i.e. when legal in the country)

²¹³ contract, appointment letter or other

<i>Are there more flex or fixed contracts? What tasks are flex contractors?</i>			
Get due notice before termination of employment contracts			
Receive severance pay in case of sudden termination of employment			
<i>Do you know of people who have received this severance pay?</i>			
	Y	N	Comments
Sickness and employment injury benefits			
People in this company			
Receive paid sick leave during the first months ²¹⁴			
<i>Do you know of people who had this happen to them? In this company? Elsewhere?</i>			
Are adequately compensated in case of an accident/work injury or occupational disease			
<i>Do you know of people who had this happen to them? In this company? Elsewhere?</i>			
	Y	N	Comments
Maternity			
Women in this company			
Can adapt their work (e.g. hazardous work, night shifts) during pregnancy			
Are protected from dismissal during pregnancy			
Have maternity leave (at least partly paid) ²¹⁵			
<i>Do you know of people who had this happen to them? How long is maternity leave?</i>			
	Y	N	Comments
Health and safety			
People in this company			
Have a safe and healthy workplace			
Use protective equipment, including clothing, free of			

²¹⁴ Note % of wage and for how long?

²¹⁵ Note % of wage and for how long?

cost to them			
<i>Examples of safety measures (and unsafe situations)?</i>			
	Y	N	Comments
Fair treatment			
People in this company			
Receive equal pay for similar/equal work without discrimination			
Are treated equally in employment opportunities (appointment, promotion, training...) without discrimination of:			
Sex/gender			
Religion			
Political opinion			
Place of birth			
Trade union membership			
Other?			
<i>Do you have examples of ways in which women are supported in their work?</i>			
<i>Do you have examples of discrimination that was halted/punished?</i>			
Training			
What types of training have the employees received in the past 5 years? ²¹⁶			
Was this useful and why (not)?	Y	N	Comments
Health and Safety			
...			
...			
...			
Change over time			
In the past few years, what have been the main changes in the areas discussed (positive/negative)? ²¹⁷ How did this come about?			
Overall comments of interviewers on process ²¹⁸			

²¹⁶ Or during the PSOM/PSI project period.

²¹⁷ If possible, to be linked to the PSOM/PSI project period.

²¹⁸ Attitude of the group, possible differences between answers of men and women, credibility of the answers,...

Annex VI: Overview PSOM/PSI contribution

ID	Operational (Y/N/O = too early)	Additionality (Y/N)	Contribution PSOM/PSI (one of Many fac- tors/Crucial factor/O = too early)	Evidence of sector impact (Potential Yes / No / Yes)	Evidence of market impact (Potential Yes / No / Yes)
B1	Y	N	M	PY	N
B2	Y	Y	C	N	N
B3	Y	N	M	N	N
B4	N	Y	M	N	N
B5	N	Y	M	PY	PY
B6	Y	Y	C	N	N
B7	Y	Y	C	Y	Y
B8	Y	Y	M	Y	PY
BH1	Y	N	C	Y	N
BH2	O	Y	O	Y	N
BH3	Y	Y	C	Y	PY
BH4	Y	Y	C	Y	N
BH5	N	N	C	N	N
BH6	Y	Y	C	Y	N
BH7	Y	N	C	PY	PY
BH8	N	Y	M	Y	Y
E1	O	Y	C	Y	N
E2	Y	Y	C	Y	Y
E3	N	N	M	N	Y
E4	Y	Y	C	Y	Y
E5	O	Y	M	Y	Y
E6	Y	Y	C	Y	N
E7	Y	Y	C	Y	N
E8	Y	Y	C	Y	N
P1	Y	Y	M	PY	PY
P2	Y	N	M	N	PY
P3	Y	N	M	N	N
P4	O	Y	M	PY	N
P5	Y	Y	C	PY	N
P6	Y	N	M	Y	N
P7	N	Y	M	Y	N
P8	Y	N	M	N	N
P9	Y	N	M	N	PY
SL1	Y	N	M	Y	Y
SL2	Y	N	M	Y	N
SL3	Y	Y	C	Y	N
SL4	N	Y	M	Y	N
SL5	N	N	M	Y	PY
SL6	Y	Y	M	PY	PY
SL7	N	N	M	PY	N
SL8	Y	N	C	Y	N
U1	N	Y	M	Y	Y
U2	Y	N	M	Y	N

U3	0	N	0	Y	N
U4	Y	Y	M	PY	N
U5	Y	N	M	PY	PY
U6	Y	Y	M	Y	N
U7	Y	Y	C	PY	N
U8	N	Y	M	PY	PY

Annex VII: Quantitative methodology and analysis

Monitoring data

Data

The evaluation team used the inception phase to make an inventory of available data, in order to assess the feasibility of the methodology described in the proposal.

Descriptive data concerning project characteristics (sector, country, tender) are available for all PSOM/PSI projects. The data covers employment, female employment, sales, training, follow-up investments and number of outgrowers for all projects. Additional data on employment level and subcontractors was collected for PSI projects.

RVO collects these impact indicators throughout the whole project. But these monitoring data are overwritten every time RVO receives an update about these impact indicators. Therefore only the target proposed and the target realized, at the end of the project or the last time results are reported by a project, are registered in the BAS monitoring system.

Furthermore, APE has collected information about the partnership and financial characteristics, like balance, turnover and number of employees at the start of the project, on all selected and a sample of rejected projects to add to the analysis. 250 projects were randomly selected from the 946 proposals rejected under PSI. Data was available for 186 of these proposals (no financial characteristics were available in BAS for the other 64). The data from these 186 will be included in the analysis of the selection process and ex ante additionality.

Project database

- RVO provided the evaluation team with a project database with all readily available data. This database contains information on all 2912 PSI and PSOM projects, both rejected and granted. Variables included are:
 - Programme: PSOM, PSI regular, PSI Plus or PSI Arab
 - Dossier status: rejected, ongoing, stopped or finalized
 - Year of tender
 - Country and region
 - Fragile state
 - Dutch applicant: yes or no
 - Sector
 - Start and end date of the project

All of these data can be used to make a quantitative description of the programmes. Additionally, impact variables and grant characteristics are also available for granted projects in this project database. Monitoring data is missing for the projects before 2003.

Additional information BAS monitoring system

The evaluation team has collected additional data for all 616 granted PSI projects from the BAS monitoring system and project files in order to be able to do more complex analyses (as described in Sections 3.3, 5.3 and 5.4). The additional variables comprise data about the partnership and financial characteristics at the start of the project. So these data (except approved

hardware budget) cover intentions, not realisations. The variables are shown in appendix III. For the PSOM projects the data necessary for the more complex analyses were not available. The evaluation team has also collected these additional data for a random sample of 186 rejected PSI proposals. Further, the reason why RVO rejected the proposal is collected.

Ranking forms

Additionally, RVO provided the evaluation team with an overview of the ranking forms for all projects across 2008-2014.

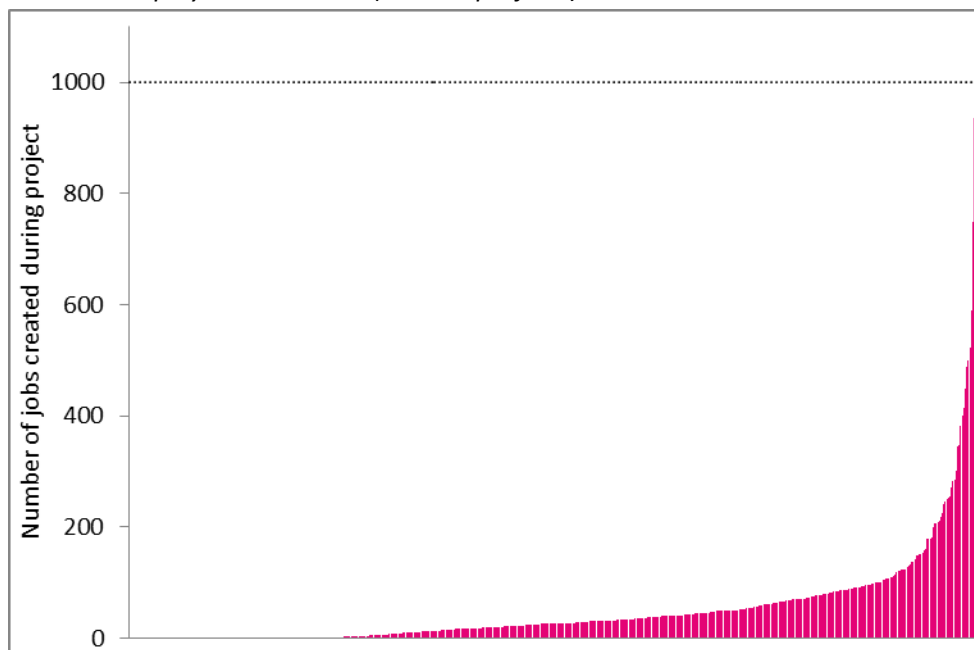
Multivariate analyses

Data preparation

Some data cleaning was done before the quantitative analyses were carried out. Outliers and the number of missing values were identified by means of descriptive statistics and bar graphs, like Table A.5.1. Furthermore, we used the information gathered during from interviews and desk research. This approach led to the following decision rules for outliers:

- We see projects where employment proposed or employment realized (Figure A.5.1) exceeds 1,000 jobs as outliers.

Figure A.5.1: Employment realized ($n = 555$ projects)



- Projects with a training component, both proposed and realized, higher than 10.000 people trained are, based on the five highest values in Table A.5.1 regarded as outliers.

Table A.5.1: Five highest values of training realized

Highest	Number of people trained
1	2,000,000
2	30,150
3	7,946
4	6,615
5	6,202

- We consider projects where sales or investments are larger than € 25,000,000, proposed and realized, as unrealistic because PSOM/PSI finances pilot projects.
- Financial ratios and internal rates of returns with an absolute value higher than 100, or 1 depending on the measurement scale, are regarded as outliers. RVO determines the following financial ratios for each applicant and local partner at the moment of application: (i) financing ratio, (ii) equity ratio, (iii) liquidity ratio and (iv) solvency ratio²¹⁹.
- Percentages, like the division of shares and the percentage of budget reserved for hardware and technical assistance, cannot exceed 100%.
- We regard applicants with more than 10,000 employees, and local partners with more than 1,000 employees as outliers. RVO favours SMEs during PSOM/PSI. Therefore, companies with such large number of employees are judged exceptional.
- PSOM/PSI projects have a maximum project budget of € 1,500,000, RVO accounts for 50% of this budget. Therefore applicant and local partner cannot invest more than € 750,000.
- We regard applicants whose equity, balance, turnover, net profit or cash flow exceed € 100,000,000 as outliers. We use different boundaries for the local partner's financial indicators. Balance or turnover exceeding € 50,000,000, equity exceeding € 25,000,000, net profit or cash flow exceeding € 5,000,000 are regarded as exceptional based on the inspection of bar graphs.

Selection of projects: determinants of awards; common ground of awards and denials

We constructed financial profiles, where available, for all 616 selected PSI projects and a sample of 249 rejected PSI projects. These profiles are based on company information from both partners and proposed project characteristics reported in the application form (Table A.5.2).

Table A.5.2 shows means for all registered financial characteristics about the applicant, local partner and some proposed characteristics of the project for both selected and rejected projects. By means of a paired t-test for equal sample means, we analysed whether selected and rejected projects have significantly different means for these characteristics. In order to estimate the t-value correctly, it is important to know whether the variances between the group of selected and rejected projects are equal. We used the Folded F test to determine this. If the Folded F test indicated unequal variances at a 5% significance level we used the paired t-test with unpooled variance to take this into account. Otherwise we used the paired t-test with pooled variance. We also accounted for the fact that the number of selected projects for which the infor-

²¹⁹ RVO defines these ratios – per partner - as follows:

- Financing ratio = (project duration in months/12) * (cash flow / own contribution)
- Equity ratio = equity / own contribution
- Liquidity ratio = short term loans / current assets
- Solvency ratio = total assets / equity

mation from the application form is known is much larger than the number of rejected projects with this information in calculating the (un)pooled variance.

Correlation matrix

- Next we looked at the correlation matrix to determine whether the various financial characteristics are associated with being selected. Being selected is positively correlated with the applicant's net profit, cash flow, financing ratio and solvency ratio.
- There is also a high (above 0.8) correlation between the financial ratios and some of the firm characteristics: net profits, cash flow, balance, equity and turnover. This is not surprising because the financial ratios are based on these same characteristics..
- The firm characteristics are also highly correlated with each other. For instance, the applicant's cash flow and net profit have a correlation coefficient of 0.88. This is also not surprising because a successful company will do well on all financial components.

Logistic regressions

We analyse different models to determine the probability of being selected.²²⁰ A dummy variable which equals one if a project is selected is the dependent variable in all these models. The reference project in these analyses is an agricultural project in Africa selected in 2009. Results are in Table A.5.3.

Model (1)

This model is estimated based on the information of 616 selected and 249 rejected PSI projects. Information on all financing ratios is available for 494 of these projects - 414 selected and 80 rejected. The financial ratios - financing, solvency, liquidity and equity ratio - for applicant and local partner are used as independent variables. A dummy variable to indicate whether a third partner is present, the project's proposed internal rate of return, the proposed division of shares between applicant and local partner, and the number of employees of both partners are added to the regression. Also dummy variables for region, sector, programme, tender year, and lower or upper income countries are added as dependent variables.

The applicant's financing ratio, which is the ratio between an applicant's total cash flow during a project and the own contribution he/she invests into this project, is the only significant financial variable. It has a positive effect on the selection probability. So, a large total cash flow compared to the contribution to the project, resulting in a high financing ratio, increases the selection probability.

Model (2)

Model (2) is the same as Model (1) except that the ratios are replaced by the firm characteristics underlying the ratios. Each characteristic - equity, balance, net profit, turnover and cash flow - is entered separately because of the high correlation between these variables. No significant results are found in these regressions. Therefore, the results are not reported in Table A.5.3.

Model (3)

This model is estimated based on the data of all 2,912 PSOM/PSI projects. 1,107 of these projects were awarded. We only use dummy variables for region, sector and tender as independent variables in this regression. This allows us to include all 2,912 projects.

²²⁰ Unfortunately, the ranking scores given by RVO could not be added as independent variables because there are hardly any rejected projects with a completed ranking form.

Almost all variables are significant in this model. Projects in services and industry have a higher selection probability than the reference project. The selection probability is also higher for projects in Asia or Latin America. The selection probability is lower for projects situated in Eastern and Central Europe or in the MENA region.

Kernel densities

We inspect the kernel densities for selected projects and rejected projects to investigate the discriminatory power of the selection process. The stronger this power the smaller the common ground of rejected and selected proposals. We calculate kernel densities using Model (3) because this model has the most observations and the most significant variables.

Figure A.5.2 shows the kernel densities of the selected (pink) and rejected (blue) projects. We use a t-test for equality of means to determine whether selected and rejected projects are so-called balanced – before and after matching – which is an indicator for discriminatory power. If selected and rejected projects are balanced on all variables the difference in means between both groups is insignificant and therefore selected and rejected projects are comparable.

Table A.5.4 shows the results of this t-test. We see that the mean for multiple variables, like Asia, industry or services, differ significantly between selected and rejected projects before they are matched. These significant differences become insignificant after matching. So, a valid control group of rejected projects could have been constructed. This could have been a basis to assess a net effect (additionality) of PSOM/PSI, were it not that we lack comparable data on outcomes for rejected projects.

Figure A.5.2 Kernel density estimates selected projects (pink, N = 1,107 projects) and rejected projects (blue, N = 1,805 projects)

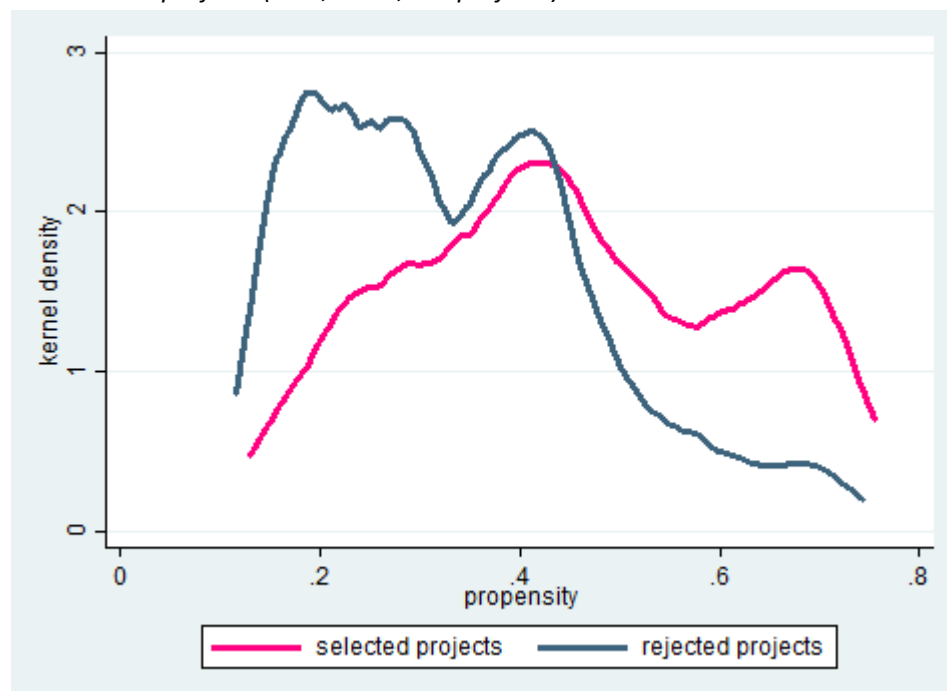


Table A.5.2: Profiles selected and rejected PSI projects (n = 616 selected and 249 rejected projects)

Variable	Selected			Rejected			Paired t-test T-value ²²¹
	N	Mean	Std. Dev.	N	Mean	Std. dev	
Project characteristics (intentions)							
Hardware (%)	517	79.70	10.19	156	77.65	16.25	1.49
Technical assistance (%)	517	20.22	10.12	156	22.42	16.22	1.60
Internal rate of return	516	15.98	8.74	155	18.16	13.76	1.86*
Division of shares applicant (%)	498	46.39	17.04	124	44.50	18.34	1.09
Division of shares local partner (%)	496	49.15	17.40	122	50.70	18.62	0.87
Characteristics applicant (before application)							
Own contribution	510	€ 295,084	138,422	126	€ 268,129	145,043	1.94*
Equity	515	€ 2,503,967	4,351,672	125	€ 1,912,533	4,090,561	1.38
Balance	515	€ 6,012,066	9,368,713	125	€ 4,770,984	9,659,023	1.32
Turnover	510	€ 8,748,207	14,834,804	123	€ 6,210,224	12,131,587	1.99**
Net profit	505	€ 413,235	915,375	125	€ 148,566	1,105,988	2.47**
Cash flow	513	€ 614,258	1,157,762	125	€ 237,650	1,017,368	3.34**
Number of employees	492	79	264.96	113	60	192.65	0.88
Equity ratio	515	8.47	14.49	122	5.74	10.58	2.36**
Financing ratio	514	4.92	9.11	123	0.94	13.70	3.06**
Solvency ratio	515	0.44	0.31	124	0.44	0.32	0.11
Liquidity ratio	512	4.26	10.14	121	4.97	11.07	0.68
Characteristics local partner (before application)							
Own contribution	508	€ 287,512	150,404	124	€ 304,260	165,315	1.09
Equity	499	€ 1,090,939	2,016,167	115	€ 640,245	1,322,676	2.95**
Balance	499	€ 2,388,800	4,124,753	113	€ 1,978,619	4,026,115	0.96
Turnover	496	€ 2,414,578	4,860,329	109	€ 1,983,573	5,698,050	0.73
Net profit	488	€ 170,694	371,103	110	€ 129,344	461,809	0.88
Cash flow	496	€ 245,662	424,930	111	€ 166,313	514,085	1.51
Number of employees	484	72	132.62	110	61	121.21	0.81
Equity ratio	490	3.90	7.48	111	2.95	6.32	1.38
Financing ratio	484	1.99	3.89	110	1.31	3.24	1.90*
Solvency ratio	498	0.53	0.35	112	0.45	0.43	1.81*

²²¹* means significance at a 10% confidence level, ** means significance at a 5% confidence level. We take unequal sample size into account in the t-test for equal sample means.

Liquidity ratio	477	5.90	12.12	108	4.79	6.58	1.31
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Table A.5.3: Results logistic regression selection

Variables	(1)		(3)	
	Coefficient ⁴	P-value	Coefficient ²²²	P-value
Intercept	-1.66	0.261	-0.48**	0.002
Internal rate of return	-0.01	0.379		
Division of shares local partner	2.58*	0.074		
Division of shares for applicant	2.47*	0.095		
Equity ratio local partner	0.02	0.709		
Equity ratio applicant	0.00	0.855		
Financing ratio local applicant	0.05	0.353		
Financing ratio applicant	0.05**	0.004		
Solvency ratio local partner	0.27	0.493		
Solvency ratio applicant	0.16	0.741		
Liquidity ratio local partner	0.01	0.504		
Liquidity ratio applicant	0.01	0.460		
Number of employees local partner	-0.00	0.809		
Number of employees applicant	0.00	0.700		
Dummy variable for:				
Asia	-0.45	0.324	0.19*	0.086
Latin America	0.49	0.540	0.28**	0.029
MENA region	1.25**	0.047	-0.14	0.337
Eastern and central Europe	-0.11	0.854	-0.48**	0.002
Industry	1.73**	0.000	1.13**	0.000
Services	1.04**	0.013	1.00**	0.000
Plus	-0.14	0.836		
Arab	-0.80	0.391		
Third partner	0.79**	0.030		

²²² * means significance at a 10% confidence level, ** means significance at a 5% confidence level.

Lower middle income country	-0.12	0.794		
Upper middle income country	-0.48	0.385		
Fragile state	-0.82	0.189		
Tender 1999			-1.14**	0.000
Tender 2000			-1.29**	0.000
Tender 2001			-0.94**	0.001
Tender 2002			-0.53*	0.086
Tender 2003			-1.05**	0.000
Tender 2004			-0.71**	0.000
Tender 2005			0.14	0.549
Tender 2006			0.13	0.554
Tender 2007			-0.19	0.347
Tender 2008			0.20	0.438
Tender 2010	0.89	0.115	0.08	0.683
Tender 2011	-0.26	0.594	-0.45*	0.019
Tender 2012	0.11	0.834	0.03	0.860
Tender 2013	-0.13	0.787	-0.53**	0.004
Tender 2014	-0.49	0.338	-1.08**	0.000
R ²		0.163		0.086
N		494		2912

Table A.5.4: T-test for equality of means between selected and rejected projects before and after matching

Variable	Unmatched, Matched	Mean selected projects	Mean rejected projects	P-value ²²³
Asia	Unmatched	0.25	0.20	0.001**
	Matched	0.25	0.24	0.680
Latin America	Unmatched	0.15	0.11	0.001**
	Matched	0.15	0.14	0.520
MENA region	Unmatched	0.08	0.11	0.033**
	Matched	0.08	0.09	0.788
Eastern and central Europe	Unmatched	0.08	0.10	0.232
	Matched	0.08	0.08	0.996

²²³ * means significance at a 10% confidence level, ** means significance at a 5% confidence level.

Industry	Unmatched	0.32	0.15	0.000**
	Matched	0.32	0.33	0.729
Services	Unmatched	0.15	0.09	0.000**
	Matched	0.15	0.14	0.658
Tender 1999	Unmatched	0.03	0.04	0.007**
	Matched	0.03	0.03	0.999
Tender 2000	Unmatched	0.02	0.06	0.000**
	Matched	0.02	0.02	0.881
Tender 2001	Unmatched	0.02	0.04	0.006**
	Matched	0.02	0.02	0.766
Tender 2002	Unmatched	0.02	0.02	0.260
	Matched	0.02	0.02	0.982
Tender 2003	Unmatched	0.03	0.05	0.002**
	Matched	0.03	0.03	0.740
Tender 2004	Unmatched	0.07	0.09	0.029**
	Matched	0.07	0.08	0.580
Tender 2005	Unmatched	0.06	0.03	0.001**
	Matched	0.06	0.06	0.884
Tender 2006	Unmatched	0.07	0.04	0.000**
	Matched	0.07	0.08	0.812
Tender 2007	Unmatched	0.08	0.06	0.092*
	Matched	0.08	0.08	0.977
Tender 2008	Unmatched	0.05	0.02	0.003**
	Matched	0.05	0.04	0.320
Tender 2010	Unmatched	0.09	0.06	0.000**
	Matched	0.09	0.09	0.914
Tender 2011	Unmatched	0.09	0.11	0.366
	Matched	0.09	0.09	0.706
Tender 2012	Unmatched	0.11	0.07	0.000**
	Matched	0.11	0.11	0.896
Tender 2013	Unmatched	0.11	0.12	0.523
	Matched	0.11	0.12	0.834
Tender 2014	Unmatched	0.06	0.11	0.000**
	Matched	0.06	0.06	0.959

Predictors of success

Profiles

As a starter, we constructed financial profiles for all finalized and stopped PSI projects (Table A.5.6). Rejected and ongoing projects are left out as they have not (yet) failed or succeeded. The same method, as for the profiles of selected and rejected PSI projects, is used.

The distinction between successfully finalized projects and stopped projects is difficult to make using ex ante financial indicators for both partners as these values might only be valid at the start of the project and be unrelated to further success or failure. However this is the only available information in the BAS system about applicant and local partner.

Only the applicant's balance and equity ratio are lower for stopped projects than for finalized projects.

Logistic regression

We used logistic regression to determine the effect of the partnership's financial characteristics and the project's proposal scores, given by RVO before the APSI ranking, on project's success.

We only looked at the scores from the 2010 and 2011 ranking forms (N = 113 PSI projects) because there is a relatively large number of finalized and stopped projects in both tenders, compared to the 2012 till 2014 tenders, where most projects are still ongoing (Table A.5.5). Further, the collected ranking scores are more comparable and elaborated for the 2010 and 2011 tenders, compared to the tenders in 2008 and 2009. Moreover, the scheme by which the ranking scores were weighted is available for these two tenders. This is not the case for the 2008 and 2009 tenders.

Table A.5.5: Number of finalized and stopped projects per tender

Tender	Finalized	Stopped
2008	25	21
2009	47	34
2010	31	36
2011	19	30
2012	3	16
2013	0	20
2014	0	3

Standardized ranking scores were required to make the rankings of 2010 and 2011 comparable because these tenders differed in the type and number of items scored and in the way the ranking scores were weighted. For instance, RVO gave scores for substantial impact on production chain, sector or country for the first time during the tender of 2011²²⁴. Scores are standardized by dividing the obtained score by the maximum score possible, based on the items that are recorded in both 2010 and 2011.

We analysed different success indicators: (1) the project status given by RVO, (2) the number of proposed targets that were achieved, (3) percentage of originally committed subsidy paid and

²²⁴ Source: RVO ranking forms tender I & II in 2010 and tender I & II in 2011.

(4) the accomplishment of each of the proposed targets separately - employment, training, outgrowers, subcontractors, females, sales and follow-up investment.

Inspection of the correlation matrix shows that the accomplishment of each of the proposed targets²²⁵ is correlated with scores on specific components, like the score for innovativeness in marketing or the score on proposed number of high or medium level trainings given during the project. Remarkably, a project's overall score is not significantly correlated with any of the success indicators analysed.

Based on the correlation matrix and on the number of observations, we chose to use the following success indicators in the logistic regression: (i) a dummy variable which equals one if a project finalized according to the definition of RVO and (ii) a dummy variable which equals one if four out of the seven targets - employment, knowledge transfer, outgrowers, subcontractors, females, sales and follow-up investments - are achieved.

The following models are estimated. The reference project, described by the intercept, is always an agricultural project selected in 2009.

Model (1A)

The dependent variable is a dummy variable which equals one if four out of seven targets are achieved during the project. This dummy is regressed on the partnership's financial ratios from the application form, the number of employees of both partners and the scores per component given by RVO at the ranking form. Dummies for region, sector and tender are also included.

The number of observations is small in this model. For only 71 PSI projects we have scores for each item of the ranking form, the financial ratios of the partnership and all seven targets. 60 out of 71 projects did not achieve four out of seven targets, 11 did achieve this. The model cannot be estimated properly due to validity issues²²⁶ as a result of this small number of observations.

Model (1B)

This model is the same as model (1A) except that the total score from the ranking form is used instead of separate item scores. The validity issues are solved in this way but still only the estimate of the intercept is significant.

Model (1C)

This model is a simplification of model (1B). For the local partner, the number of employees and the financial ratio are missing relatively often. Therefore, these two variables are left out of the

²²⁵ Achieved is defined as target proposed \leq target realized. The targets are employment, training, sales, females, outgrowers, subcontractors and follow-up investments.

²²⁶ The maximum likelihood estimate may not exist due to (quasi-)complete separation. This means that there is an independent variable that (almost) perfectly predicts success. For example, if the number of employees is lower than ten for all stopped projects and higher than ten for all finalized projects, then number of employees predicts success perfectly and there is complete separation. Mathematically, this means that the coefficient for number of employees cannot be estimated. The higher the coefficient for number of employees, the higher the likelihood will be. Therefore, the coefficient of the number of employees tends towards infinity in case of complete separation. So, the coefficient estimate for number of employees in this example is incorrect but the coefficient estimates for other independent variables are valid. Removing the number of employees would lead to biased estimates for these other independent variables.

model to increase the number of observations. Unfortunately, this does not result in any significant estimates.

Model (2A)

The number of observations is low because we focus on the ranking form scores from tenders 2010 and 2011. In order to increase the number of observations and the reliability of our estimates, we also estimated a model based on the partnership's financial ratios at the moment of application. Dummies are included for region, sector and tender. The dependent variable is a dummy variable which equals one if the project is successful according to the definition of RVO²²⁷ (as assessing targets met would again reduce the number of observations).

The number of observations is 158. Just as in Model (1A), this model results in validity warnings. Even, if only one financial ratio and dummy variables are used as independent variables (N = 225), the issue is not resolved.

Model (2B)

Model (2B) has the same independent variables as model (2A) but has the dummy variable that equals one if four targets are achieved as dependent variable. Here, the intercept and the dummy for Asia are significant.

So, in conclusion, the logistic regression does not identify any variables that influence success significantly - except for model (2B) where the dummy variable for Asia is significant. Whether a project will be a success, is difficult to predict by the ranking scores.

Discriminant analysis

Discriminant analysis is a technique which is often used in marketing research for profiling – how do groups differ with respect to independent variables? -, differentiation – are differences across groups significant? - and categorization – can we predict group membership based on certain independent variables? -. This technique is a special case of multiple regression when there are only two groups to predict, as is the case here. We used discriminant analysis for categorization in order to construct a continuous indicator of success.

We focus on goal achievement with regard to employment, training and sales because information on those three key indicators is available for most projects. These three indicators are monitored through the whole PSOM and PSI programme while others were added later. 372 out of 721 finalized and stopped PSOM/PSI projects have information on the proposal and realization of all three indicators.

The project status as given by RVO is the dependent variable in this discriminant analysis. This dummy variable equals one when a project has the status 'finalized' and zero when a project is stopped. We analyzed two different discriminant models, based on all 372 PSOM/PSI projects with information on employment, training and sales:

Model (1)

²²⁷ RVO considers a project unsuccessful if less than 20% of the financial support is disbursed. If more than 60% the subsidy is disbursed, or if the majority of the results have been accomplished, the project is deemed successful. For the other projects success is determined on a case-by-case basis by RVO.

Firstly, we analyzed a model where the independent variables are three dummies that equal one if the target on, respectively, employment, training or sales was achieved²²⁸.

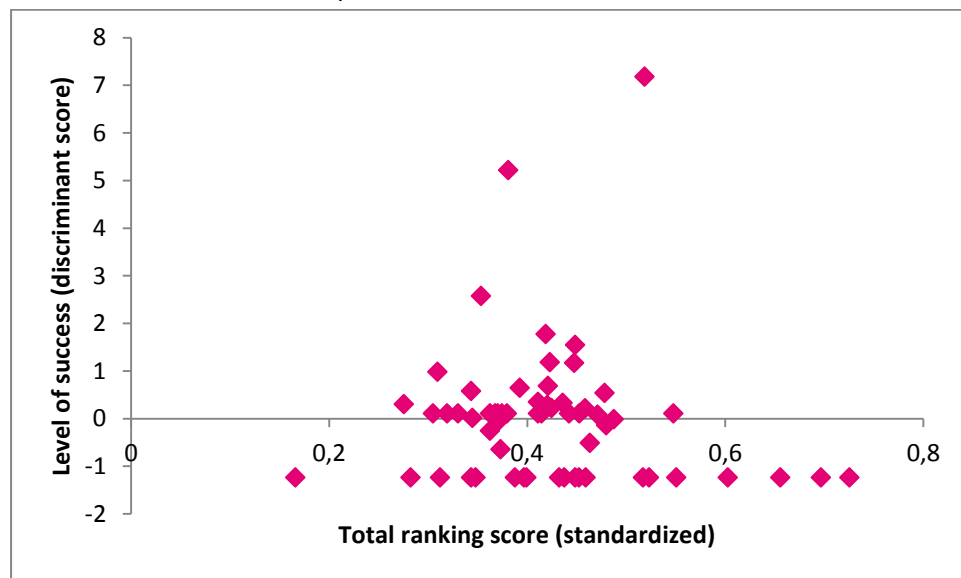
This model does not result in a fully continuous success indicator. There are only eight possible combinations based on three dummy variables.

Model (2)

Secondly, we analyzed a model where we used the difference between target realized and target proposed divided by target proposed as independent variables. This model results in a continuous success indicator. Therefore, we analyzed this one further in relation to the ranking scores given by RVO.

Beforehand, one would suspect that the level of success would be higher if the total ranking score would be higher (i.e. ranking is a predictor of success). Figure A.5.3 does not show this expected pattern. Here, the level of success is determined by means of discriminant analysis. The higher the discriminant score is, the more successful a project is (i.e. larger positive difference between target proposed and target achieved). A project is classified as successful when its discriminant score is higher than 0²²⁹. Figure A.5.3 shows that there are some projects that have a standardized total ranking score of 0,6 or higher but are subsequently classified as unsuccessful. The majority of the projects that are successful have a standardized total score between 0,3 and 0,5, which is not the highest score given.

Figure A.5.3: Scatterplot discriminant score vs. total score ranking (n = 59 projects from tender 2010 and 2011)



²²⁸ Achieved is defined as target proposed \leq target realized.

²²⁹ This threshold is determined by means of the Mahalanobis midpoint with unequal group sizes.

Table A.5.6: Profiles finalized and stopped PSI projects (n = 100 finalized and 139 stopped projects)

Variable	Finalized			Stopped			T-value ²³⁰
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	
Originally committed subsidy	82	€ 658,868	195,043	115	€ 649,197	179,988	0.36
Project characteristics (intentions)							
Hardware (%)	82	76.68	13.15	114	78.16	10.33	0.85
Technical assistance (%)	82	22.96	12.82	114	21.82	10.35	0.66
Internal rate of return	82	16.63	10.27	114	15.93	9.42	0.50
Division of shares applicant (%)	76	45.85	14.77	107	48.8	17.93	1.18
Division of shares local partner (%)	76	49.43	15.79	107	46.63	17.23	1.12
Characteristics applicant (before application)							
Own contribution	81	€ 310,231	154,220	111	€ 305,389	144,931	0.22
Equity	82	€ 3,633,957	6,144,134	113	€ 2,174,861	3,553,756	1.93*
Balance	82	€ 8,720,452	11,743,159	113	€ 5,504,171	9,330,563	2.05**
Turnover	81	€ 14,285,976	19,331,530	112	€ 9,323,010	13,861,873	1.97*
Net profit	81	€ 595,297	1,173,347	109	€ 433,001	978,243	1.04
Cash flow	81	€ 966,153	1,383,750	112	€ 668,429	1,356,423	1.49
Number of employees	79	46	74.85	110	80	305.69	1.10
Equity ratio	82	11.69	18.62	113	6.77	11.23	2.13**
Financing ratio	81	6.81	10.07	113	4.92	10.71	1.25
Solvency ratio	82	0.41	0.32	113	0.43	0.32	0.60
Liquidity ratio	81	3.79	10.24	113	3.96	9.10	0.13
Characteristics local partner (before application)							
Own contribution	81	€ 271,126	157,482	111	€ 276,967	146,850	0.26
Equity	82	€ 1,172,531	1,975,120	109	€ 994,125	2,573,382	0.54
Balance	82	€ 2,220,651	3,696,418	109	€ 2,113,747	3,837,577	0.19
Turnover	82	€ 1,744,580	3,333,261	110	€ 2,229,581	4,211,781	0.89
Net profit	82	€ 137,724	346,035	106	€ 136,436	291,659	0.03
Cash flow	82	€ 187,214	369,660	109	€ 204,760	311,365	0.36
Number of employees	78	65	132	105	69	136	0.17

²³⁰* means significance at a 10% confidence level, ** means significance at a 5% confidence level. We take unequal sample size into account in the t-test for equal sample means.

Equity ratio	80	4.32	8.93	108	3.74	8.28	0.46
Financing ratio	79	1.54	4.15	107	1.68	2.81	0.26
Solvency ratio	81	0.54	0.34	109	0.55	0.33	0.10
Liquidity ratio	78	5.17	8.68	105	4.78	9.51	0.29

Contribution of PSOM/PSI subsidies to outcomes

We focus in this section on the indicators employment realized, training realized and sales realized for the same reasons as explained above. These three indicators are the dependent variables in the models described in the subsequent paragraphs. We took the logarithm of sales realized to normalize the error terms.

We estimated the following three models for each indicator. An agricultural project in Africa selected in 2009 is, again, the reference project, its effect estimated by the intercept.

Model (1)

Each indicator is regressed on the logarithm of subsidy for hardware, the logarithm of subsidy for technical assistance and dummy variables for sector, region and tender 2010 till 2012²³¹.

The amount of subsidy for hardware and technical assistance is calculated by separating the committed subsidy according to the ratio of hardware and technical assistance proposed in the application form. We use the committed subsidy because this is the amount of money the partnership actually received from RVO. The logarithm is taken after this separation is made.

We estimated this model for finalized PSI projects because the ratio hardware and technical assistance is only known for PSI projects. There are only 100 finalized PSI projects.

Model (2)

No distinction between subsidy reserved for hardware or technical assistance is made to increase the number of observations. PSOM projects can now be included because the committed subsidy is known for these projects though the ratio hardware and technical assistance is not.

Each indicator is regressed on the logarithm of committed subsidy and dummy variables for sector, region and tender 2003 until 2012 - except 2009.

Model (3)

Model (2) and Model (3) are almost identical, only the selection probability is added in Model (3). In this way, the selection bias is removed from the contribution effect (i.e. to distinguish between the impact of PSOM/PSI on employment and other variables and vice versa, as those variables have also been a reason for PSOM/PSI support). The selection probability is constructed for PSOM and PSI projects by regressing a selection dummy on dummies for sector, region and tender. Financial indicators are not included in this regression, like the selection models in Table A.5.3 because the number of observations would then be even smaller than in Model (1).

The results are shown in Table A.5.7 through Table A.5.9. The contribution of the committed PSOM/PSI subsidy is only significant on employment realized²³² and not on knowledge transfer

²³¹ No dummies for 2013 and 2014 are included because there are no finalized projects from these tenders yet.

or sales realized. The effect of the committed PSOM/PSI subsidy on employment is robust against the inclusion of the selection probability. If PSOM/PSI committed subsidy is raised by one percent, the number of jobs created at the end of the project is increased by 0.39 percent, keeping all other things equal. A higher subsidy also translates into more sales, albeit that the coefficient estimate for sales is somewhat less reliable: 10% more subsidy means 5.3% more sales. The contribution of PSOM/PSI to training is insignificant.

²³² The effect is not significant if a distinction is made between subsidy for hardware and technical assistance. However, the number of observations is much lower in this case (93 versus 332 if the committed subsidy is regarded in total).

Table A.5.7: Contribution of PSOM/PSI subsidy to employment realized

Employment realized						
	(1)		(2)		(3)	
	Coefficient ²³³	P-value	Coefficient ¹⁵	P-value	Coefficient ¹⁵	P-value
Intercept	141.35	0.763	-414.56*	0.069	1,170.32**	0.007
<i>Log:</i>						
Hardware subsidy	30.59	0.327				
Technical assistance subsidy	-39.09	0.232				
Committed subsidy			38.36**	0.024	39.31**	0.020
<i>Dummy variable for:</i>						
Asia	15.83	0.681	-25.56*	0.062	-23.57*	0.084
Latin America	27.67	0.529	-17.65	0.314	-126.85**	0.025
MENA region	-46.08	0.280	-38.74	0.127	-36.84	0.145
Eastern and central Europe	-52.65	0.239	-59.23**	0.015	154.49	0.151
Industry	-29.72	0.362	-24.39*	0.066	-537.95**	0.033
Services	-33.34	0.478	-55.10**	0.004	-498.27**	0.023
Tender 2003			84.63**	0.002	507.14**	0.016
Tender 2004			24.03	0.267	313.65**	0.029
Tender 2005			8.10	0.713	9.57	0.663
Tender 2006			10.43	0.617	10.69	0.606
Tender 2007			-1.77	0.934	-0.34	0.987
Tender 2008			2.27	0.933	4.13	0.878
Tender 2010	4.46	0.887	2.00	0.935	2.76	0.910
Tender 2011	42.12	0.270	48.36*	0.095	253.67**	0.016
Tender 2012	12.00	0.901	29.41	0.690	29.36	0.689
Selection probability					1,871.38**	0.042
R ²	0.116		0.120		0.131	
N	93		332		332	

²³³ * means significance at a 10% confidence level, ** means significance at a 5% confidence level.

Table A.5.8: Contribution of PSOM/PSI subsidy to knowledge transfer realized

Knowledge transfer realized						
	(1)		(2)		(3)	
	Coefficient ²³⁴	P-value	Coefficient ¹⁶	P-value	Coefficient ¹⁶	P-value
Intercept	3,775.76	0.3659	1,509.13	0.502	-6,701.09	0.121
<i>Log:</i>						
Hardware subsidy	-138.64	0.617				
Technical assistance subsidy	-79.19	0.785				
Committed subsidy			-46.99	0.779	-37.80	0.820
<i>Dummy variable for:</i>						
Asia	-515.83	0.133	-184.13	0.174	-164.30	0.222
Latin America	-363.84	0.351	-237.12	0.181	-1,426.58**	0.012
MENA region	-548.33	0.149	-397.11	0.115	-375.06	0.134
Eastern and central Europe	-604.35	0.136	-380.55	0.118	1,936.47*	0.070
Industry	-341.38	0.241	-	0.011	-5,923.02**	0.019
			334.97**			
Services	-639.87	0.127	-	0.010	-5,322.08**	0.015
			489.28**			
Tender 2003			496.50*	0.067	5,092.23**	0.015
Tender 2004			-376.91*	0.080	2,768.98*	0.053
Tender 2005			-	0.023	-482.89**	0.026
			496.28**			
Tender 2006			-262.28	0.213	-257.64	0.219
Tender 2007			-352.92*	0.097	-336.73	0.111
Tender 2008			-479.84*	0.072	-460.46*	0.082
Tender 2010	-348.76	0.213	-327.08	0.180	-318.57	0.189
Tender 2011	-181.36	0.597	-183.08	0.530	2,042.88	0.050
Tender 2012	-400.83	0.127	-363.99	0.619	-362.59	0.618
Selection probability					20,371**	0.027
R ²	0.107		0.113		0.127	
N	92		327		327	

²³⁴ * means significance at a 10% confidence level, ** means significance at a 5% confidence level.

Table A.5.9: Contribution of PSOM/PSI subsidy to sales realized (logarithm)

Sales realized (logarithm)						
	(1)		(2)		(3)	
	Coefficient ²³⁵	P-value	Coefficient ¹⁷	P-value	Coefficient ¹⁷	P-value
Intercept	13.96**	0.019	6.49	0.132	-7.08	0.411
<i>Log:</i>						
Hardware subsidy	-0.30	0.447				
Technical assistance subsidy	0.29	0.487				
Committed subsidy			0.52*	0.103	0.53*	0.101
<i>Dummy variable for:</i>						
Asia	0.46	0.357	0.43*	0.100	0.46*	0.077
Latin America	-0.27	0.628	-0.32	0.316	-2.31**	0.044
MENA region	-0.26	0.612	0.04	0.931	0.07	0.867
Eastern and central Europe	-0.17	0.764	0.34	0.444	4.26*	0.054
Industry	0.46	0.262	-0.10	0.684	-9.52*	0.067
Services	-2.33**	0.000	-1.25**	0.000	-9.36**	0.037
Tender 2003			-0.35	0.510	7.30*	0.086
Tender 2004			-0.71*	0.069	4.56	0.120
Tender 2005			-1.24**	0.004	-1.20**	0.005
Tender 2006			-0.32	0.397	-0.32	0.398
Tender 2007			-0.51	0.180	-0.49	0.194
Tender 2008			-0.66	0.167	-0.63	0.186
Tender 2010	-0.21	0.592	-0.20	0.641	-0.19	0.652
Tender 2011	0.03	0.949	-0.11	0.823	3.65*	0.086
Tender 2012	1.60	0.174	0.80	0.512	0.79	0.515
Selection probability					34.19*	0.070
R ²	0.267		0.130		0.142	
N	85		264		264	

²³⁵ * means significance at a 10% confidence level, ** means significance at a 5% confidence level.

Annex VIII: Survey questionnaire

Question nr.	Question text	Answer options
1a	Please confirm your identify	Company name: <i>[Automatisch invullen]</i> Name: <i>[Automatisch invullen]</i>
1b	What is your role within the company?	1: General Management 2: Marketing / Sales 3: Operations 4: Research & Development 5: Human Resource Management / Personnel 6: Logistics 7: Other: ...
1c	According to our records your company submitted a proposal for a PSOM or PSI subsidy, which was rejected. Did your company submit a succesful proposal <u>for the same project</u> in subsequent subsidy rounds? If multiple porposals meet this criteria, pick the most recent one.	1: Yes 2: No
1d	What was the main reason the proposal was rejected?	1: Partnership 2: business plan 3: financing 4: development impact 5: other, please specify....
1e	Did your company carry out the project without the subsidy (in the same or different form)?	1: yes 2: No

Question nr.	Question text	Answer options
2a	How was the project executed (more than one answer possible)?	1: According to the original plan 2: With a different local business partner 3: At a smaller scale 4: At a slower pace 5: Other, please specify:

2b	How was the project financed (more than one answer possible)?	1: Fully self-financed by partnership 2: Using another government/ngo subsidy/grant or soft loan. If so, which? 3: Using a privately financed loan (e.g. by a bank/investment fund). 4: Other, Please specify....
2c	Is the project still operational?	1: Yes 2: No
2d	Would you consider the project successful?	1: Yes it was successful 2: It was successful, but less successful than planned 3: It was not successful

Question nr.	Question text	Answer options
3a	What is the main reason the project was not executed?	Open

Question nr.	Question text	Answer options
4a	What was the size of your company at the time of the application for a PSOM/PSI subsidy?	1: Micro: < 10 employees 2: Small: < 50 employees 3: Medium: < 250 employees 4L: Large: anything bigger than Medium
4b	In which sector did the proposed project operate?	1: Agriculture (primary production of crops, livestock etc.) 2: Industry (agroprocessing is categorised as industry) 3: Services (also contains tourism, energy, logistics, transport)
4c	Did you have experience with setting up projects in developing countries before application?	
4d	Did you do business with your local business partner before the application for PSOM/PSI?	
4e	Have you started a project in a developing country, since the PSOM/PSI application?	

Question nr.	Question text	Answer options
5a	Was the PSOM/PSI application procedure transparent (was it clear why the application was unsuccessful)?	1: Yes 2: No, why not
5b	Did you contract an external consultancy to write the PSOM/PSI project application?	1: Yes 2: No

Annex IX: Case studies (overview visited projects)

Country	Dutch applicant?	Start Date	Original end date	Adjusted end date	Dossier status	Actual status	Sector	Commitment	In spin-off survey RVO?
Bangladesh	Yes	1-12-2006	30-11-2008	30-4-2011	Finalized	Still active	industry	504,000	yes
Bangladesh	Yes	1-1-2006	1-9-2008	18-3-2009	Finalized	Onbekend	industry	495,000	yes
Bangladesh	Yes	1-7-2008	30-6-2010	30-6-2012	Finalized	Still active	services	432,684	no
Bangladesh	No	1-1-2012	31-12-2014	31-12-2015	Ongoing	Ongoing	agriculture	720,430	no
Bangladesh	Yes	1-9-2007	31-8-2009	30-6-2010	Finalized	Still active	industry	483,241	yes
Bangladesh	Yes	1-12-2006	30-11-2008	28-2-2010	Finalized	Onbekend	industry	504,000	yes
Bangladesh	Yes	1-7-2009	30-6-2011	31-7-2012	Finalized	Still active	industry	744,305	no
Bangladesh	Yes	15-6-2009	31-5-2011	30-4-2015	Ongoing	Ongoing	industry	500,650	no
Bosnië-Herzegovina	Yes	1-7-2007	30-6-2009	31-12-2013	Finalized	Still active	agriculture	708,000	no
Bosnië-Herzegovina	Yes	1-7-2009	31-12-2011	30-6-2015	Ongoing	Ongoing	services	414,750	no
Bosnië-Herzegovina	Yes	1-7-2009	30-6-2011	30-9-2012	Finalized	Still active	industry	213,870	yes
Bosnië-Herzegovina	Yes	1-1-2011	30-9-2012	31-12-2013	Finalized	Still active	services	202,790	no
Bosnië-Herzegovina	Yes	1-1-2012	30-6-2014	16-12-2013	Finalized	Still active	industry	495,500	no
Bosnië-Herzegovina	Yes	1-1-2013	30-6-2015	31-12-2015	Ongoing	Ongoing	industry	730,825	no

Bosnië-Herzegovina	Yes	1-7-2012	31-12-2014	31-3-2016	Ongoing	Ongoing	industry	550,054	no
Bosnië-Herzegovina	Yes	1-7-2013	31-12-2015	30-6-2016	Ongoing	Ongoing	agriculture	675,750	no
Egypte	Yes	1-8-2011	1-2-2014	1-5-2015	Finalized	Still active	services	543,419	no
Egypte	Yes	22-7-2004	30-6-2006	31-3-2007	Finalized	Still active	agriculture	643,814	yes
Egypte	Yes	1-1-2012	30-6-2014	31-5-2015	Finalized	Still active	industry	743,750	no
Egypte	Yes	1-1-2013	30-6-2015	31-12-2015	Ongoing	Ongoing	agriculture	732,341	no
Egypte	Yes	1-1-2010	31-12-2011	30-6-2016	Ongoing	Ongoing	agriculture	712,500	no
Egypte	Yes	1-7-2010	31-12-2012	30-6-2013	Finalized	Still active	agriculture	331,946	No
Egypte	Yes	1-1-2006	31-12-2007	31-3-2008	Finalized	Still active	agriculture	621,939	Yes
Egypte	Yes	1-10-2000	1-4-2002	31-3-2003	Finalized	Still active	agriculture	680,467	Yes
Sierra Leone	No	5-6-2009	4-6-2011	31-1-2013	Finalized	Still active	industry	933,750	No
Sierra Leone	No	1-1-2012	30-6-2014	31-5-2016	Ongoing	Ongoing	services	954,338	No
Sierra Leone	No	1-9-2009	31-8-2011	30-12-2014	Finalized	Still active	services	890,470	No
Sierra Leone	No	1-9-2009	31-8-2011	30-10-2014	Finalized	Still active	industry	777,600	No
Sierra Leone	Yes	1-9-2014	28-2-2017	0-1-1900	Ongoing	Ongoing	industry	899,373	No
Sierra Leone	Yes	1-6-2010	1-6-2013	30-9-2015	Finalized	Still active	agriculture	898,800	No
Sierra Leone	No	1-8-2010	31-7-2013	0-1-1900	Finalized	Still active	industry	899,761	No
Sierra Leone	Yes	1-1-2013	30-6-2015	30-6-2016	Ongoing	Ongoing	agriculture	900,000	No
Peru	Yes	1-7-2009	31-3-2012	31-12-2012	Finalized	Still active	agriculture	750,000	Yes
Peru	Yes	15-12-2005	30-6-2008	30-8-2008	Finalized	Still active	agriculture	620,760	Yes
Peru	Yes	1-7-2012	31-12-2014	31-12-2015	Ongoing	Ongoing	agriculture	721,500	No
Peru	Yes	1-7-2011	30-9-2013	31-7-2017	Ongoing	Ongoing	agriculture	736,860	No

Peru	Yes	1-7-2010	31-12-2012	31-5-2015	Ongoing	Ongoing	agriculture	749,963	No
Peru	Yes	1-1-2007	31-12-2008	30-6-2010	Finalized	Still active	agriculture	558,828	Yes
Peru	Yes	1-3-2014	28-2-2017	0-1-1900	Ongoing	Ongoing	agriculture	425,669	No
Peru	Yes	1-7-2011	31-10-2013	0-1-1900	Finalized	Still active	agriculture	661,150	Yes
Peru	Yes	1-1-2011	30-6-2013	31-7-2014	Finalized	Stopped	agriculture	750,000	No
Peru	Yes	1-9-2005	31-8-2007	30-6-2010	Finalized	Still active	agriculture	467,284	Yes
Peru	Yes	1-4-2004	17-10-2005	30-11-2005	Finalized	Still active	agriculture	492,500	Yes
Oeganda	Yes	1-7-2009	31-12-2011	30-4-2015	Ongoing	Ongoing	agriculture	748,643	No
Oeganda	No	1-3-2014	31-8-2016	0-1-1900	Ongoing	Ongoing	services	748,000	No
Oeganda	No	1-9-2014	31-8-2017	0-1-1900	Ongoing	Ongoing	agriculture	647,475	No
Oeganda	Yes	1-1-2008	31-12-2009	31-5-2010	Finalized	Still active	agriculture	494,770	No
Oeganda	Yes	1-7-2008	30-6-2010	31-12-2010	Finalized	Still active	agriculture	483,000	No
Oeganda	No	1-9-2005	31-8-2007	31-10-2008	Finalized	Onbekend	agriculture	509,847	no
Oeganda	No	1-3-2014	31-8-2016	0-1-1900	Ongoing	Ongoing	industry	200,588	no
Oeganda	No	1-7-2009	30-6-2011	30-6-2015	Ongoing	Ongoing	industry	511,360	no

Annex X: Evaluation matrix

Criteria	Aspect	Question	Indicators	Interviews companies local	Interviews companies NL	Interviews other	Survey rejected applicants	Deskresearch	Monitoring data	Quantitative analysis	Quantitative analysis
Relevance	Selection criteria	Do the selection criteria and process ensure the selection of projects in line with the objectives of PSOM/PSI?	Comparison of project selection criteria with observations of company								
			Criteria related to successful PSI/PSOM projects (for all PSOM/PSI projects with the rejected ones) like annual turnover, financial ratios. The found relations can be field tested for the 48 case studies								
	Country priorities	Are the supported investments in line with the objectives and priorities of the PSOM/PSI country?	Role of country priorities in project selection (does it play a role in project selection? How is it operationalized?)								
	Ex-ante additionality	Would the projects have been realized on the same scale, at the same pace and with the same impact without the financial contribution of PSOM or PSI (additionality ex ante according to DCED)	Ability for self-financing based on financial data like leverage and financial strength ratios (equity/project size)								
			Lack of knowledge based on knowledge score ranking								
			Extent to which PSOM/PSI addresses prior barriers to project (as perceived by participants: e.g. private investment, management opposition, unsuccessful previous investments, laws and regulations)								
			Alternatives to PSI/PSOM available/used: - other investors approached (public, private, commercial or not) - indication of % investments other parties								
	Market displacement - comparable projects? - competitors?										

			Expected additional investments, other private entities/public support as a result of subsidy									
			Ex-ante factors which increase the probability of a project being successful (employment growth, revenue growth, successful completion of project), based on regression analysis of monitoring data and project files.									
Efficiency	Costs	How is the efficiency of the implementation of the PSI programme by RVO affected by: <i>a. the PSI country list (the number of countries on the list)</i> <i>b. applicants from third countries</i>	costs/subsidies and costs/total investments for all PSOM/PSI projects (without rejected)									
			costs per country/subsidy per country or costs per country/total investments mobilised per country for all PSOM/PSI projects (without rejected)									
			costs/country (programms costs) costs/application from third country (programm costs)									
			Perceptions on communications with RVO (during selection and project implementation, including reporting requirements)									
Effectiveness	Goal achievement (outcome)	To what extent are the targets of the projects met (goal achievement) in terms of:	number and type of jobs (direct jobs) created by the PSOM/PSI supported companies (monitoring data, case studies)									
			number of outgrowers contracted (monitoring data, case studies)									
			number of people trained / type of trainings implemented (monitoring data, case studies)									
			extent of innovativeness of projects in the PSOM/PSI country. (for the 48 case studies) This can be judged based on the innovation score given by RVO.nl on the ranking form and/or the classification made by AECF (DCED-demonstrating additionality guidelines, p.7.)									
			Sales compared to (initial) business plan for project supported or projections (monitoring data, case studies)									
			Investment (€) per job, compared to initial business plan for the project supported and to other PSOM/PSI projects. (monitoring data, case studies)									

			Sales (€) per job, compared to initial business for the project supported plan and to other PSOM/PSI projects. (monitoring data, case studies)										
			Assessment of innovativeness of project (using the AECF classification)										
	<i>Success factors</i>	What factors contribute to success of projects or to failure of projects?	Factors which increase (ex ante) the probability of a project being successful. Success of the project can be operationalized in terms of RVO definition, growth in annual turnover, growth in number of jobs (low-level, medium/high level) (quantitative analysis) These findings can be cross-checked in the case studies.										
	<i>Attribution</i>	What are the changes in the effect variables in comparison to the situation at the start (baseline)? – which is the attribution of the observed changes to the intervention?	% of annual turnover related to initial investment (subsidy, local and Dutch partner, third parties)(quantitative analysis)										
impact	<i>Market development</i>	What is the external impact of the projects on the development of the market in the country of implementation (e.g. replication of technology and innovation, improved working conditions...)?	# of new suppliers compared to pre-PSOM/PSI situation										
			# of clients in general of local company compared to pre-PSOM/PSI situation										
			# of estimated additional jobs in suppliers										
			# of suppliers (or outgrowers) that adopted new technology or commercial practices due to the project										
	<i>CSR, gender, environment</i>	What is the impact of projects on the implementation of CSR principles? How has this affected employees/environmental issues/other local enterprises? How have the projects influenced gender relations?	# of workers whose working conditions improved (e.g. safer) due to training and technology (for 48 case studies)										
			# of workers whose responsibilities increased due to training and technology (for 48 case studies)										
			# of female managers (for 48 case studies)										
			# of reported perceived changes in gender equality (e.g training, promotion) (for 48 case studies)										

		# of environmental certificates obtained (for 48 case studies)									
<i>Sector development</i>	What is the external impact of the projects on the development of the sector in the country of implementation (e.g. adaptation of technology, employment, improved working conditions...)?	# of cases where the company shared technical knowledge with outsiders, not limited to suppliers (for 48 case studies)									
		# of companies replicating the project technology									
		# of innovative products / services introduced on the local market. This can be judged based on the innovation score given by RVO.nl on the ranking form and/or the classification made by AECF (DCED- demonstrating additionality guidelines, p.7.)									
		# of products / services that substitute imports									
<i>Non-intended effects</i>	Which other (non-intended) effects can be attributed to the projects?	Identification of (non-intended), other effects on company and broader context									
<i>Impact on employees</i>	What is the impact on the employees of the PSI supported company? (when possible disaggregation between male/female employees and special attention to impact on female employment and on decent working conditions for women)	# of workers who received training (male/female) (for 48 case studies)									
		Wages of (male and female) employees compared to ex-ante situation, by main labour categories (48 case studies)									
		# of employees (male and female) with written contracts (48 case studies)									
		Comparison of RVO project data with observations in company, with regard to - training - contracts - wages - working conditions	Interviews employees								
Sustainability	Given the information available (gathered by RVO.nl through monitoring and the spin-off	Projects completed Evidence of continuation after project comple-							Spin-off		

		<p>survey) on stopped, completed and ongoing projects; how sustainable are the PSOM/PSI investments?</p> <p><i>a. what is the available evidence about the continuation of completed projects?</i></p> <p><i>b. which factors were important for ensuring the economic viability of the projects on the long run?</i></p> <p><i>c. is it possible to give an assessment of the economic viability of ongoing projects based on the available information?</i></p>	<p>tion:</p> <ul style="list-style-type: none"> - project continued? Growing? - cooperation with NL partner continued? Expanded? - follow-up investment realised for project? - strength local company? - commitment to CSR within (other parts of) the company? 						
			<p>Projects ongoing</p> <p>Evidence of intentions for continuation:</p> <ul style="list-style-type: none"> - viability of project - strength of local company - perceptions on longer term relationship between partners - activities to acquire follow-up investments - embeddedness of CSR within the company 					Incl. Spin-off survey	