

Terms of reference Country Studies PSD

1. Background

IOB will carry out country studies on PSD policy, process and possible effects in four countries. In 2006 the AIV concluded that the Dutch PSD-program contained a variety of instruments and that an integral picture of the efforts for the PSD program is missing. This could indicate serious problems for steering of policy and the learning capacity of the Ministry.¹ However, a number of countries have been supported by the Netherlands for a long time and this support has been given in various ways. An integral picture of the efforts of both the central and de-central programs (the so called PSD-instruments) and possible results at country level is still not available. The idea of mapping results of the PSD-program at country level is also mentioned by Secretary of State Knapen in his recent letter to parliament *Ontwikkeling door duurzaam ondernemen*, where Knapen announced to map the results of the PSD program in 15 partner countries as a next step after the implementation of the evaluation protocol for PSD-organizations.² This shows that there is need for an integral description of the PSD program and its results per country.

Additional questions for the country study are based on questions posed in studies of the last decade about stimulating pro-poor growth through supporting the private sector. These studies concluded that rather institutional change and policy changes, or in a broader sense systemic change, were needed to reach growth, instead of direct support to enterprises: *'It is market outcomes that may be more or less pro-poor, not particular types of enterprise.'*³ Market outcome and systemic change do not take place in individual enterprises, but needs to be stimulated preferably at a national level. For effective donor interventions, donors need to have a picture of the national economy of a developing country and intervene where binding constraints can be found.⁴ This implies having knowledge of the current state of affairs of the private sector in a developing country, making contact with the government and other donors to align and harmonize policies and identifying the demand in the country itself with the help of private actors. These insights also have implications for the Dutch program and point to the necessity of coherence. All in all, the current state of research assumes that an integral and demand driven approach for PSD will lead to pro-poor effects, although success depends on other factors in the economy as well. Differences among countries, regions, sectors and differences over time (market dynamics) are substantial. That also holds for the character of the requested support.

The centrally managed funds (managed by directorates of the Ministry in The Hague, not managed by Embassies) for PSD (ORET, PSOM/PSI, MMF, PUM, CBI, FMO etc.) are all characterized by using this demand driven approach. Requests for support by actors from developing countries are the starting point, assuming that this market-approach leads to the best result. In a reaction to the previous mentioned AIV report, the Minister for Development Cooperation announced that obstacles for economic growth and private sector development needed to be mapped per country with the help of various stakeholders (government, private sector, labor unions, and civil society). Subsequently, a plan to overcome these obstacles needed to be developed with the help and support of these stakeholders.⁵

¹ AIV (2006), *Private Sector ontwikkeling en armoedebestrijding*, advies nr. 50, p. 69, p. 79

² TK 2011-2012, 32605, nr. 56. *Ontwikkeling door duurzaam ondernemen (2011-2012)*. Brief van de Staatssecretaris voor Buitenlandse Zaken.

³ OECD (2004), *Accelerating Pro-Poor Growth through support for Private Sector Development*, p.9

⁴ World Bank (2005), *Economic growth in the 1990s: Learning from a decade of reform*, p.10

⁵ *Kamerbrief inzake private sectorontwikkeling in ontwikkelingslanden (2007)*

It is currently relatively unknown how this demand driven approach and alignment work in practice. For this reason, the country studies proposed will research the integrated picture and results of the PSD-instruments within a specific national context.

2. Objective of the country studies

The objective of the country studies is to produce a description of the process, the level of integration and coherence among the Dutch PSD-programs applied (both policies and instruments), the demand drivenness in their application and to determine effects of these programs within the specific country context. The evaluative studies are envisaged to be implemented in Bangladesh, Burundi, Ethiopia and Vietnam. The results of the country studies are expected to provide information from which lessons can be learnt by the Ministry of Foreign Affairs (MoFA) in the field of PSD-programs in general and for these four countries in particular.

3. Research questions

Following from the previous paragraphs, three central questions have been formulated for the country studies. All questions need to be answered for the period 2005-2011:

1. To what extent was the Dutch PSD policy aligned with (1) the national policy of country X and (2) internally coherent?
2. To what extent has the Dutch PSD program in Country X been driven by the demand from actors in country X?
3. What (possible) effects of the Dutch PSD program can be established at enterprise level and if possible, beyond this level?

4. Sub questions per country

Description of the PSD policies of country X

1. What has been the PSD policy in country X and for what problem was this policy presented as a solution?

Description of the Netherlands' PSD policy, programs and its implementation

2. What has been the PSD policy of the Netherlands in country X and for what problem were these policies presented as a solution?
3. Which ministries and other relevant agencies in the Netherlands have been involved in the Dutch PSD policy making in country X and what have been their respective roles?
4. What instruments (at central and de-central level) have been used to realize the Dutch PSD policy, what was the budget and what has been the rationale for the choices made?

Alignment and coherence

5. To what extent does a fit exist between the PSD policy of country X and the Dutch PSD policy?
6. How and to what extent is the Dutch PSD program adapted to the specific country needs?

Demand driven

7. What are the main methods used to determine demand drivenness and how is compliance to these methods guaranteed in the Dutch PSD instruments?
8. To what extent can it be established if proposals of the applicants of actors in country X for the use of the Dutch PSD instruments were demand driven?

Effects

9. Are there evaluations available to determine effects (output/outcome and if possible impact) at enterprise level (Donor Committee on Enterprise Development – DECD- indicators⁶) of the Dutch PSD program in country X? If yes, assess the quality of the evaluation⁷ and present a summary of the findings.
10. If the answer to question 9 is negative or insufficient resources of good quality are available, come to a description of the effect of the Dutch PSD program in country X at enterprise level by collecting data on the indicators below.
11. Are there any other evaluations available about the effects of the Dutch PSD program in country X, other than at enterprise level? If yes, please assess the quality of these resources and present a summary of the findings.

Effects: existing evaluation reports and/or other available resources will be complemented with new data on effects collected in the four selected countries. In line with the DCED standard, the study will focus as much as possible on effects (at least on outcome level) on enterprises, not excluding possible effects at other levels. These other levels could include for example sector wide effects, spill-over effects to other (social) sectors or effects at the household level.

The study needs to make clear whether effects can be found for the following indicators per PSD-program per country:

1. *Scale:* number and size of target enterprises (definition of target enterprises to be found in the program documents or to be defined) who realize a financial benefit as a result of the program's activities;
2. *Net income:* Net additional income (additional sales minus additional costs) accrued to target enterprises as a result of the program per year and cumulatively. In addition, the program must explain why this income is likely to be sustainable;
3. *Net additional jobs created:* Net additional, full time equivalent jobs created in target enterprises as a result of the program, per year and cumulatively. Additional means created jobs minus jobs lost. The program must explain why these jobs are likely to be sustainable. Jobs saved or sustained may be reported separately. In addition, data should be collected about (decent) wages and labor conditions of the jobs created.
4. *Investments* (size, by type, source of financing, ICOR ratio, multipliers with own finance);
5. *Change in production and trade* (input use, output volumes/value, marketing outlets, linkages towards other industries);
6. *Attitudinal effects* (e.g. risk behavior, trust, loyalty, etc.).

The indicators 1 up till 3 are obligatory, or a written justification will be provided for each such indicator not included. The second and third indicator should be disaggregated by gender, or a justification will be provided why this is not included. The tenderer will indicate which methodology he will use to determine the effects of the PSD programs and how data will be collected.

5. Scope

Selection of countries

IOB collected data for the three country groups used in the Dutch bilateral policy since 2006, and of the transition facility.⁸ Out of each country group one country has been chosen. In these countries, a large

⁶ Based on the DCED Standard on measuring and reporting Results (2011) - <http://www.enterprise-development.org/download.aspx?id=1449>

⁷ Based on the assessment criteria provided by IOB

⁸ Group 1 is low income countries where ODA has a dominant role in the realization of the MDG's.

variety of PSD-programs has been carried out, there has been a relatively high spending on PSD programs, and the countries are spread geographically. This leads to the following four countries:

1. Ethiopia (country group 1)
2. Burundi (country group 2)
3. Bangladesh (country group 3)
4. Vietnam (transition facility)

Selection of programs

Table 1 shows an overview of which programs have been executed in which country. The selection of the programs is based on the scope of the policy review and is the basis for the country studies.⁹ Assessment of these programs needs to be part of the country study. This selection of programs could be extended with a description and/or assessment of other programs (e.g. CBI, ORET/ORIO, IDH) to complement the current selection.

Instruments	Bangladesh	Burundi	Ethiopia	Vietnam
Embassy	4 programs – Total € 17 million	6 programs – Total € 9 million	19 programs– Total € 73 million	To be determined
FMO	4 programs Total € 53 million	x	x	5 programs Total € 19 million
PSOM/PSI	9 programs - Total € 9 million	1 programs Total € 1 million	24 programs Total € 23 million	18 programs Total € 23 million
PUM	164 projects Total € 0.6 million	58 projects Total € 0.2 million	67 projects Total € 0.15 million	187 projects Total € 0.9 million

Table 1: Overview of PSD programs in selected countries (x = no programs executed in these countries)

6. Planning and output

The country studies will be divided into four phases:

1. Phase 1 is the inception phase. During this phase, the team leader will have the opportunity to discuss the details and logistics of the subsequent phases with IOB.

Output: At the end of this phase the team leader needs to submit an inception report for approval by IOB. This inception report will contain:

- A detailed evaluation matrix;
- Evaluation criteria and explanation of application of these criteria;
- Detailed methodology;
- Selection of and argumentation for sampling of programs and projects (and possible proposal for extension);

Group 2 are fragile states, where an integrated approach of peace, security and development are core of the aid program.

Group 3 contains countries that contribute to a high degree to solutions for global issues, where economic growth increases and where Dutch and European interest grows.

The transition facility is a country specific instrument for countries with a middle-income status, to enable the transition from the bilateral development cooperation relation to a mutual profitable economic relation.

This description is based on the Basic letter on Development cooperation (November 26th 2010) and the Focus letter (March 18th 2011).

⁹ CBI and ORET/ORIO are not part of the obligatory programs for assessment, because these two programs will be evaluated separately by the Ministry.

- Working schedule;
 - Composition of the team, including experts from developing countries;
 - Further data requirements and
 - Table of contents for the draft versions of both the separate country studies and the synthesis report.
2. Phase 2 concerns a desk study of the business environment and national policies, the description of the process of implementation of the Dutch PSD program and collection of data on the effects of the Dutch PSD program, both on central and de-central level per country. This phase will be based on a review and analysis of available documentation. In this phase, a schedule and detailed method of data collection for each country study (e.g. complete surveys, interview structures) for each of the country visits needs to be made.
Output: draft country reports (draft 1), schedule and method for country visits, approved by IOB.
3. Phase 3 will consist of visits to key stakeholders and programs/projects in the specific countries to collect data about the effects of the program. The results of phase 2 will be used during this country visit to validate and complement the findings.
Output: validated country report (draft 2). This report needs to present answers to the sub questions of paragraph 4 and needs to be presented to and validated by the Dutch Embassy in the country visited.
4. Phase 4 concludes the country studies and concerns the finalization of the country reports and a synthesis report. Before the synthesis report is composed, a workshop or meeting about the country studies needs to be organized by the team leader with the reference group of the policy review, the IOB team of the policy review and possibly involved policy makers to identify common issues and come to an outline for the synthesis report. The synthesis report provides answers to the three central questions and a summary of the findings of the country reports.
Output: final country reports (all four reports max. 160 pages in total, on average 40 pages each) and synthesis report (40 pages) (both excluding annexes), both approved by IOB.

7. Organizational set-up

IOB will contract an experienced evaluation team for all studies. The team will have expertise on PSD, quantitative and qualitative research methods and should be available to contract experts from developing countries. The team should be able to correspond in English and have sufficient knowledge of French (for the study in Burundi). The team will be led by an experienced team leader, who is the contact point for IOB. The team leader will be responsible for the final editing of the studies. The team leader will participate in all the country visits.

The study needs to be carried out before the end of November 2012. On average, for each country study 50 days is planned (including country visit).

At IOB Max Timmerman (evaluator) will be responsible for supervising the study on a regular basis. IOB will assign an internal peer reviewer to comment and advise on the inception report and draft synthesis report.