Ministry of Foreign Affairs

IOB Report

Partners in development

Evaluation of policy instruments aimed at engaging Dutch businesses in sustainable development (2013-2020)

English summary of final report, December 2021

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Policy and Operations Evaluation Department
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Contents

Background

Successive Dutch governments have pursued a policy of encouraging Dutch companies to contribute to the sustainable development of low- and middle-income countries (LMICs). This has involved activities not only in developing countries, but also in emerging economies such as China, India, Brazil and South Africa. We refer to this policy as the 'partners in development' (PID) policy.

Businesses are expected to operate in accordance with the precepts of international responsible business conduct (IRBC) and to contribute towards the achievement of the UN's Sustainable Development Goals (SDGs) in 2030. The government also believes that there are opportunities for strengthening the earning capacity of the Dutch economy by forging closer trading relations with the countries in question. The aim of encouraging the private sector to do more to foster sustainable development is a recurring theme throughout the wider government policy on aid for, trade with and investment in developing countries, and in the broad range of programmes and initiatives that have been undertaken as part of this policy since 2013.

The key question in this evaluation is as follows: "What activities may be classified as forming part of the PID policy and to what extent have these helped to foster the sustainable development of low- and middle-income countries and to strengthen the earning capacity of Dutch businesses?" The aim is not only to define and evaluate the PID policy, but also to formulate lessons for the future. This summary presents the conclusions reached and the recommendations made in the evaluation.

Method

The evaluation identifies 53 policy instruments that are broadly consistent with the PID policy given that they comply with a number of criteria set by us. We analysed a total of 29 policy instruments based on the available evaluations and studies. These include both ODA (official development aid) instruments, which are geared primarily towards aid, and non-ODA instruments, which are geared primarily towards trade.

Working together with the relevant policy-making departments at the Directorate-General for International Cooperation (DGIS) and the Directorate-General for Foreign Economic Relations (DGBEB), we designed a set of assessment criteria to find out whether the policy instruments in question help to achieve the objectives relating to both aid and trade, i.e. fostering sustainable and inclusive development in all countries around the world, and at the same time strengthening the earning capacity of the Dutch economy. We should stress in this respect that the policy instruments we selected are not all explicitly designed to achieve both these objectives. For example, many of the instruments deployed by DGIS are designed to encourage businesses in general to become engaged, without focusing specifically on Dutch businesses. Most of the tools deployed by DGBEB are not intended to foster the sustainable development of LMICs, but are nonetheless capable of encouraging this process.

The present evaluation assesses the policy instruments used, based on existing evaluations coupled with additional data generated by a survey of businesses and a financial analysis of the entire portfolio of instruments. The assessments indicate the extent to which a particular policy instrument ties in with and complies with the theory of change for the PID policy that we reconstructed (see the 3rd recommendation). The evaluation covers the period between 2013 and 2020.

Conclusions

This summary presents the main conclusions reached by the evaluation team, in response to the key question, which consists of two parts: what activities may be classified as forming part of the PID policy and to what extent have these helped to foster the sustainable development of low- and middle-income countries and to strengthen the earning capacity of Dutch businesses? With the exception of the first conclusion, the remaining conclusions relate to the four results that the policy is intended to produce, and the prerequisites for achieving results (see Tables 1 and 2).

This section refers to the three pathways of change that the PID policy as reconstructed by us is designed to bring about (see the 3rd recommendation):
1st pathway: the integration of RBC and improved value chain sustainability;
2nd pathway: the strengthening of trade and investments;
3rd pathway: the formation of partnerships aimed at devising solutions.

A number of policy instruments contribute to some extent to the objective of engaging private-sector companies in the sustainable development of LMICs. However, this objective has not been widely translated into policy.

Despite the fact that a series of policy memoranda issued under the aegis of the Minister for Foreign Trade and Development Cooperation (FTDC) contain references to the government's aim of engaging Dutch businesses in the sustainable development of LMICs, no clearly defined policy has been adopted in order to achieve this objective. True, certain areas of FTDC policy do cover aspects of the overriding goal, notably private-sector development, the promotion of trade and investment, IRBC and improved value chain sustainability. What is missing, however, is a cohesive policy vision including a predefined theory of change formulated by the responsible policy-making departments that identifies objectives and makes clear how certain activities will help to achieve these.

We identified a total of 53 policy instruments that contribute to some extent to the objective of engaging Dutch businesses in the sustainable development of LMICs. We should point out that certain instruments (notably ODA, for which DGIS is responsible) are not geared exclusively or specifically towards Dutch companies, while other instruments (notably non-ODA, for which DGBEB is responsible) are not designed explicitly to foster sustainable development in LMICs. Only 12 of the 29 policy instruments that we examined are actually geared towards each of the four result indicators defined for the PID policy as reconstructed by us:

1. reaching Dutch businesses;
2. bringing about behavioural change;
3. fostering sustainable development; and
4. boosting business profits (i.e. improving the earning capacity of Dutch businesses).

These include eight instruments from the second pathway:
- the Dutch Good Growth Fund, track 1;
- the Dutch Good Growth Fund, track 3;
- Demonstration of Feasibility and Knowledge Acquisition Projects/Demonstration of Feasibility and Investment Planning Projects;
- Partners in Business;
- Private Sector Development Apps;
- the Private Sector Investment Programme;
- the Transition Facility;

four instruments from the third pathway:
- the Dutch Risk Reduction Team;
- the Sustainable Business and Food Security Facility;
- Partners for Water;
- Water in Development Cooperation;

and one instrument from the first pathway:
- MVO Nederland.

Only a small number of policy instruments help both to foster the sustainable development of LMICs and to strengthen the earning capacity of Dutch businesses

None of the instruments we examined (n=29) have a proven track record as being effective (i.e. a score of ++) in fostering sustainable development (see Table 1). A large number of them, i.e. 15, are likely to have had an impact (score: +). Only one instrument had an demonstrable impact on corporate earning capacity, viz. the Export Credit Insurance scheme. Thirteen instruments are likely to have had an impact. Only five instruments are likely to have contributed to both objectives; four of these are from the second pathway (viz. the Dutch Good Growth Fund, track 1; the Dutch Good Growth Fund, track 3; Demonstration of Feasibility and Knowledge Acquisition Projects/Demonstration of Feasibility and Investment Planning Projects; and Private Sector Development Apps) and the fifth is from the third pathway (viz. 2Scale). In other words, instruments were assessed as probably contributing to one of the two objectives (i.e. they are likely to have had an impact), but not to both.

Table 1 *Number of instruments evaluated as having achieved results (n=29)*

Result	**++**	**+**	**Positive score (+ or ++)**
Reaches Dutch businesses	10	10	20
Brings about behavioural change	0	12	12
Fosters sustainable development	0	15	15
Boosts business profits (earning capacity)	1	13	14

Only a small number of policy instruments are designed both to foster sustainable development and to strengthen the earning capacity of Dutch businesses

Almost half of all instruments have only a limited focus on sustainable development. This explains why a number of evaluations of policy instruments report a low level of contributions to sustainable development. Because the instruments do not explicitly seek to encourage businesses (whether Dutch or otherwise) to foster sustainable development in LMICs, the evaluations included in our analysis logically do not contain a great deal of information about this type of result (the same applies to developmental relevance; see below).

Many other instruments that have been analysed in detail are designed to promote sustainable development, but do very little to engage Dutch companies in this. This explains why some evaluations, while claiming that the instruments in question probably had a positive impact on sustainable development, do not devote any attention to the role played by Dutch businesses in this connection, nor to the impact on their earning capacity.

Although most of the policy instruments focus on engaging Dutch businesses in sustainable development, it is often unclear how many Dutch businesses they reach

The meta study shows that most of the businesses reached by the majority of the instruments we studied, i.e. 20 of the 29, are Dutch (see Table 1). However, not many evaluations include any information on the number of Dutch businesses affected and/or reached by the instruments under review. While certain instruments are also open to non-Dutch businesses, they dovetail so closely with the needs and wishes of Dutch businesses that in practice they are more successful at reaching Dutch businesses. This applies notably to partnerships from the third pathway.

Most instruments from the second pathway are geared exclusively towards Dutch businesses. These are indeed the businesses they reach, whereas most value chain initiatives from the first pathway are less clearly targeted at Dutch businesses. In absolute terms, value chain initiatives are assumed to have the greatest potential reach, whereas partnerships reach only a small number of businesses. The lever effect, i.e. the influence exerted by those directly involved on those who are not directly involved, can greatly extend the reach, however. This also applies to Dutch businesses. The lever effect is viewed as probably playing a role in relation to 11 instruments (although this is not a proven effect), distributed fairly evenly over the three pathways (see Table 2).

Table 2 *Number of instruments evaluated as meeting the prerequisites for achieving results (n=29)*

Prerequisite	++	+	Positive score (+ or ++)
Developmental relevance	4	14	18
Relevance to businesses	4	17	21
Additionality	1	18	19
Joint action	6	10	16
Lever effect	0	11	12

Table 2	*Number of instruments evaluated as meeting the prerequisites for achieving results (n=29)*		
Prerequisite	**++**	**+**	**Positive score (+ or ++)**
Efficiency	0	16	16
Financial sustainability	0	11	11
Coherence	1	17	18

Certain policy instruments are seen as likely to encourage Dutch businesses to change their behaviour, but this effect is often perceived as 'variable' or 'unclear'

The ability of instruments to bring about a change in the behaviour of businesses (Dutch businesses in particular) is often perceived as either variable or unclear. Success in this respect ties in closely with the extent to which instruments are designed to bring about a change in behaviour. Those instruments whose objectives centre on RBC and the sustainability of value chains (i.e. from the first pathway) tend to be more effective in bringing about behavioural change than those instruments whose impact on RBC and sustainable business practices is generally a prerequisite and at best only a secondary objective (i.e. from the second and third pathways). In many cases, the assessors concluded that instruments had probably produced a change in behaviour that would not otherwise have occurred: 'additionality' was either probable or proven in the case of 19 of the 29 instruments (see Table 2). Moreover, the evaluations confirm that joint action, including through platforms and networks, helps to change behaviour by disseminating knowledge and information (applies to instruments from all pathways).

The survey of companies (conducted by Impact Centre Erasmus) suggests that PID policy instruments do have some effect on corporate behaviour. Companies reported that they had stepped up their exports to and investments in LMICs, and also sharpened their focus on RBC. However, the control group is too small to be able to draw any firm conclusions. While the instruments are likely to have produced a change in behaviour, this is definitely not an proven impact. Whether any behavioural change is lasting depends in part on whether new business models come into being, as indicators of financial sustainability. This is likely to be true for 11 instruments (out of 29), notably from the first pathway (see Table 2).

Although most instruments are rated as being efficient, this is not in itself proof of the efficiency of the PID policy

The study does not contain much information about the efficiency of the PID policy, i.e. the ratio between costs and results. However, we can draw conclusions about the efficiency of individual instruments that are broadly consistent with the aims of the policy. More than half of the 29 instruments included in the study were rated as being at least 'satisfactory' in terms of efficiency (see Table 2). While the assessors were generally positive, they did see some scope for improvement. Only a small number of evaluations included a comparison with other, similar instruments. In the case of the remaining instruments, the evaluations either generated little or no information on the efficiency of the instrument in question, or classified its efficiency as 'variable'.

Activities are reasonably consistent with the specific questions and needs expressed by businesses; trade policy instruments are less geared towards relevance for LMICs

Although there is little evidence as to the relevance of instruments to Dutch businesses, most of the evaluations concluded that the selected instruments (n=29) are probably consistent with the specific questions and needs expressed by Dutch businesses. Instruments meet a wide variety of needs corresponding with the goals that the three pathways of changes are designed to achieve, i.e. the integration of RBC and improved value chain sustainability; the strengthening of trade and investments; and the formation of partnerships aimed at devising solutions. Most businesses are broadly satisfied with the support they receive from executive agencies such as the IDH Sustainable Trade Initiative, MVO Nederland and the Netherlands Enterprise Agency. This is the conclusion drawn not just on the basis of the evaluations, but also of the business survey performed by Impact Centre Erasmus.

The meta study also shows that most instruments, i.e. 18 of the 29, are also relevant to LMICs (see Table 2). Trade policy instruments (from the second pathway) are rated lower for developmental relevance (a prerequisite for fostering sustainable development), however, because they concentrate on the needs of Dutch businesses. Developmental relevance is often rated as 'unclear' as this is an aspect to which the evaluations devote little or no attention. In other words, while it is not possible to conclude that trade policy instruments have little developmental relevance, we can say that developmental relevance is not a major factor in relation to such instruments.

There is room for improvement in relation to coherence

While the majority of evaluations rate the internal coherence of PID policy instruments as good, they do see scope for improvement. Coherence (which is a prerequisite for the attainment of the instrument's objective in respect of all intended results) is rated relatively often as either 'limited' or 'varied' in relation to instruments from the second pathway, partly due to a lack of coordination between different programmes operating in the same target country, and sometimes even within one and the same instrument (as in the case of the Dutch Good Growth Fund). This is closely bound up with the limited focus on developmental relevance and the demand-driven nature of most trade policy instruments. The evaluations do not have a great deal to say about the instruments' external coherence.

Recommendations

The evaluation's findings and conclusions lead us to the following recommendations:

1: Give the policy a clear name: PID policy or PSE policy.
A policy memorandum issued by the Minister for Foreign Trade and Development Cooperation entitled 'A world to gain' (2013) identifies Dutch business as a leading development partner that is capable of contributing to sustainable and inclusive growth. Another policy memorandum, entitled 'Investing in global prospects' (2018), seeks to foster innovative partnerships among private-sector companies, viewing the SDGs as a business model. These themes are elaborated in more detail in the 2018 Trade Agenda. At the same time, the policy has not been given a clear designation or name, which makes it difficult to talk about, whether in an evaluation such as this or in parliamentary debates. We propose calling the policy either the PID policy or the PSE policy. PID is the English translation of the Dutch abbreviation for 'partners in ontwikkeling' (PIO), which is of course not suited for use internationally. There is also another disadvantage attached to the use of the abbreviation PID: it is not clear that the term 'partners in development' refers to private-sector companies as partners.

The OECD Development Assistance Committee (DAC) has proposed a definition of private-sector engagement (PSE) as 'an activity that aims to engage the private sector for development results'. These results are not necessarily restricted to developing countries, but may be seen as contributions to the SDGs, i.e. also including non-ODA activities. According to this definition, PSE policy means engaging both international companies and local business.

2: Explain how the PID policy ties in with other policies, such as the PSD policy, the IRBC policy and the policy on trade and investment promotion.
The policy on engaging private-sector companies in the sustainable development of LMICs ties in with aspects of the wider FTDC policy on aid, trade and investment. Various aspects of the latter policy refer to business in general and Dutch business in particular as relevant actors in sustainable development:

- the policy on private-sector development (PSD) in LMICs, which is aimed at improving the business climate for both local and Dutch businesses;
- the policy on trade and investment promotion, which is designed to seize the potential presented by growth markets in Latin America, Asia and Africa, but also identifies opportunities for combining aid with trade;
- the policy on international responsible business conduct (IRBC), which is not limited to observing the OECD guidelines, but is also reflected by the aim of creating sustainable business models and international value chains.

There is also a clear link with the national, government-wide SDG agenda, which highlights the contributions that businesses can make towards the achievement of sustainability goals, including as a corporate revenue model.

There is a need to clearly explain how these various aspects of government policy mesh in with each other, not just to the Lower House of the Dutch parliament and interested parties such as companies and NGOs, but also to other departments within the Dutch Ministry of Foreign Affairs (including departments that form part of DGIS and DGBEB) and executive agencies such as the Netherlands Enterprise Agency. The government already made clear in 2020, in a response to a report published by the Social and Economic Council, that IRBC is a cornerstone of effective, efficient and coherent corporate contributions to the SDGs. According to the Minister for Foreign Trade and Development Cooperation, IRBC and the SDGs are key components of the dialogue between government and business, as is reflected by the policy instruments geared towards Dutch businesses, i.e. under the policies on PSD and trade and investment promotion.

3: Consider a range of strategies for engaging businesses in sustainable development. Make clear how these strategies are to be used, what objectives they are designed to achieve, what assumptions underlie them, and how they are related to each other.

According to the policy memorandum entitled 'A world to gain' (2013), there are three ways in which Dutch businesses can contribute to 'sustainable and inclusive growth':

1. they can play a part in creating sustainable international value chains (by doing more than simply observing the OECD Guidelines for Multinational Enterprises);
2. they can foster private-sector development in LMICs by means of trade and investment;
3. they can deliver solutions to problems preventing sustainable and inclusive growth.

These three strategies – which are characterised in the evaluation as 'pathways to change' – form the basis for a theory of change reconstructed by us, which explains how the Minister for Foreign Trade and Development Cooperation engages businesses in sustainable development (designated as the first, second and third pathways; see Figure 1).

We advise the Ministry to formulate a detailed version of this theory of change and to adjust it where necessary in consultation with all the responsible departments, i.e. the Sustainable Economic Development Department, the International Trade Policy and Economic Governance Department, the Inclusive Green Growth Department, the International Enterprise Department and the Social Development Department.

The SDG Coordinator (at the Multilateral Institutions and Human Rights Department) could take the initiative here, given that all three pathways are aimed at engaging business (both foreign and Dutch) in the SDG agenda. This would probably help with the formulation of separate objectives and assumptions for the attainment of these goals. A theory of change along these lines would greatly assist future evaluations, both of the policy as a whole and of individual aspects.

The theory of change as reconstructed by us identifies three pathways along which government activities are designed to bring about various types of behavioural change among private-sector companies:

1. *integrating RBC and improving value chain sustainability.* Companies integrate RBC into their current core activities and/or ensure that their current core activities are sustainable, thus reducing the level of risk in their international value chains and making these chains sustainable.
2. *strengthening trade and investment.* Companies forge closer relations with LMICs by exporting and importing more goods and services, and/or by increasing their investments in such countries. By doing so, they foster the economic development of target countries, for example by strengthening the private sector, by creating jobs and by disseminating knowledge (whether or not by design).
3. *working together to devise solutions.* Private-sector companies intensify their partnerships with the Dutch government and other parties (other public-sector bodies, research institutes, NGOs and local business) in developing innovative solutions for promoting sustainable development, for example in relation to food security, water management, climate adaptation, health or infrastructure.

This theory of change was reconstructed on the basis of policy documents, a literature study and the findings of focus groups made up of policy-makers and representatives of executive agencies. The theory links three pathways of change (the first, second and third pathways) to five strategies for engaging companies in sustainable development (as proposed by the OECD DAC):

- knowledge and information sharing;
- policy dialogue;
- technical assistance;
- capacity development;
- financial support.

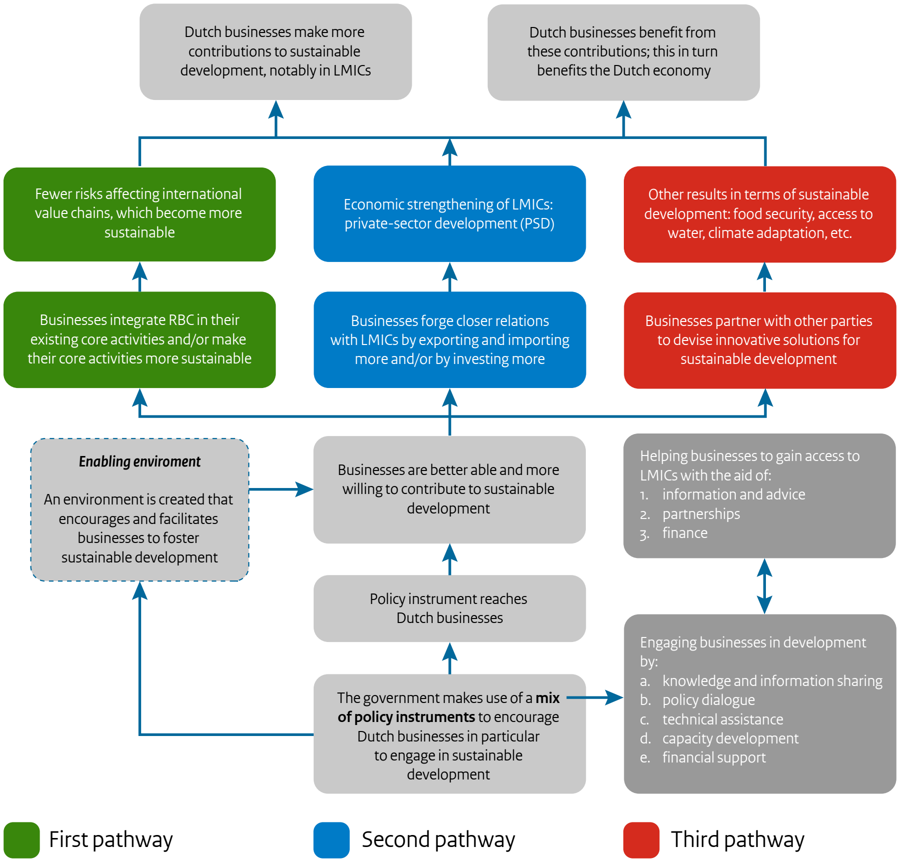
The theory of change for the PID policy identifies four result indicators and eight prerequisites that must be meet in order to achieve the results in question. The four result indicators are:

1. the extent to which Dutch businesses are reached;
2. the ability to engender behavioural change;
3. contributions to sustainable development;
4. the degree to which businesses benefit (and hence the Dutch economy benefits).

The current evaluation assesses policy aimed at engaging international enterprises so that their core activities contribute to sustainable development, i.e. the SDGs. The activities in question are those in relation to which there are contacts between the government and one or more businesses, either directly or indirectly through an executive agency such as the Netherlands Enterprise Agency, in some cases as part of a partnership, platform or other form of joint action.

Although activities take place that are aimed at creating an environment that encourages and facilitates businesses to foster sustainable development (such as diplomatic efforts, trade agreements, changes in laws and regulations, improvements in the financial sector and placing certain issues on international agendas) and may be seen as being relevant, they do not fall within the scope of this evaluation (see the dotted line around one of the boxes in Figure 1). Engaging with banks and other financial institutions in order to mobilise private finance for development (which the OECD DAC defines as a second type of PSE) also forms part of the enabling environment in the theory of change adopted by this evaluation. We suggest that these other types or strategies of PID policy should be addressed by one or more separate evaluations (impact studies), as part of the Strategic Evaluation Agenda for FTDC. This is because existing policy instrument evaluations do not generate sufficient information on the effectiveness of such strategies.

Figure 1: *Theory of change for the PID policy as reconstructed by IOB*



4: Make clear which FTDC activities form part of the policy for engaging businesses in sustainable development, and specify how these help to achieve the policy objectives.

Between 2013 and 2020, the Minister for Foreign Trade and Development Cooperation made use of at least 53 policy instruments that are suited to varying degrees to achieving the objectives of the PID policy, i.e. fostering sustainable development and boosting the earning capacity of Dutch businesses. Various departments at both DGIS, i.e. the Sustainable Economic Development Department, the Social Development Department and the Inclusive Green Growth Department, and DGBEB, i.e. the International Enterprise Department and the International Trade Policy and Economic Governance Department, are responsible for the use of these policy instruments (see Table 3).

While certain policy instruments can be assigned to one of the three pathways of the theory of change, it is less easy to decide whether other policy instruments fall under the PID policy. To give three examples, although the standard export credit insurance facility, trade missions and the scheme for international business start-ups (all of which fall under the third pathway) are not geared specifically towards sustainable development, they may well help to further it, either directly or indirectly. Moreover, while many policy instruments are not designed (or are not designed specifically) to boost the earning capacity of the Dutch economy, they may nonetheless help to do so. This applies for example to the Sustainable Trade Initiative, the sector covenants on IRBC and the Product Development Partnerships Fund. With a view to the need for monitoring and evaluation, the minister should make clear which particular policy instruments fall under the PID policy (if indeed this policy is continued) and how they help, either directly or indirectly, to achieve the policy objectives.

Table 3 *Responsible departments and examples of policy instruments that form part of the PID policy*

	First pathway: integrating RBC and improving value chain sustainability	**Second pathway: strengthening trade and investment**	**Third pathway: working together to achieve sustainable goals**
Responsible departments at the Ministry of Foreign Affairs	International Trade Policy and Economic Governance, Sustainable Economic Development	International Enterprise, Sustainable Economic Development	Sustainable Economic Development, Inclusive Green Growth, Social Development
Examples of policy instruments	MVO Nederland, sector covenants on IRBC, Sustainable Trade Initiative, Fund for Combating Child Labour, Responsible Business Fund	Dutch Good Growth Fund, Dutch Trade and Investment Fund, Export Credit Insurance Facility, Partners for International Business, International Business Start-ups	Sustainable Development Goals Partnership, Partners for Water, Product Development Partnerships Fund, Dutch Fund for Climate and Development, Business Call to Action

Policy instruments rarely contribute to both policy objectives to an equal degree. Indeed, the evaluations make clear that there are many trade-offs between the two objectives, as was confirmed by the focus groups. Table 4 compares the three pathways in terms of their result indicators and prerequisites for the achievement of results, in answer to questions about the effectiveness, efficiency and coherence of policy. The comparison shows that each pathway comes with certain limitations in its ability to achieve both policy objectives. This is due in part to the fact that the way in which many instrument are designed (their eligibility conditions, for example) shows that they are not intended to achieve both objectives. This is borne out by the monitoring process. Most of the policy instruments focus on just one of the two objectives, with the other objective being viewed at best as a 'secondary objective', i.e. a subsidiary objective that receives little or no attention in evaluations.

Table 4 *A comparison of the three pathways*

		1st pathway	2nd pathway	3rd pathway
	Result indicators			
1.1	Proportion of Dutch companies	Varies, sometimes small	Very high	High
1.2	Number of Dutch companies (potential)	Very large	Large	Generally limited
2.1	Contributions towards integration of RBC and sustainable business practices	Primary objective, probable	Secondary objective, limited	Secondary objective, limited
2.2	Contributions towards strengthening trade with and investment in LMICs	Secondary objective, limited	Primary objective, probable	Secondary objective, limited
3	Contributions towards sustainable develop-ment	Primary objective, probable	Secondary objective, limited	Primary objective, probable
4	Contributions towards success of Dutch businesses	Secondary objective, unclear	Primary objective, probable	Primary objective, limited
	Conditions for achievement of results			
A	Developmental relevance (reaches LMICs, vulnerable groups)	Primary objective, probable	Secondary objective, limited	Primary objective, probable
B	Relevance to Dutch businesses	Not always clear	Generally obvious	Not always clear
C	Additionality	Probable in most cases	Varies	Varies
D	Effectiveness of partnerships	Often good	Often good, but information not always available	Varies

Table 4 *A comparison of the three pathways*

		1st pathway	2nd pathway	3rd pathway
E	Lever effect	Varies	Often to some degree	Varies
F	Efficiency	Varies	Varies	Varies
G	Financial sustainability	More often probable than doubtful	Varies	More often doubtful than probable
H	Policy coherence	Often considerable, but not optimum	Often limited or variable	Often considerable, but not optimum

5: Formulate objectives for reaching businesses. Make clear whether and to what extent a policy instrument is intended to engage Dutch businesses in sustainable development and at the same time to strengthen their earning capacity.

Many instrument evaluations generate very little information on the number of businesses that are reached or involved. Those evaluations that do provide such information, generally fail to distinguish between Dutch and non-Dutch companies. Having said that, the evaluations show that most instruments are geared largely (though often not exclusively) towards Dutch businesses. Moreover, their relevance to Dutch businesses is often either assessed as being probable or proven.

The ability to reach Dutch businesses is an important prerequisite for the results of the policy under review. After all, the theory of changes assumes that government activities affect Dutch businesses and by doing so influence their behaviour. However, many activities are not geared exclusively towards Dutch businesses, which sometimes makes it less clear as to whether this target group has been reached. This is particularly true of ODA instruments that are either not designed explicitly or not in any way intended to boost the earning capacity of Dutch businesses.

Generally speaking, evaluations of instruments from the first pathway (i.e. improved value chain sustainability) do not say a great deal about their ability to reach Dutch businesses or about their contributions to strengthening the earning capacity of the Dutch economy. In many cases, these instruments are not designed explicitly with these results in mind, and this is reflected by the limited amount of attention paid by evaluations to such ‘secondary objectives’. If value chain initiatives such as the Sustainable Trade Initiative and the European Partnership for Responsible Minerals do indeed form part of the FTDC policy of engaging Dutch businesses in sustainable development (and it is crucial to establish this first of all; see the 4th recommendation), then they must provide more information about these result indicators.

Formulating objectives about an instrument’s ability to reach Dutch businesses and about strengthening the earning capacity of the Dutch economy would also make clear whether untied ODA policy instruments (i.e. instruments that do not focus exclusively on Dutch businesses) seek to achieve ties with Dutch businesses. This is because the evaluation makes clear that the application procedure for certain instruments (such as Partners for Water and Develop to Build) has been designed in such a way as to give precedence to the wishes and needs of Dutch businesses. It is important for greater transparency to be provided about this aspect. The findings of the survey of Dutch businesses make clear that the majority of the businesses benefited commercially from the use of the instruments in question, in terms of turnover and profits, market share and improved market reputation. This applies particularly to instruments from the second and third pathways, but also to instruments from the first pathway.

6: Design policy instruments that are geared more towards achieving the desired change in corporate behaviour. Do not focus exclusively on requirements in relation to IRBC, but encourage and facilitate contributions to sustainable development, taking the SDGs as a guide.

Most evaluations of the instruments under review do not provide much information about the effectiveness of the policy in terms of bringing about a change in corporate behaviour. This is especially true of policy instruments from the second and third pathways. It is often unclear whether and to what extent activities encourage both individual businesses and sectors as a whole to adopt IRBC and sustainability standards, to internationalise and to forge closer ties with a view to fostering sustainable development. Instrument evaluations also have very little to say about the efficiency of the PID policy.

While some evaluations suggest strongly that the activities in question foster sustainable development (particularly those from the first and third pathways), the role played by Dutch businesses in this connection is not always clear. A number of companies stated in response to questioning that the instruments helped them to perform better in relation to IRBC and enabled them to help improve value chain sustainability and strengthen the private sector in LMICs. But whether this is actually true is not something that this evaluation can confirm beyond any doubt. For this reason, we recommend that, when designing PID policy instruments and assessing whether to fund or otherwise support activities, more details should be provided as to the precise type of changes in corporate behaviour the policy instruments and related activities are intended to bring about, how such changes are going to be measured and how they are to be ascribed to specific interventions.

PID policy instruments must be targeted more clearly at private-sector contributions to sustainable development. This means doing more than simply setting a number of due diligence requirements (in relation to IRBC), and instead actually linking instruments and activities to specific SDGs. In this way, policy instruments can also encourage companies to report in greater detail about their contributions to the SDGs. Setting targets for number of businesses reached (see the 5th recommendation) and the desired behavioural changes the instrument is intended to achieve, would make it easier for policy-makers, executive agencies and assessors to draw conclusions about the efficiency of the policy. This could involve, for example, comparing the number of businesses whose behaviour has changed (thanks to the intervention) with the cost of the intervention, and comparing the result with alternative interventions.

Obviously, proportionality should be a key consideration when drawing up selection procedures and protocols for monitoring. Those instruments and activities involving large sums of money and requiring a sustained campaign on the part of government and business deserve a more critical and more detailed assessment than those instruments that involve one-off activities and/or require only a fairly limited effort. This applies equally to the majority of the recommendations that follow below.

7: Ensure that activities financed by PID policy instruments meet the needs of developing countries and vulnerable groups such as youth, women, small business owners and the poorest people.

The evaluations make clear that only a small number of instruments demonstrably meet the needs of developing countries and vulnerable groups. Most instruments (18 out of 29) are probably relevant to development, however. In a number of cases, i.e. 9 out of 29, the assessors found that their developmental relevance was 'variable or unclear'.

Policy instruments from the second pathway in particular appear to perform less well in this connection. This is because, according to a number of evaluations, they give precedence to the interests and needs of Dutch businesses over those of developing countries and vulnerable groups. This has everything to do with the demand-driven nature of the instruments from this pathway, which revolve around the type of expertise, products, services, etc. offered by Dutch businesses. Moreover, many of these instruments are geared less explicitly towards sustainable development in the countries in question. It is also worth bearing in mind that non-ODA instruments are not expected to be relevant to development, which means that – logically enough – evaluations do not examine this aspect. This suggests that a choice needs to be made: either make clear that the instruments in question do not form part of the PID policy (see the 4th recommendation) or redesign the instruments so that they are better suited to meeting the needs of developing countries and vulnerable groups (as a logical extension of the 6th recommendation).

Given that the instruments are effective in terms of reaching Dutch businesses, the second option would appear to be the better of the two. This could lead, for example, to embassies playing a more prominent role in assessing proposals, in the light of their knowledge of local needs and their ability to act as brokers in relation to local parties (including government bodies). It could also mean targeting instruments more specifically at a small number of countries with specific needs that could be met by the expertise offered by Dutch businesses. It is clearly important in this respect to ensure that greater developmental relevance does not come at the expense of the relevance to businesses, and Dutch businesses in particular, in part in order to avoid any underspending (and hence a lack of efficiency). Proportionality is a key consideration here (see the 6th recommendation).

This evaluation defines 'developmental relevance' as the ability to reach LMICs and vulnerable groups in the countries in question (such as youth, women, small business owners and the poorest people), and to meet their needs for sustainable development.

8: Check, as far as is possible and with due regard for proportionality, whether government interventions made under the PID policy are additional to the market.

In many cases, the additionality of policy instruments is probable rather than proven. Although, in many cases, instruments are additional by design (i.e. designed to complement other instruments), it is possible that some of the intended effects (i.e. businesses contributing to sustainable development) could have taken place without any government intervention. This possibility applies particularly to the second and third pathways. Policy departments and assessors should take greater care in assessing the additionality of proposals, and assessors may be expected to be more critical in their assessments of additionality, for example by comparing users with non-users (one evaluation, for example, reconstructs a control group from rejected proposals). At the same time, it is clearly not always easy to prove the existence of additionality.

> This evaluation defines 'additionality' as the extent to which government activities engender a positive change that would not otherwise (i.e. without the government activities) have taken place or which would otherwise not have been as marked. The changes referred to here are those described in the theory of change for the policy, i.e. businesses contributing to sustainable development.

9: Make sure that interventions not only affect the behaviour of those directly involved, but also have an indirect impact on that of other parties.

Although the lever effect is not a necessary condition for the PID policy to have an impact on sustainable development, it can help. A number of evaluations (notably of instruments from the second pathway) conclude that this is a probable effect, without being able to prove it. Although instruments are often designed with the idea of using demonstration and value chain effects to influence other parties, these effects often do not materialise in practice. This particularly affects the first and third pathways.

For this reason, more needs to be done to intensify the lever effect. This could be achieved, for example, by formulating targets for the number of businesses reached, in both quantitative and qualitative terms (for example, reaching the right critical mass and engaging 'system actors' who are capable of influencing other companies). It would be a good idea to assess activities more in terms of their business model (see the 11th recommendation) and their potential for scaling-up and replication. Policy departments and executive agencies could also encourage applicants to target not just businesses, but also government bodies and NGOs, given the latters' influence over other businesses.

> The term 'lever effect' as used in this evaluation refers to a situation in which parties who are directly involved exert a positive influence over the behaviour of parties who are either not involved or only indirectly involved (including private funders) and hence over the results achieved. Businesses could, for example, place pressure on suppliers or customers (value chain effects) or set an example to their competitors (demonstration effects).

10: Strive explicitly for financial sustainability and the adoption of new business models, both in allocating funding and in monitoring the spending of the funds allocated

PID policy is effective if it helps to create new business models. This is an important prerequisite for the financial sustainability of activities: they must be viable without government support. In many cases, particularly in relation to instruments from the third pathway, it is doubtful whether new business models come into being. Most of the instruments from the first pathway are probably financially viable in the long term, but this has yet to be proven.

The creation of new business models could be encouraged by imposing conditions on co-financing (this is often the case in principle, but has proved difficult to enforce in practice), by forming robust networks and platforms, and by ensuring that embassies and executive agencies monitor interventions closely (although this comes with a risk of permanent dependence on government grants). Revolving funds with co-financing (such as the Dutch Good Growth Fund) also strengthen the financial sustainability of activities and boost the efficiency of the policy.

11: Improve cooperation and coordination, with a view to internal and external coherence.

By definition, the Dutch government has only a limited degree of influence over sustainable development around the world. This influence could be slightly increased by engaging Dutch businesses in sustainable development. However, the greatest impact will be achieved if the Netherlands manages to join forces with other parties in creating an environment that encourages businesses all over the world to contribute to sustainable development. This requires effective cooperation and policy coherence.

This evaluation uses the term ‘policy coherence’ to refer to a situation in which activities are closely aligned not just with broader government policy (i.e. internal coherence), but also with the policy pursued by other donors, international organisations and the governments of LMICs with whom the Dutch government works (i.e. external coherence).

While evaluations claim that the PID policy instruments under review are coherent with the aid and trade policy, in most cases little or no evidence is adduced for this. Our own analysis suggests that many instruments do not contribute as much as they could towards the dual policy objectives, mainly because they were not designed for this purpose. The policy on IRBC is a key link between aid and trade that generally works well, but could be improved by better monitoring and ex-post assessments, in addition to the customary ex-ante assessments.[1]

[1] See also the IOB evaluation of the IRBC policy: ‘Mind the governance gap, map the chain’ (Parliamentary paper 26485-319, Policy and Operations Evaluation Department, 2019).

Little is known about the way in which Dutch PID policy ties in with the policies pursued by other parties. Most evaluations do not pay much heed to external coherence. Where they do discuss this aspect, they tend to be critical. Instruments designed to improve value chain sustainability and foster IRBC (i.e. from the first pathway) are better suited for coordination with other countries than instruments from the two other pathways. This is due in part to the latters' focus on Dutch businesses and their earning capacity. Nonetheless, we still recommend ensuring that external coherence plays a role in all PID policy instruments. What is needed is not just coordination with other countries, but also with international organisations and private-sector initiatives. The Dutch government should ideally offer instruments that complement those offered by other parties and which encourage companies to contribute to sustainable development in a way or to an extent that they could not otherwise have done.

List of abbreviations and acronyms

DAC	Development Assistance Committee
DGBEB	Directorate-General for Foreign Economic Relations
DGIS	Directorate-General for International Cooperation
FTDC	Foreign Trade and Development Cooperation
IOB	Policy and Operations Evaluation Department
IRBC	International responsible business conduct
LMICs	Low- and middle-income countries
NGO	Non-governmental organisation
ODA	Official development aid
OECD	Organisation for Economic Cooperation and Development
PID	Partners in development
PIO	Partners in ontwikkeling
PSD	Private-sector development
PSE	Private-sector engagement
RBC	Responsible business conduct
SDG	Sustainable Development Goal

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