

Impact Centre Erasmus

Contribution of Dutch companies to sustainable development in LMI-countries as a result of Dutch policy instruments

Company Perspective

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Report prepared for Policy and Operations Evaluation
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Acronyms and Terms

BHOS: Budget of Foreign Trade and Development Cooperation (Buitenlandse Handel en Ontwikkelingssamenwerking in Dutch)

IOB: Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs

LMI-countries: Countries with “low-income economies”, “lower-middle-income economies” and “upper-middle-income economies”, according to the World Bank classification.

Non-users: Companies that have not (yet) gained any experience with the PSE-instruments

OECD Guidelines: OECD Guidelines for Multinational Enterprises

PSE: Private Sector Engagement

PSE-instruments: (domestic) private sector engagement instruments that directly or indirectly help companies contribute to sustainable development in LMI-countries

RBC: Responsible Business Conduct

RVO: the Netherlands Enterprise Agency

SD: Sustainable Development

SDGs: United Nations Sustainable Development Goals

Users: Companies that have gained experience with one or more of the PSE-instruments

1. Introduction

This chapter provides background information of this study. describes the objectives and key activities of the Private Sector Engagement programs and initiatives (also referred to as PSE-instruments). It furthermore refers to key elements of the programs Theory of Change specified towards three different change paths as aimed for by the PSE-instruments.

1.1 Background

The Dutch Ministry of Foreign Affairs assumes that Dutch companies as "partners in development" can contribute to sustainable development in LMI-countries¹. Based on this understanding, the Dutch government offers various private sector engagement (PSE) programs and initiatives providing different tools and instruments to encourage and facilitate these contributions. Most of these tools, instruments, programs, and initiatives are funded under the budget of Foreign Trade and Development Cooperation (BHOS).

Dutch companies are seen as an important link in the implementation of aid and trade policies and can contribute to sustainable development through investment in and trade with LMI-countries, but also by participating in partnerships in areas such as food security, water and climate adaptation. At impact level, the government expects that Dutch companies will be commercially successful abroad, reflected by, for example, increased turnover and exports and at the same time contribute to "sustainable development and inclusive growth" with their activities outside the Netherlands. Dutch companies can contribute to sustainable development by complying to the OECD Guidelines for Multinational Enterprises (OECD Guidelines for MNEs). These guidelines provide companies guidance on responsible business conduct (RBC), recommending that businesses carry out risk-based due diligence to avoid and address adverse impacts associated with their operations and supply chains. This approach is based on avoiding and addressing the adverse impacts of business activities on the environment and society, and mainly focuses on "do no harm". Dutch companies can also contribute to sustainable development by focusing on offering solutions for the needs and the challenges in LMI-countries. The UN Sustainable Development Goals (SDGs)² provide a comprehensive framework to identify these needs and challenges. Dutch companies can contribute to sustainable development in these countries by focusing on delivering solutions to one or more of the 17 SDGs. The contributions to SDGs can be seen both as "do good" as well as "do no harm".

¹ Countries with "low-income economies", "lower-middle-income economies" and "upper-middle-income economies", according to the World Bank classification.

² In September 2015, the heads of government of 193 UN member states met in New York to approve the resolution 'Transforming our World: The 2030 Agenda for Sustainable Development'. At the core of this resolution lie the Sustainable Development Goals (SDGs). The SDGs consist of 17 goals and 231 indicators to make the world 'a better place in 2030'.

1.2 Private Sector Engagement policy

For the PSE-policy, a Theory of Change (ToC) has been constructed by IOB (please see Appendix 1³) after consultation with relevant policy departments. The ToC identifies the goals of the policy, the paths through which these goals are expected to be achieved and the types of activities that the government undertakes to realise the envisaged impact.

In short, the vision of success that is expected through the PSE-policy is that Dutch companies will increasingly contribute to sustainable development and achieve development results in LMI-countries. This is expected to lead to increased commercial success and reputation for the Dutch companies, which will in the long run benefit the earning power of the Dutch economy.

The ToC of PSE-policy distinguishes three so-called “**change paths**”, i.e. scenarios to realize the above formulated vision of success. Companies can contribute to sustainable development in a variety of ways, in return entrepreneurs are expected to also create benefit for themselves:

1. **Integrating RBC:** Companies integrate RBC (Responsible Business Conduct) into their existing core activities and/or make their core activities more sustainable by reducing risks in their international value chains and thus making these chains more sustainable. In doing so, they contribute to development objectives in target countries such as creating jobs of higher quality and reducing environmental pollution. This is mainly a modification, rather than an intensification of the relationship with target countries. Companies benefit themselves by improving their reputation and better managing risks in their chain, which contributes to the security of supply of raw materials and semi-finished products.

The PSE instruments included in this research and associated with this change path are: *FBK, FVO, IDH, MVO NL & Solidaridad*⁴.

Aim for change: PSE instruments linked to Integrating RBC, change path 1, lead to (1) reduced risks in supply chains and (2) contributing to SDGs leading to (3) sustainable development in LMI-countries, resulting in (4) increased reputation and commercial success of Dutch firms.

2. **Strengthening trade and investment:** Companies intensify their relationship with target countries by exporting, importing and/or investing more goods and services. In this way, they contribute to the economic development of target countries. A contribution can be made by e.g. strengthening the domestic private sector, creating local jobs and the diffusion of knowledge (either planned or unplanned). This path does not focus on changes in or of core activities, but Responsible Business Conduct is rather considered as a prerequisite. The benefits for Dutch companies are evident in this case, assuming that trade and investment contribute to commercial results (without damaging the reputation).

³ The ToC is only available in Dutch.

⁴ A full list of the policy instruments is included in Appendix 2.

The primary PSE instruments included in this research and associated with this change path are: *DGGF1, DGGF3, DHI, DHK, Leads for Economic Development, PSI & TF.*

Aim for change: *PSE instruments linked to strengthening trade and investment, change path 2, lead to (1) economic development in LMI-countries through (2) increased imports to, exports from or investments in LMI-countries, resulting in (3) increased reputation and commercial success of Dutch firms.*

3. **Working together on solutions:** Companies work more closely with the Dutch government and other parties (governments of target countries, knowledge institutions, NGOs and local companies) on innovative solutions for sustainable development in e.g. the areas of food security, water management, climate adaptation, health or infrastructure. This path involves companies that are committed to sustainable development and want to invest in new products or services and markets in a way that they can benefit from them.

The PSE instruments included in this research and associated with this change path are: *DRIVE, FDOV, FDW, Impact Clusters, LS&H4D, ORIO, Partners for Water, SBIR & SDGP.*

Aim for change: *PSE instruments linked working together on solutions, change path 3, lead to (1) working together with other parties to innovate for solutions for sustainable development, leading to (2) an increased contribution to SDGs and sustainable development in LMI-countries, resulting in (3) increased reputation and commercial success of Dutch firms.*

The three change paths use different triggers to achieve sustainable development in LMI-countries as well as commercial success for Dutch Companies. Based on the triggers used by the different instruments we expect to see different outcomes (see table 1).

Change Paths	Outcomes		Impact	
	Improved RBC	Trade & Investments	Sustainable Development	Improved Commercial Success
	RBC and attention paid to SDGs	Increased Imports, exports and/or investments		
Change path 1: Integrating RBC	X		X	X
Change path 2: Strengthening trade and investment		X	X	X
Change path 3: Working together on solutions	X	X	X	X

Table 1. Different triggers for change used by the three change paths of the PSE-instruments

2. Methodology

This chapter describes the methodology used in this research. First, the objectives of the research are described. Secondly the approach used in this research is explained.

2.1 Objectives of the Research

PSE-policy aims to lead to contributions by Dutch companies to sustainable development and to improved commercial success and reputation for Dutch companies. The objective of this study is to assess what effects the PSE-instruments included in this research have on the companies involved.

This research focuses on the following five research questions:

1. Do the PSE-instruments respond to specific questions or **needs** of Dutch companies to trade with or invest in LMI-countries? Are the PSE-instruments relevant for their needs? What motivates companies to make use of the PSE-instruments? Are their expectations met?
2. To what extent do the PSE-instruments bring about **lasting changes** in companies' attitudes and behaviour towards investing in and trading with LMI-countries? What are the long-term effects of PSE-instruments on integrating RBC into business processes?
3. To what extent do companies contribute to **sustainable development** in LMI-countries thanks to the PSE-instruments?
4. To what extent has the PSE-instruments improved the **reputation and commercial success** of companies?
5. Have the PSE-instruments resulted in any **unforeseen/unintended** effects?

2.2 Approach

In this research desk research, an online survey and interviews were conducted.

Desk Research

The main source for the desk research was the IATI project database⁵. This database contains detailed descriptions of the instruments funded by the Netherlands Ministry of Foreign Affairs under the "Development Cooperation" budget and the companies involved. This study only includes the instruments as specified under the three change paths as described in the introduction.

The instruments are provided to companies by different intermediaries, like RVO (the Netherlands Enterprise Agency), MVO Nederland, IDH (the Sustainable Trade Initiative) and Solidaridad. A full list of the policy instruments is included in Appendix 2. Based on the descriptions in the database of the companies involved, it is analysed what type of companies, specified towards size and sector, used the different instruments.

⁵ <https://projects.rvo.nl/section/development-cooperation>

Online Survey

Our research is based on an online survey among companies active in LMI-countries. The survey was sent to companies trading with and investing in LMI-countries by the intermediaries, RVO (the Netherlands Enterprise Agency), MVO Nederland, NBSO (Netherlands Business Support Offices), Atradius, RVO client panel Solidaridad. The survey was also sent to UN Global Compact members (through their newsletter) and to the CSR expert panel⁶. The sample of respondents comprises “users” of the selected PSE-instruments included in this research as well as “non-users” of these PSE-instruments. The survey⁷ was responded by 140 companies. From the 140 respondents, 103 companies used at least one of the PSE-instruments (“users”) and 37 companies have not used any of the PSE-instruments (“non-users”). In the online survey, it was asked if the respondents were willing to contribute to this research by an interview. In total, 85 company representatives provided their email addresses through the online survey.

Interviews

To gain better insights into the answers provided by the respondents of the online survey, one-to-one interviews were conducted with 24 respondents. The interviewees were selected based on the results of the desk study and the first insights from the survey. Attention was paid to selecting companies of different sizes, from different sectors trading with and investing in different countries. The interviews were semi-structured using an interview protocol⁸. Within the “user” group, 19 companies were interviewed. For the interviews with “non-users”, next to size and sector, further selection was made based on the reason for not (yet) using the instruments included in the study. Within this group, five companies were interviewed. For an anonymized overview of the interviewed companies see Appendix 3.

⁶ The CSR expert panel is a panel developed by Impact Centre Erasmus of about 700 people professionally active in the field of CSR. The panel consists of members working at companies, NGO’s and governmental organizations. It is expected that around 100 internationally operating companies are represented in the CSR expert panel.

⁷ The final survey questions are available upon request.

⁸ The interview protocol is available upon request

3. Contribution of PSE-instruments

This chapter answers the five research questions as listed in chapter 2. For each research question, based on the survey data and interviews, the results are described and, if relevant, specified towards the different change paths. After each sub-paragraph conclusions are drawn.

3.1 Relevance of the PSE-instruments

This section discusses the following research question:

*“Do the PSE-instruments respond to specific questions or **needs** of Dutch companies to trade with or invest in LMI-countries? Are the PSE-instruments relevant for their needs? What motivates companies to make use of the PSE-instruments? Are their expectations met?”*

The needs of companies active in LMI-countries depend on various factors such as type of business activities (investment, import and export), country with which they (plan to) do business with, the sector they are active in and company specifications like size, RBC performance and product. Depending on their needs, companies use different PSE-instruments. Figure 1 shows the percentage of the companies using PSE-instruments specified towards the different change paths.

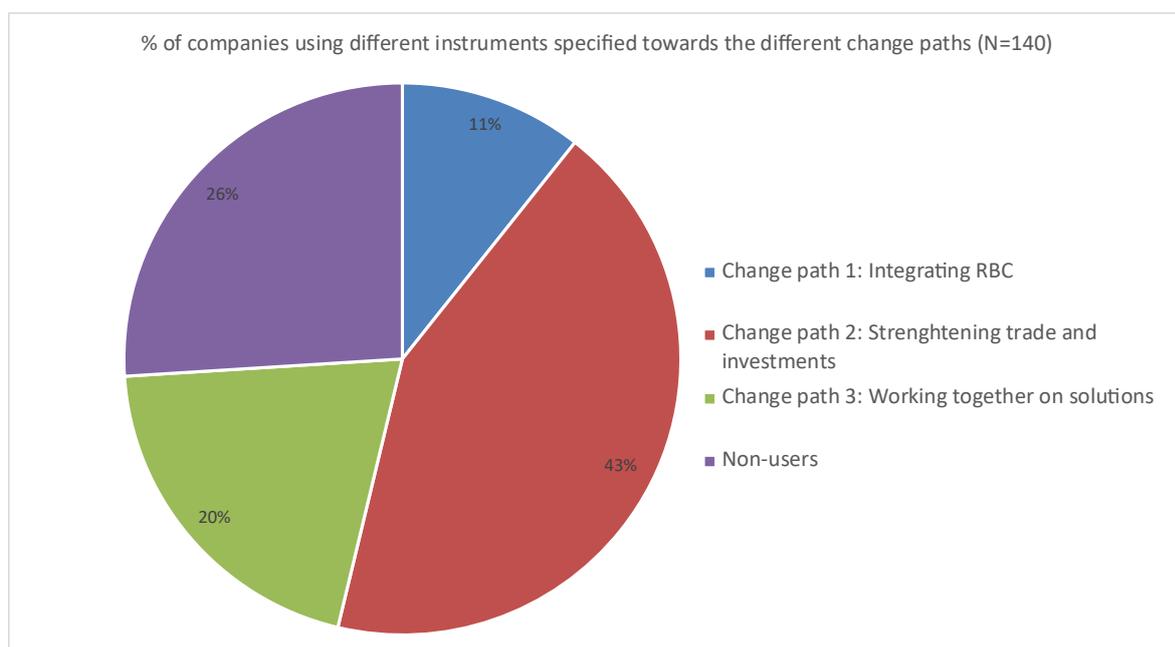


Figure 1. % of companies using different instruments specified towards the different change paths

As seen in figure 1, 26% (n=37) of the companies indicated they have not used any of the PSE-instruments. Change path 1 instruments, focussing on integrating RBC, are used by 11%, change path 2 instruments, focussing on strengthening trade and investment, by 43% and change path 3 instruments, focussing on working together on solutions, by 20%. Many firms used several PSE-

instruments (62%), 36% used three or more instruments and 7% even more than five different instruments.

In the next sub-paragraphs the motivations provided by the companies to use the instruments are analysed. Moreover, companies were asked about their expectations of the instruments and whether the expectations have been met. Finally, companies were quired about additional needs they may have in relation to their business in or with LMI-countries. Based on the results conclusions are drawn.

3.1.1 Motivations

The main motivation to use PSE-instruments was to increase commercial opportunities (73%). The next two most important reasons provided by the companies are the contribution to the SDGs (52%) and the reduction of risks in their value chains (47%). Other reasons mentioned are to develop sector expertise, to give opportunities to people with a distance to the labour market, to reduce costs and to finance local development and initiatives. Specifying the results towards the different change paths shows some interesting differences (see table 2).

Motivations to use PSE-instruments	% of companies using PSE-instruments (n=103)	Change Path 1: Integrating RBC (n=21)	Change Path 2: Strengthening trade & investment (n=85)	Change Path 3: Working together on solutions (n=40)
To increase our commercial opportunities	73%	48%	71%	65%
To contribute to sustainable development (and the SDGs)	52%	76%	49%	68%
To reduce risks in our value chains	47%	43%	48%	50%
To improve our performance on RBC and sustainable business	35%	57%	33%	30%
To comply better with laws and regulations	8%	19%	6%	8%

Table 2. Motivations to use PSE-instruments

The main motivation to use instruments focussing on change path 1 is to contribute to sustainable development (and the SDGs) (76%), and to improve performance in the field of responsible business conduct and sustainable business (57%). For path 2 this is to increase their company's commercial opportunities (71%). Path 3 shows a more mixed picture with the motivation to increase their contribution to sustainable development (and the SDGs) (68%) and the company's commercial opportunities (65%). These findings are strongly in line with the main purpose of the policy instruments under and the triggers used by the different change paths. Nevertheless, as the impact aimed for by all PSE-instruments is to contribute to sustainable development in LMI-countries as well as to commercial success of Dutch companies, it is surprising to see that only a part of the companies explicitly aim for these goals as motivation to use the PSE-instruments.

In the survey is has also been asked what the reasons were for non-users of the PSE-instruments. The main reasons mentioned are non-familiarity with the instruments and no (financial) need to use these instruments. During the interviews the same reasons for not using the instruments were mentioned. Some companies prefer not to use subsidies at all. They either have enough financial resources, or they do not want to get into the “complicated” administrative processes. Some companies made use of other government instruments and tools including RVO grants Globalstars, PIB (Partners for International Business), SIB vouchers (Starters International Business) and Orange Asean Factory. Some of the companies indicated that they have plans to use PSE-instruments in the future, specifically “Business with impact/IMVO vouchers” and “DGGF1: Dutch Good Growth Fund”. Next to that, some companies thought they would not be eligible for the instruments. The main reasons were (a) the idea that instruments were only applicable for established companies due to the financial requirements of the instruments and (b) the expected workload of the application process for which they did not have adequate resources (yet). Non-familiarity with the instrument of companies active in LMI-countries is an important point.

3.1.2 Expectations and additional needs

69% of the respondent users indicated that the instrument(s) they used have partly or completely provided what they expected. Only 7% indicated that the instruments did not provide what they expected. During the interviews, the interviewees also confirmed the PSE-instruments provided the support they expected. In the survey we also asked if the companies that used PSE-instruments had additional needs that were not provided by the instruments. 25% of the “users” responded that they had additional needs not provided by the PSE-instruments they used. During the interviews additional needs are also discussed. Based on both findings the following challenges and ideas for improvements were collected.

1) *Focus on commercial success*

It is perceived that most instruments focus too strongly on achieving commercial success instead of on contributing to sustainable development or creating positive local impact. This perception is linked to the financial requirements of the instruments but also to the lack of control of the results achieved related to RBC, SDGs or sustainable development. To make it more concrete, some (smaller and start-up) companies have the idea that they are expected to apply with a product or concept that is commercially attractive and that the potential to contribute positively to the SDGs or sustainable development is less valued.

2) *Instruments are perceived to be too rigid*

Companies would like to see that the Dutch government would adopt a more entrepreneurial mind-set and would rely less on fixed criteria, rules and assessments, and offer more flexibility in achieving targets or reporting when the conditions require this. This is linked to trust, to better listen to the needs of the entrepreneurs and to accept that sometimes criteria cannot be met (on time) due to fluctuations in market developments, unreliable partners in their value chain or delays due to local circumstances. Some companies have the idea that compliance

with the rules and ‘thick the boxes’ is for government employees more important than to actually help the companies.

3) *Application procedures are complicated and long*

Companies expressed their perception that the application process of some of the instruments (especially DHI, FBK, FDOV, ORIO) is complicated. Additionally, long assessment processes are mentioned and indicated as a demotivator to apply for or finalize the application process. Nevertheless, even though the application process is experienced as being difficult, most interviewees expressed the positive experience receiving detailed feedback on their application.

4) *Hurdles for SMEs and innovative start-ups*

Smaller sized companies are often more innovative, using technologies which makes them more vulnerable to (financial) risks and do not have yet a financial track record. Next to that, often a financial contribution from the companies themselves is required for application. In the application procedures, especially for path 2 instruments, financial risk is perceived as being an important factor for the governmental organizations to assess the applications. Finally, it has been mentioned that it is difficult to develop after a positive feasibility study, a demonstration project. Based on these findings it would be interesting to think about PSE-instruments that would specifically support SMEs and innovative start-ups.

5) *Certificate or letter of approval*

Users of the PSE-instruments mentioned that it might be useful to receive some sort of certification from the government, to prove that they received government funding. Such a certificate or letter of approval could help to get additional funding from other investors.

6) *Support from embassies*

The support provided by embassies is in general highly valued but also is perceived to highly depend on individuals working at the embassies. A more pro-active role of embassies would be welcomed. For example, embassies could proactively identify the needs in their countries and then ask Dutch companies to address these needs based on their expertise. Additionally, a role for the embassies is seen to inform companies about the institutional context and local environment like work ethics, culture, corruption, and natural disasters and how to deal with those issues. To gain better insights into these issues, it was also suggested by several companies that embassies could pro-actively facilitate companies to exchange experience and knowledge related to those issues. This is an interesting finding as some embassies are very active in pro-actively executing sector studies and matchmaking in their countries. It seems this information not always reaches the companies.

3.1.3 Conclusions

Based on the motivations, expectations and additional needs of the users and non-users of PSE-instruments it can be concluded that the current PSE-instruments do respond up to a great extent to the needs of the companies using the instruments. Only a limited number of companies indicated they had additional needs and ideas for improvement. They mentioned that they see the instruments as focussing too strongly on commercial success, being too rigid, and that the application procedures are complicated. Especially SMEs and innovative start-ups feel underserved, mainly because of the need for a (financial) track record and the contribution of your own money. Ideas for improvement can be to develop a 'proof of funding received' for companies if requested for by the companies to ease additional or follow-up funding. Furthermore, especially during the interviews, it was mentioned several times that the embassies play an important role which can be further strengthened by up taking a more pro-active role to inform companies about local culture and habits and to actively facilitate the exchange of knowledge between companies.

An interesting finding is that companies that have not (yet) used the PSE-instruments are often not familiar with the instruments. Therefore, it is hard to say whether the instruments do or do not fit their needs. Further research would be helpful to collect more information about non-users of the PSE-instruments. However, it does indicate that more effort could be put into the outreach of the PSE-instruments towards companies active in LMI-countries.

3.2 Lasting change in companies' attitude and behaviour

This section discusses the following research question:

*“To what extent do PSE-instruments lead to **lasting changes** in companies' attitudes and behaviour towards investing in and trading with LMI-countries? What are the long-term effects of PSE-instruments on integrating RBC into business processes?”*

Lasting change is analysed from two different angles, lasting change in trade & investment through increased import, export and/or investment, and lasting change in relation to RBC and sustainable development ambitions. In the next sub-paragraphs the current situation of trade and investments is provided as well as the change in the past seven years. Secondly, the current situation of RBC and the use of SDGs is provided as well as the changes in the past seven years related to RBC, use of SDGs and contribution towards sustainable development. Finally, based on the results conclusions are drawn.

3.2.1 Trade and investments in LMI-countries

Many companies are active in multiple ways in LMI-countries. 75% of the users of PSE-instruments in the sample are active in the poorest countries or developing countries moving towards emerging economies, 25% is active in emerging economies.

Of the 103 companies that have used PSE-instruments, 31 companies import goods and/or services from LMI-countries, 69 companies export goods to LMI-countries and 52 companies invest in LMI-countries. It has been assessed whether the activities in LMI-countries have increased, decreased or not changed in the past seven years (see table 3).

Activities in LMI-countries		Import (n=31)	Export (n=69)	Investments (n=52)
Change in the past seven years in %	Increased	27%	50%	61%
	Not changed	64%	38%	30%
	Decreased	9%	12%	9%

Table 3. Change of trade and investments in LMI countries over the past seven years

The results show that investments in LMI-countries have increased the most, 61% of the companies investing in LMI-countries have increased their investments, next to exports that have increased for 50% of the companies. Companies that have not used PSE-instruments, show a more modest increase of investments in LMI-countries, only 40% have indicated that they have increased investments. This difference between users and non-users is, however, not reliable due the small sample size.

Further specifying the answers of the companies that have used PSE-instruments towards the different change paths (see figure 2), we see that all companies have increased their investments in LMI-countries. Companies that have used instruments linked to change path 2 and change path 3 have increased their exports (both 55%), for change path 1 this is only 24%. 43% of the users of change path 1 instruments have increased their import. This is in line with the instruments, focussing on RBC, that are mainly used by companies with own production facilities in LMI-countries making products that are exported to Europe.

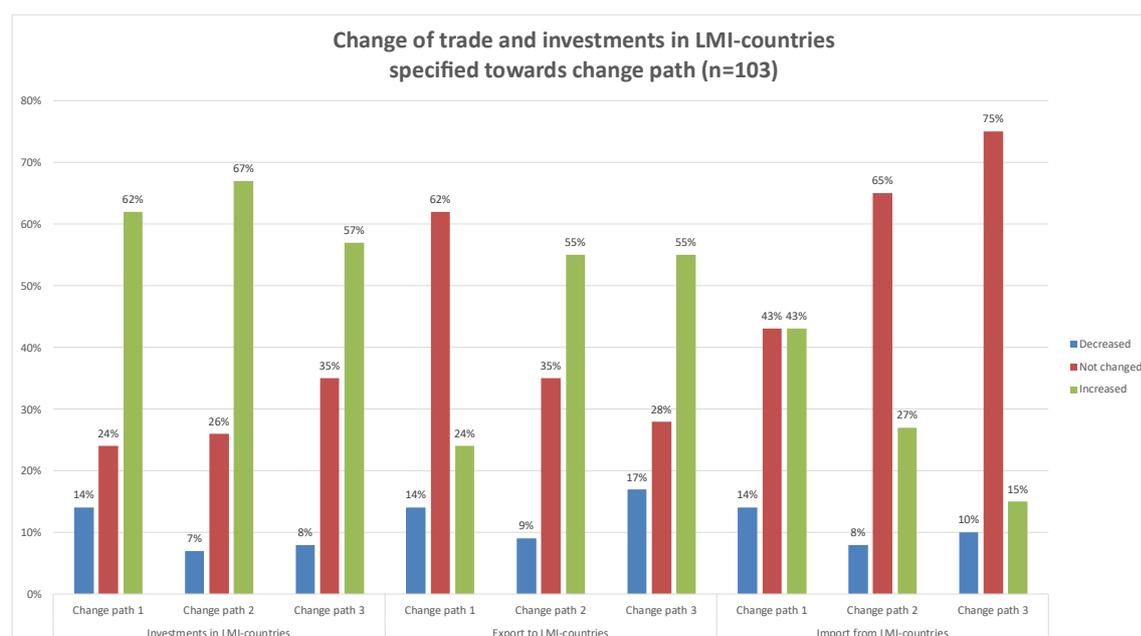


Figure 2. Change of trade and investments in LMI-countries specified towards change paths

3.2.2 Responsible Business Conduct and sustainable business

The perceived own performance on RBC by the companies does not show large differences between the users and non-users of PSE-instrument (see table 4). However, the results show that a large part of the companies perceive themselves as performing better than their peers. It might be that there are many frontrunners in the field of RBC and sustainable business in both groups, the users and non-users.

How does your company perform in terms of RBC and sustainable business in LMI-countries?	% of companies using PSE-instruments (N=103)	% of companies not using PSE-instruments (N=37)
We perform better than most other companies in our sector	65%	59%
We perform about average	33%	38%
We perform worse than most other companies in our sector	2%	3%

Table 4. Perceived own performance in relation to other companies

OECD guidelines and implementation

In the survey it was assessed how familiar the companies are with the OECD guidelines. The results show that 70% of the companies having used PSE-instruments are familiar with the OECD-Guidelines, 19% are somewhat familiar and 11 % is not familiar (see table 5). This is remarkable because subscribing to the OECD guidelines (self-declaration) is a requirement to qualify for any of the PSE-instruments. The results for the non-users of the PSE-instruments do not show large differences in results.

How familiar are you with the OECD-guidelines?	% of companies using PSE-instruments (N=103)
Familiar	70%
Somewhat familiar	19%
Not familiar	11%

Table 5. Familiarity with OECD-guidelines

Looking at the implementation of the guidelines by the companies, see figure 3, we see a decline in implementation at every successive step in the RBC due diligence process. Most of the companies do assess the risks in their own business operations as well as in the first tiers of their supply chain. Over 50% of the companies do not report on results of their performance and impact. Companies that have not used PSE-instruments show the same results. Further specifying the results towards the different change paths show the same results.

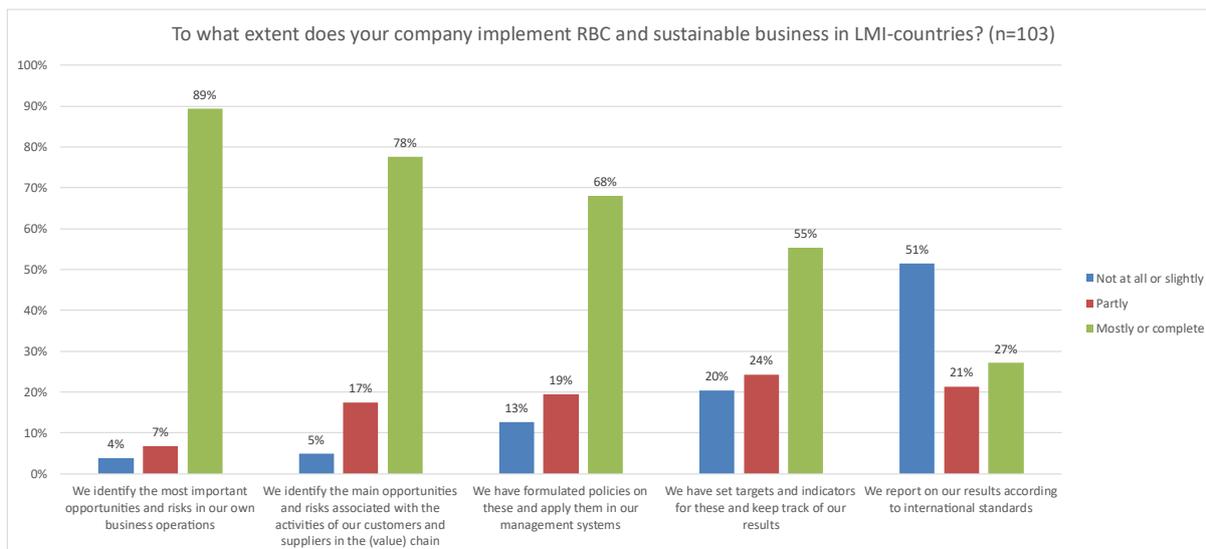


Figure 3. Implementation of RBC and sustainable business in LMI-countries

During the interviews we have discussed why companies do not implement the OECD guidelines through the RBC due diligence steps. The main reasons provided were:

1. *Internal code of conduct*

Many companies mentioned they operate according to their own code of conduct. Nevertheless, these companies do assess their risks in their company and value chain, but also often have not formulated targets, do not measure progress nor report on results.

2. *No due diligence control*

Companies mentioned that there is no control mechanism from the government to check the actual implementation of RBC. As a consequence, companies do not feel any pressure to implement RBC more than they already do.

3. *Limited information*

Companies believe that the guidelines and information offered related to what is expected of them to implement RBC is not enough and they would appreciate further guidance.

4. *No priority*

Some companies that export sustainable products to LMI-countries like solar panels, batteries for boats or infrastructure, have the ambition to implement international RBC guidelines, but it is not a priority. They feel that they already do something good for the LMI-countries just by doing business with them. They provide jobs, reduce CO₂ emissions or pollution or build a hospital. This is considered a good thing in itself. Some companies therefore do not feel the need to think about additional RBC efforts related to the production of these products or sustainability issues related to these products.

Sustainable Development Goals

Next to the implementation of the OECD-guidelines, companies can also contribute to sustainable development by committing to one or more SDGs. In the survey it has been asked to what extent the companies pay attention to the SDGs and in what way SDGs are used. The results show that companies that have used PSE-instruments pay considerable attention to SDGs, also in comparison to non-users, and also use the SDGs more to identify effects, set objectives and targets and report (table 6)⁹.

To what extent does your company pay attention to SDGs?	Selection of SDGs	Identification of effects on SDGs	Objectives related to SDGs	Qualitative reporting on SDGs	Selection of SDGs	Identification of effects on SDGs	Objectives related to SDGs	Qualitative reporting on SDGs
	Users of PSE-instruments (n=103)				Non-users of PSE-instruments (n=37)			
Mostly or completely	67%	57%	47%	34%	60%	48%	35%	30%
Somewhat	20%	25%	25%	24%	16%	19%	16%	16%
Not at all or slightly	13%	18%	28%	42%	25%	33%	46%	54%

Table 6. Attention paid to the SDGs of users of PSE-instruments and non-users of PSE-instruments

Comparing the results specified towards the different change paths, the main finding is that companies that have used PSE-instruments related to path 2 pay less attention to SDGs. This finding is not surprising as instruments linked to path 2 focus on trade and investment in LMI-countries and less on RBC and sustainable development. Nevertheless, ideally also users of these instruments would pay attention to the SDGs.

Change of attention paid to RBC and sustainable business

In the survey it was asked if the companies paid more attention to RBC and sustainable development in LMI-countries in the past seven years. 64% of the PSE-instruments users replied they have indeed paid more attention to RBC and sustainable business. For companies that have not used PSE-instruments this is 54% (see table 7). This result indicates that the level of attention paid to RBC has increased in the past seven years especially among users.

⁹ There are no studies available indicating how many SME companies pay attention to the SDGs 93% of Dutch listed firms mention the SDGs in their annual report. <https://www.sdgnerland.nl/wp-content/uploads/2020/05/Vierde-Nationale-SDG-rapportage-Nederland-Ontwikkelt-Duurzaam-final-version.pdf>

Has your company paid more or less attention to RBC and sustainable business in LMI- countries in the past seven years?	% of companies using PSE-instruments (N=103)	% of companies not using PSE-instruments (N=37)
Less	1%	3%
As much	35%	43%
More	64%	54%

Table 7. Changes in attention paid to RBC and sustainable business in LMI-countries in the past seven years

If we further specify the findings towards the change paths, companies that used PSE-instruments linked to change path 1 increased their attention paid to RBC and sustainable business slightly more compared to the other users (see figure 4). This is not surprising as PSE-instruments linked to change path 1 focus on integrating RBC into business processes and value chains.

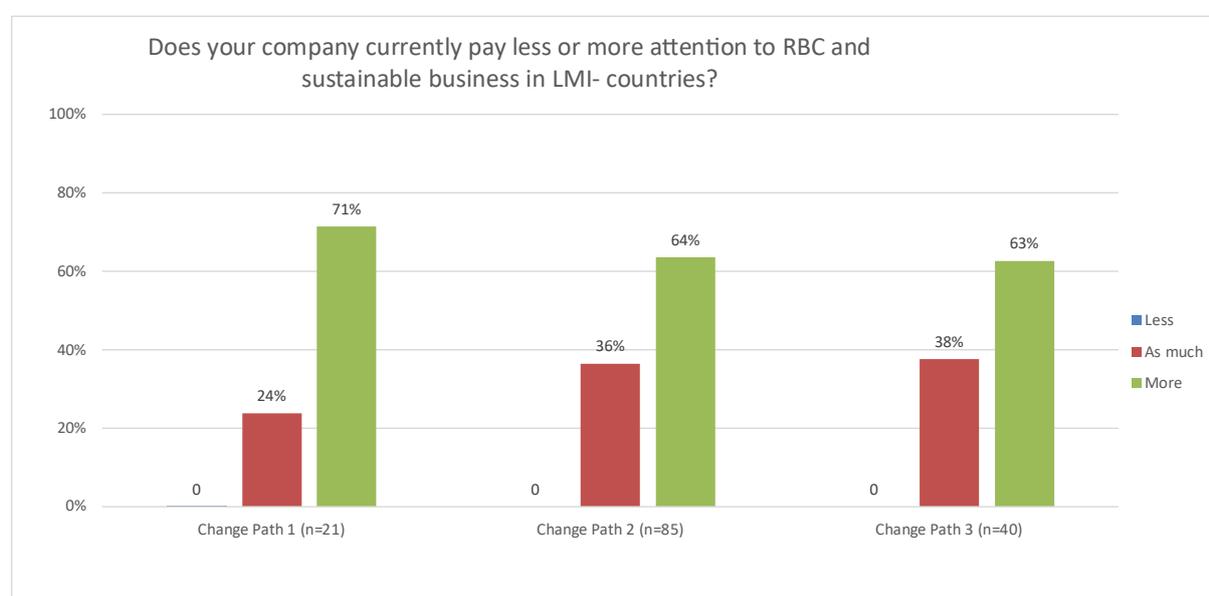


Figure 4. Changes in attention paid to RBC and sustainable business in LMI-countries in the past seven years

3.2.3 Conclusions

This section analyses to what extent PSE-instruments bring about **lasting changes** in companies' attitudes and behaviour towards investing in and trading with LMI-countries and on integrating RBC into business processes.

Based on the results it can be concluded that PSE-instruments have especially contributed to increased *investments* in LMI-countries in the past seven years. This is found for all user companies and does not depend on the instrument they have used. Looking at imports and exports some differences between PSE-instruments linked to the different change path are found. Companies that have used instruments linked to change path 2 and 3 have also increased their exports (both 55%), while companies that have used instruments linked to change path 1 mainly increased imports (43%).

The majority of the companies (70%) indicated to be familiar with the OECD guidelines. However, still 30% of the companies are not or only slightly familiar with the OECD guidelines, while working according to the guidelines based on self-declaration is a prerequisite for all PSE-instruments. Looking at the implementation of the guidelines, most of the companies that have used PSE-instruments claim to assess the risks in their own business operations (89%) as well as in their supply chain (78%), however more than 50% of the companies do not report on results.

Next to the implementation of the OECD Guidelines, companies can also contribute to sustainable development by committing to one or more SDGs. Many users do pay attention to SDGs and also use the SDGs more to identify effects, set objectives and targets. Reporting on performance in relation to the SDGs is less developed.

Looking at how the situation has changed in the past seven years, companies that have used PSE-instruments indicated more often that they pay more attention to RBC and sustainable development in LMI-countries compared to companies that have not used PSE-instruments (64% compared to 54%). Especially companies that have used PSE-instruments linked to change path 1 pay more attention to RBC and sustainable business. This is not surprising as PSE-instruments linked to change path 1 focus on integrating RBC and sustainability of supply chains. Companies using PSE-instruments linked to change paths 2 and 3 seem to have made less change in their attention to RBC and sustainable development.

Looking at how the attitude towards RBC and sustainable business has changed in the past seven years, 64% of the companies that have used PSE-instruments indicated that they pay more attention to RBC and sustainable business in LMI-countries. For companies that have not used PSE-instruments this is 54%.

Overall, based on the findings it can be concluded PSE-instruments indeed bring about more sustainable investment in LMI-countries for the main part of the companies using PSE-instruments (61%). Next to that, the results show that a substantial part of the companies (64%) increased their attention to integrate RBC into business processes. The results show that mainly reporting on performance is lagging behind. Therefore, it would be interesting to link requirements to measure and report results of RBC and performance in relation to the SDGs to the PSE-instruments.

3.3 Contribution of PSE-instruments to Sustainable Development

One of the aims of PSE-instruments is that users increase RBC, sustainable business and their contribution to SDGs in order to contribute to sustainable development. This section discusses the following research question:

*To what extent do companies contribute to **sustainable development** in LMI-countries thanks to PSE-instruments?*

In the survey the companies were asked not only if they paid more attention to RBC and sustainable development in LMI-countries in the past seven years, but also how the companies perceive the contribution of the PSE-instruments to this change. In the next sub-paragraphs the perceived contribution of PSE-instruments to the implementation of RBC is discussed. Secondly, the perceived contribution of PSE-instruments to sustainable development in LMI-countries is described. Finally, based on the results suggestions for further improvements and conclusions are drafted.

3.3.1 Contribution of PSE-instruments to the implementation of RBC

Of the companies that increased their attention to RBC and sustainable business in LMI-countries in the past seven years (see table 7 in paragraph 3.2.2), 47% indicated that they have a lot/a great deal better knowledge on risks and opportunities, 45% know a lot/a great deal better how to reduce the risks and improve opportunities and 41% improved their performance a lot/a great deal thanks to the instruments (see figure 5).

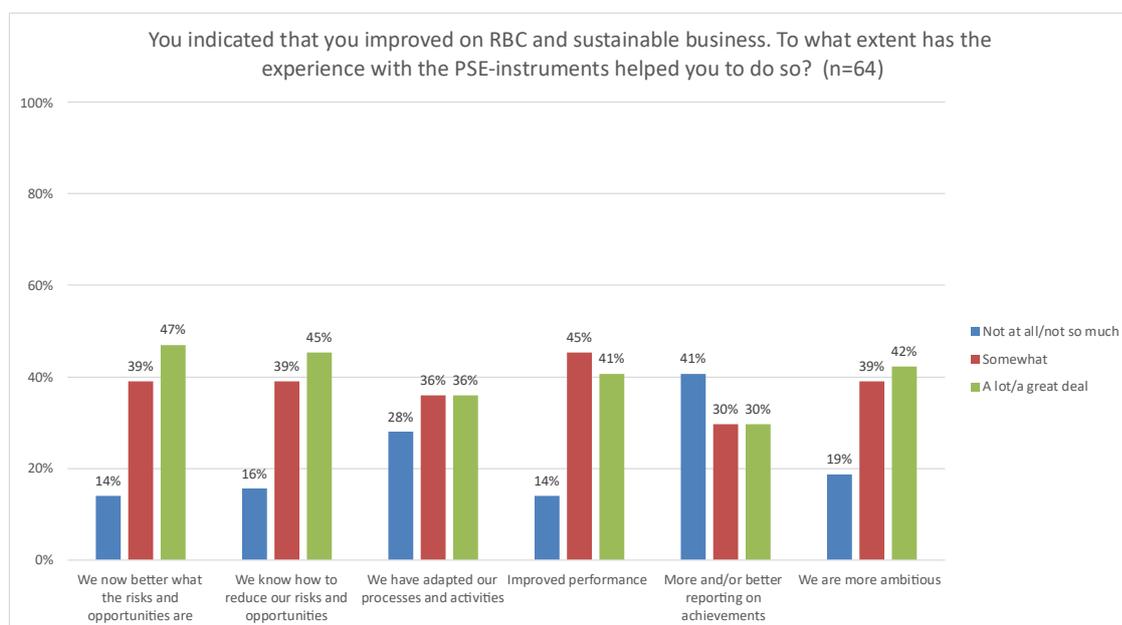


Figure 5. Companies' perception of the contribution of PSE-instruments to RBC or more sustainable business processes

The PSE-instruments have also supported 42% of the companies to become more ambitious. However, improvements related to reporting stayed behind. This is in line with the previous results where it was found that companies do not perform that well, nor have improved performance on reporting on RBC and sustainable business results¹⁰. During the interviews the same results have been found.

¹⁰ Further specifying the results towards the different change paths leads to a too small sample sizes to come to relevant results.

3.3.2 Contribution of PSE-instruments to sustainable development in LMI-countries

The companies that improved their RBC and sustainable business are quite positive about the contribution of the PSE-instruments to help them to contribute to sustainable development in LMI-countries. Companies were especially positive about the way the instruments have strengthened local businesses in LMI-countries (64% indicated a lot or a great deal) (see figure 6).

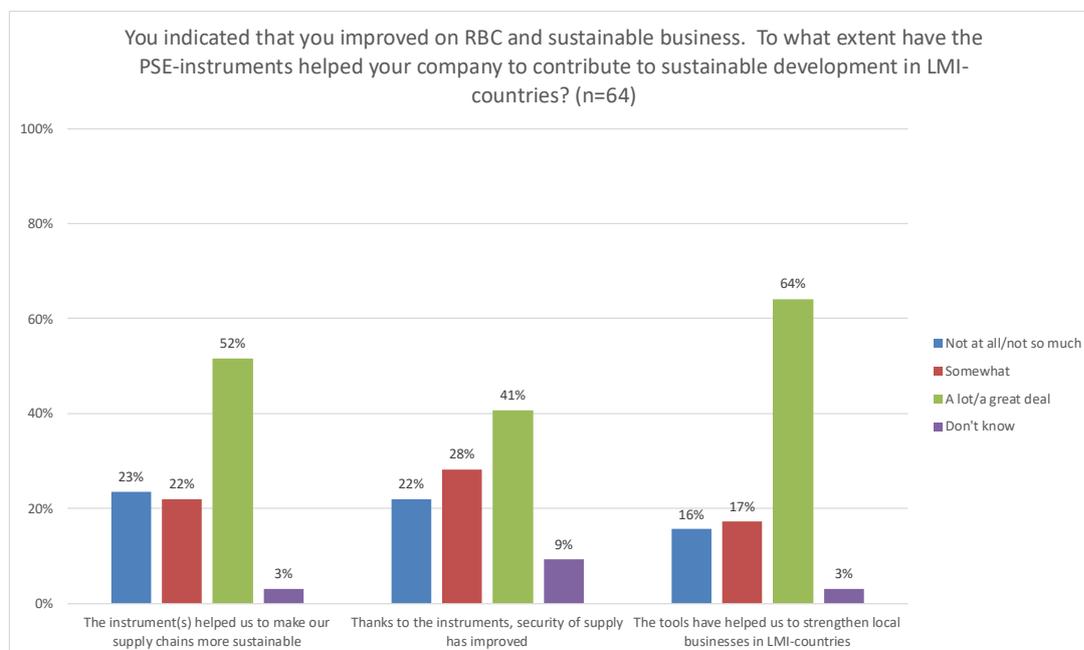


Figure 6. Companies' perception of the contribution of PSE-instruments to sustainable development in LMI-countries

During the interviews additional contributions to sustainable development in LMI-countries have been discussed. The users of the PSE-instruments named the following:

1. *Education and training of local people*

Companies mentioned that they contribute to education and training of the local population and companies. The core business of companies is often very complex and therefore they need highly educated people or people who have specialized knowledge. Instead of hiring employees from the Netherlands, companies rather spend their resources on training local people.

2. *Creating job opportunities*

Companies mentioned that they actively create new jobs for local people. In this way they contribute to economic development and empowerment of local people.

3. *Partnerships*

Companies mentioned that they form more collaborations with local parties and exchange knowledge and experience to address specific local challenges.

Companies have been asked to specify to what extent their company contributed to specific sustainability issues thanks to the instrument (see figure 7). It is interesting to see that the companies that have used PSE-instruments perceive that the instruments mainly contributed to social issues, like creation of (local) jobs, improvement of health and safety of employees and local communities, and less to environmental issues like reduction of CO₂, reduction of energy use, water use and improvement of biodiversity¹¹.

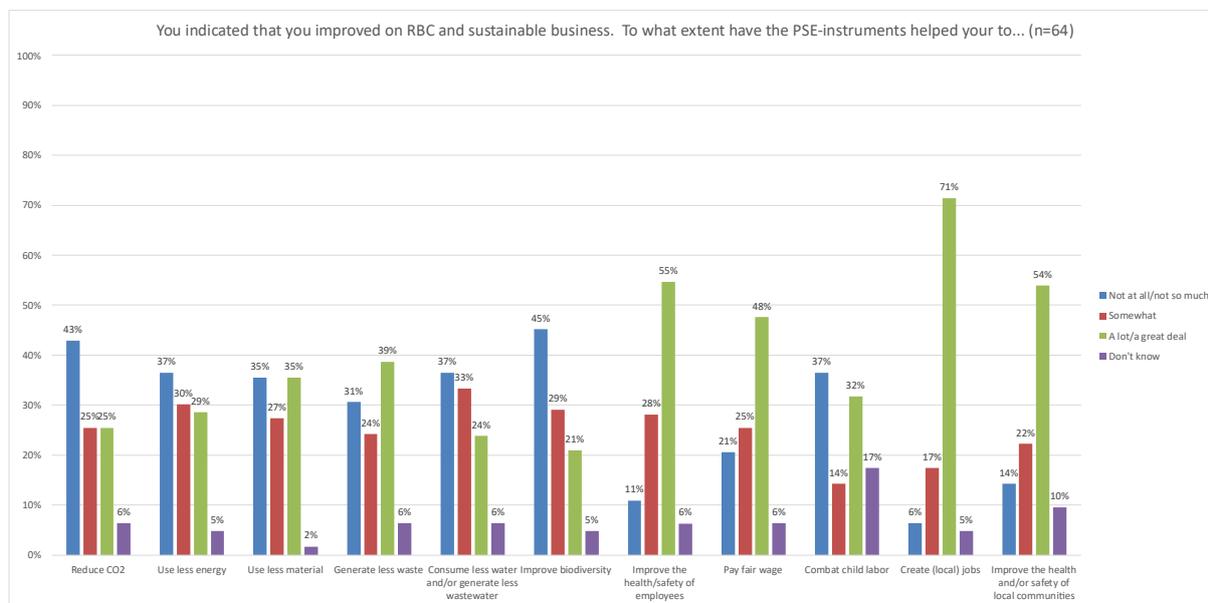


Figure 7: Perceived contribution of PSE-instruments to sustainability of international value chains

3.3.3 Suggestions for improvement from the companies

During the interviews suggestions for how the Dutch government could further support companies in their efforts to implement and improve RBC and sustainable business have been discussed. The following suggestions to further enlarge companies' contribution to sustainable development in LMI-countries were mentioned by the companies:

1. *Benefits of RBC and Sustainable development*

The importance and benefits of sustainable development for the company and the local communities need to be more clearly promoted by the government to motivate companies to improve their sustainable performance and to contribute to sustainable development in LMI-countries.

¹¹ Further specifying the results towards the different change paths leads to a too small sample sizes to come to relevant results.

2. *Incentives*

The government could help companies to improve their RBC and sustainable business by rewarding companies with good performance, for example by making subsidies available for follow-up investments.

3. *Long-term thinking*

The government could more explicitly adopt a long-term perspective instead of a short-term perspective. The impact of sustainable business often takes a long time to valorise. Moreover, projects that need investments also require longer time.

4. *Offer a level playing field*

Companies are prepared to operate responsibly however they miss a level playing field and therefore they keep their efforts limited. The level playing field that is referred to is related to “doing no harm”, i.e. the minimum requirements to operate responsibly. To create a level playing field, companies that do not yet comply with the OECD guidelines should be forced to do so through stricter regulations.

3.3.3 Conclusions

One of the aims of PSE is to stimulate Dutch companies to improve implementation of RBC resulting in contribution to sustainable development in LMI-countries. According to the research results, 64% of the respondents using PSE-instrument reported to have improved their RBC performance and made their business processes and activities more sustainable. Of these companies, the majority improved on knowledge, performance and became more ambitious thanks to the instruments. The PSE-instruments did not lead to much improvement related to reporting. All findings are based on the answers provided by the companies and only reflect self-reported results and perception. There is no information available to verify and validate the claims made.

The companies that answered to have improved on their RBC and sustainable business performance perceive that the PSE-instruments have helped them to do so. Companies were especially positive about the contribution of the instruments to strengthen local businesses in LMI-countries. Regarding the contribution of the instruments to increased performance on specific sustainability issues it was found that instruments are mainly perceived to contribute to social issues like creating (local) jobs, improved health & safety of employees and local communities, and paying a fair wage. This is in line with the goals of the instruments focussing on social issues and not explicitly on environmental issues like biodiversity and CO₂ emissions.

The government could provide more information to companies regarding the benefits of improving RBC performance and offering solutions to contribute to SDGs, offering incentives to companies that have better RBC performance, and promoting a level playing field by enforcing regulations regarding RBC at least at EU-level. In addition, given that in some cases improvements regarding sustainability performance take longer time to materialise, companies would also like to see a more long-term approach to evaluate the results of these projects (investments).

Based on the results it can be concluded that the main part of (Dutch) companies contribute at least somewhat to sustainable development in LMI-countries thanks to the PSE-instruments.

3.4 Contribution of PSE-instruments to Commercial Success and Reputation

One of the aims of PSE-instruments is that users of PSE-instruments improve their reputation and commercial success. This section discusses the following research question:

*To what extent has the PSE- instruments of the Dutch government improved the **reputation and commercial success** of companies?*

In the survey it was not only asked if the companies increased their trade and investments in LMI-countries, but also to what extent the PSE-instruments contributed to this change. In the next sub-paragraphs, the perceived contribution of PSE-instruments to the commercial success of Dutch companies is discussed. Thirdly, additional value added of the PSE-instruments is discussed. Finally, based on the results conclusions are drafted.

3.4.1 Commercial success

70 of the PSE-instrument users indicated that they have seen commercial improvements thanks to the instruments (see table 8). 23% mentioned that they have not seen any improvements yet but do expect to see them in the future. This is probably because some projects have long implementation periods and/or the results of the projects can only be observed after some time. Only 9% of the respondents indicated that they have not seen any improvements yet and do not expect them in the future. Specifying the results towards the three change paths does not show any differences.

Have the PSE-instruments helped to achieve commercial success (i.e., improvements in market share, turnover/profits or reputation) in LMI- countries?	% of companies using PSE-instruments (N=103)
Yes, we have seen improvements.	68%
We have not seen any improvements yet, but do expect to see them in the future.	23%
We have not seen any improvements yet and do not expect them in the future.	9%

Table 8. Contribution of PSE-instruments to commercial success in LMI-countries

In a follow up questions to the companies that have seen commercial improvements supported by the PSE-instruments was asked to what extent the instruments have helped to achieve commercial success in LMI-countries. The results are shown in table 9.

To what extent the instruments have helped to (% of companies, n=70)	Maintain or increase our market share in these countries	Increase our turnover and/or our profits from these countries	Improve our reputation (in these countries)
Not at all/not so much	6%	7%	7%
Somewhat	33%	43%	28%
A lot/a great deal	61%	49%	65%

Table 9. To what extent have PSE-instruments helped to commercial success in LMI-countries

Companies mainly respond PSE-instruments have helped to improve reputation (65%), followed by maintaining or increasing market share in the LMI-countries (61%). Increased turnover and/or profits from LMI-countries has the lowest percentage (49%). However, 43% of this group indicated that the instruments have somewhat helped to increase turnover and/or profits from LMI- countries. All in all, companies are positive about the contribution of PSE-instruments to their commercial success in LMI-countries. Specifying the results towards the three change paths does not show any differences.

3.4.2 Further specification of reputational effects

Among the respondents that have seen a commercial improvement (see table 10), the most reputational benefits were achieved in terms of gaining new customers (64%), improving relationships with (local) civil society organizations (NGOs) and/or trade unions (44%), and improved access to additional funding (37%). Other mentioned topics were improved relation with trade partners and better brand awareness.

Have the PSE-instruments helped to improve your reputation in LMI-countries by....? (% of companies, n=70)	Gaining new customers	Improving customer satisfaction	Attracting new employees)	Improving employee satisfaction	New suppliers	Access to funding	Better relation with NGOs, trade unions
Yes	64%	24%	11%	10%	14%	37%	44%

Table 10. Specification of the contribution of PSE-instruments to improved reputation.

Further specifying the results provide shows interesting differences between the three change paths (see figure 8). 50% of the users of change path 1 PSE-instruments gained new customers up to 76% for users change path 3 PSE-instruments. Change path 1 instruments mainly focus on improving RBC and not so much to increase sales so this is not surprising.

Especially for companies having used PSE-instruments linked to path 2 and 3 it has become easier for them to get access to funding. This result is much in line with the results from the interviews. Many respondents argued that receiving funding from the Dutch government works as a proof of approval, trust in the company or in the product, which makes it easier to get (additional) access to funding. Some of these companies are smaller in size and offer innovative solutions that have not yet been

fully tested in markets. Especially for these kind of companies, improved reputation among potential investors is crucial to expand their businesses.

Finally, companies having uses PSE-instruments linked to path 3 scored “improvement of relationships with (local) NGOs and/or trade unions” the highest among the three change paths. Given that path 3 focuses on working together and building partnerships in LMI-countries, this outcome is in line with the expectations.

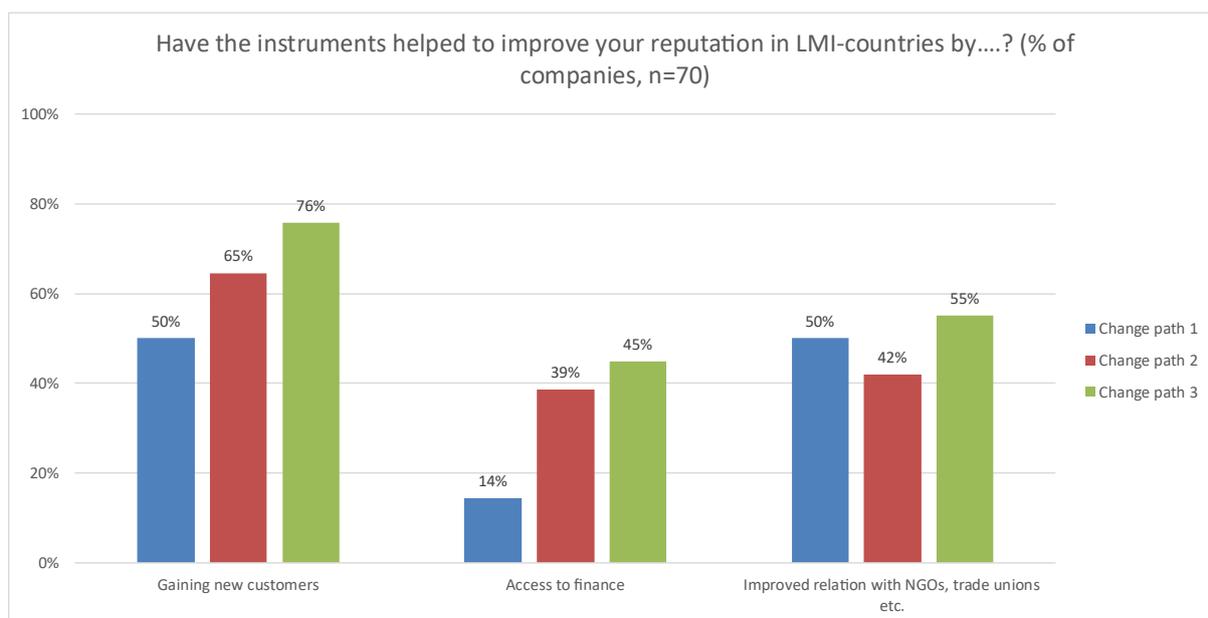


Figure 8. Contribution of instruments in improving reputation in LMI-countries specified towards change paths

3.4.3 Additional value of the PSE-instruments

Companies which have used a PSE-instrument are positive regarding the commercial success they have gained thanks to the instruments. The commercial and reputational benefits resulting from using the PSE-instruments that were mentioned through the survey and the interviews can be summarised as:

1. *Increased sales/market share in LMI-countries:* thanks to the financial support, which implies reduced financial risks, companies were able to enter new markets or increase their sales in existing markets in LMI-countries.
2. *Entry to new markets:* instruments such as for example FDOV helped to open new markets which were originally closed for certain products.
3. *Increased sales/market share in developed countries:* companies which import products from LMI-countries to the Netherlands or to other developed countries, where RBC is clearly embedded in the production process, or where clear targets are set for the SDGs, have seen an increase in their sales. In other words, the sustainability efforts led to increased market share thanks to “environmentally or social aware consumers”.

4. *Being able to make the first 'big' step*: thanks to the PSE-instruments, especially those that offered feasibility or demonstration studies, many start-up companies were able to get their businesses off the ground.
5. *Gaining better insights in risks*: companies gained better insights in risks, which allowed them to adapt their product chain and become more efficient and/or be vigilant towards these risks.
6. *Increased pace*: instruments allowed companies to take bigger steps and go faster. It meant that they could achieve commercial success earlier.
7. *Finding the right local partners*: thanks to the instruments and support of the Dutch government (including support offered through embassies, NBSOs) companies were able to get in touch with the right local partners, which in return helped them establish business connections in LMI-countries.
8. *Legitimacy*: Being able to use PSE-instruments created some sort of legitimacy which meant that it became easier to convince other local parties/governments to cooperate and/or to find additional funding through other investors.
9. *Increased brand awareness*: because companies were able to conduct larger projects thanks to the instruments, more people/companies in LMI-countries were exposed to their brand, creating brand awareness and eventually creating more business in these countries.

3.4.4 Conclusions

Companies which have used a PSE-instrument, are positive regarding the commercial success they have gained thanks to the instruments. The reputational benefits that were mentioned the most was gaining new customers, followed by improving the relations with NGOs and trade unions and improved access to funding. During the interviews it was confirmed that the companies could not have received the financial support elsewhere or not with the same conditions. These observations lead to the conclusion that PSE-instruments are successful in achieving one of their two main objectives as mentioned in ToC, which is to help (Dutch) companies achieve commercial success and improved reputation. Specifying the results towards the three change paths does not show any differences.

It is important to note that in most cases, gaining commercial success leads to further enabling positive sustainability impact and offering scalable solutions towards SDGs. Thus, commercial success further strengthens the contribution to sustainable development in LMI-countries. This was also mentioned by companies themselves as can be seen from selected company quotes (see box 1).

Quotes from companies:

“We have trained a Fairtrade supplier which now properly meets the market requirements, it trains local people and helps them out of poverty and provides them with work and income.”

“We have started to grow, which meant that we were able to invest more in our production site located in an LMI-country, hire more people and create more local jobs.”

“Ethical production is a core value of our company. Thus, we already have high sustainability performance in most of the areas. The government support has not had much of an impact on that. What it has done is contribute to the opportunity to grow so that we can continue grow our company.”

Box 1. Selected quotes of companies

3.5 Unforeseen and unintended effects

It is important to know whether the aims of the PSE-instruments to improve companies RBC and sustainable business and reputation and commercial success do also incur unforeseen or unintended positive as well as negative effects. This section discusses the following research question:

*Has the policy resulted in **unforeseen and /or unintended effects**?*

This question has only been asked during the interviews with companies and not assessed independently. Users of the PSE-instruments were asked if they noticed any unforeseen or unintended effects due to the projects they conducted or products they offered in LMI-countries. During the interviews the companies mentioned the following unintended effects:

1. *Develop local capacity and contribute to improved income*
 Companies contribute to the development of capacity in the communities they are active. They provide training and know-how to local people which in turn help them get better paid jobs or higher income (for farmers).
2. *Multiplier effect*
 Because companies are committed to a specific (societal) issue, other (local) parties were motivated to also address the same issue. As a result, sometimes partnerships were developed which contributed to enhanced impact at the local level.
3. *Spill-over effects*
 Farmers who were not targeted for capacity building efforts, but who were neighbours to the farmers who did receive training on better agricultural practices, also learned about good agriculture practices.

4. *Getting stakeholder support*

Because companies commit to RBC and sustainable development, a broader range of stakeholders also see the importance of RBC and therefore support companies in their endeavours, like local NGOs supporting the cause or volunteers getting involved. These companies also attract new colleagues who are attracted by the mission, and employees are proud to work for the company.

No negative unintended effects have been mentioned, nor any unforeseen effects.

4 Conclusions and recommendations

Based on the results of this study the following conclusions are drawn and limitations of the study are described, leading to several practical recommendations and ideas for further research.

4.1 Conclusions

Based on the results and findings of this study, overall conclusions related to the research questions are described below. It is important to point out that these results and findings are derived from a research where relatively limited number of companies were involved (140 companies in total). The total number of companies that have used over the years at least one of the PSE-instruments is in the order of a couple of hundreds and the number of companies that do business in or with LMI-countries are in the order of thousands. The finding and conclusions should therefore be seen and interpreted within this context, where the sample of companies that contributed to this research is small (103 users of PSE-instruments and 37 non-users of PSE instruments) and is cannot be seen as a representative sample. Nevertheless, the study shows interesting findings leading to the following conclusions.

Overall, companies are positive about the PSE-instruments. The study showed that effects of PSE-instruments on trade and investments resulting in reputation and commercial results have been reported by almost all respondents. Effects on RBC, sustainable business and attention to SDGs are less clear. Especially companies using instruments focusing on improved RBC (change path 1) improved their RBC implementation. For users of instruments with a focus on trade and investment (change path 2) and working together on solutions (change path 3) the results are less straightforward. In return, the effect on sustainable development is found mainly through strengthening local business and improving social issues. No negative unexpected, unintended or unforeseen effects were mentioned by the users during the interviews.

1. *Do the PSE-instruments respond to specific questions or **needs** of Dutch companies to trade with or invest in LMI-countries? Are the PSE-instruments relevant for their needs? What motivates companies to make use of the PSE-instruments? Are their expectations met?*

Current PSE-instruments do respond up to a great extent to the needs of the companies using the instruments. A few of the interviewed SMEs and innovative start-ups feel underserved, mainly because of the requirement of a (financial) track record and the need for own money. Some users of the PSE-instruments indicated additional needs and ideas for improvement. Especially firms with local production facilities indicated that the PSE-instruments focus too strongly on commercial results instead of on RBC ad sustainable development results, are too rigid and the application procedures are complicated. Nevertheless, the main motivation for companies to use PSE-instruments linked to change path 2 is to increase the commercial success of their business. Companies using PSE-instruments linked to change path 1 also aim to improve RBC and sustainable business. Based on our findings we can conclude that companies using PSE-instruments do find their way to the for them relevant change paths and the related PSE-instruments.

The sample of non-users in this study is rather small, therefore information collected related to the needs of non-users is limited. Interesting was however, to find that companies that have not (yet) used PSE-instruments are often not familiar with the instruments. More effort could be put into the outreach of the PSE-instruments towards companies active in LMI-countries.

2. *To what extent do the PSE-instruments bring about **lasting changes** in companies' attitudes and behaviour towards investing in and trading with LMI-countries? What are the long-term effects of PSE-instruments on integrating RBC into business processes?*

Based on the results it can be concluded that PSE-instruments bring about lasting changes by increased *investments* in LMI-countries in the past seven years. This is found for 61% of the companies and does not depend on the instrument they have used. Looking at imports and export some differences between PSE-instruments linked to the different change path are found. Companies that have used instruments linked to change path 2 and 3 have also increased their exports (both 55%), while companies that have used instruments linked to change path 1 mainly increased imports (43%). These results cannot be clearly linked to or explained based on the different PSE-instruments.

One of the prerequisites of the PSE-instruments is self-declared compliance with OECD-guidelines. Based on this, it is surprising to see that about 30% of the users are only somewhat familiar or not familiar with the OECD guidelines. Looking at the implementation of the OECD-guidelines by the companies, we see a decline in implementation at every step in the RBC due diligence process. Especially reporting on results stays behind. Based on these findings it seems that some firms using PSE-instruments rather 'thick the box' on compliance with OECD-guidelines than actually actively aim for or work on compliance.

Companies can also contribute to sustainable development by committing to one or more SDGs. Compared to non-users, users pay slightly more attention to SDGs and also use the SDGs more often to identify effects, set objectives and targets. Comparing that have used PSE-instruments related to change path 2 pay less attention to SDGs. This finding is not surprising as instruments linked to path 2 focus on trade and investment in LMI-countries and less on RBC and sustainable development. Nevertheless, ideally also users of these instruments would pay attention to the SDGs. For all companies reporting on SDGs is lagging behind, it is the less developed phase of implementation.

About the long-term effects of PSE-instruments on integrating RBC into business processes it can be concluded that companies have paid more attention to RBC and sustainable business in LMI-countries in the last seven years compared to companies that have not used PSE-instruments (64% compared to 54%). The majority of the users of PSE-instruments (>80%) improved somewhat up to a great deal mainly on knowledge (>80%), performance (86%) and became more ambitious due to the instruments (81%). Improvement in reporting is lagging behind (60%). Especially companies that have used PSE-instruments linked to change path 1 pay more attention to RBC and sustainable business. This is not surprising as PSE-instruments linked to change path 1 focus on integrating RBC and sustainability of chains. Companies using PSE-instruments linked to change paths 2 and 3 seem to have changed less in their attention to RBC and sustainable business.

3. *To what extent do companies contribute to **sustainable development** in LMI-countries thanks to the PSE-instruments?*

Based on the results it can be concluded that the main part of (Dutch) companies contribute somewhat up to a lot to sustainable development in LMI-countries thanks to the PSE-instruments, mainly through strengthening local businesses in LMI-countries (81%). Regarding the contribution of the instruments to increased performance on specific sustainability issues it was found that instruments mainly contribute to social issues like creating (local) jobs, improved health & safety of employees and local communities, and paying fair wage. This is in line with the goals of the instruments focussing on social issues and not explicitly on environmental issues like biodiversity and CO₂ emissions.

4. *To what extent has the PSE-instruments improved the **reputation and commercial success** of companies?*

Companies that have used PSE-instruments, are positive about the effects on reputation and commercial success of PSE-instruments. 68% said they have already improved their commercial success, 23% expects to do so in the coming years. Reputational benefits are mainly achieved by gaining new customers, followed by improving the relations with NGOs and trade unions and improved access to funding. During the interviews companies emphasized they could not have received the financial support elsewhere or not under the same conditions. Based on these finding can be concluded that PSE-instruments contribute to improved reputation and commercial success for the main part of the users.

5. *Has the policy resulted in **unforeseen and /or unintended effects**?*

This question has only been assessed during the interviews with companies. Users of the PSE-instruments indicated unintended effects related to spill-over effects, e.g. knowledge on sustainable agriculture was spread to locals not directly involved, multiplier effects, e.g. because of increased attention paid to social issues others are also motivated to do so, and development of local capacity. No negative unintended effects have been mentioned, nor any unforeseen effects.

4.2 Limitations of the study

This study has some limitations that have to be kept in mind interpreting the results.

- The number of respondents of the online survey (n=140) is relatively small compared to the total number of companies trading with LMI-countries
- The number non-users of PSE-instruments is limited (n=37), compared to users of PSE-instruments (n=103). It is therefore hard to generalize conclusions regarding the differences between users and non-users.
- 60% of the respondents fully completed the survey.
- The companies to be interviewed were selected from the group of companies who themselves provided their email addresses through the online survey. For privacy reasons,

no other companies were contacted. This leads implicitly already to a biased group of interviewees, including mainly the most interested companies.

- The results of the survey have been analysed based on three change paths. However, most of the companies used different PSE-instruments, also from different change paths. Answered have been linked to all change paths respondents used instruments from.
- Users of PSE-instruments executed by RVO are heavily represented in the group of users of PSE-instruments.

4.3 Recommendations

Based on the survey and the interviews among companies, several recommendations are defined related to relevance, RBC and sustainable development and trade, investment and commercial success.

Relevance and needs

Outreach

The PSE-instruments do not reach all companies that trade with or invest in LMI-countries. Given that about many of the non-user companies indicated that they were not familiar with the instruments, there is a world to win. The government could more pro-actively reach out companies active in LMI-countries.

Pro-active role for embassies

The companies are in general positive about the role played by the Dutch embassies, however, the support provided seems to strongly depend on individuals working at the embassies. Recommendations to further strengthen the role of embassies is to pro-actively (1) provide information on the institutional context and local environment like work ethics, culture, corruption, and natural disasters, (2) facilitate a local network of companies to exchange experience and knowledge.

Contribution to trade and investment and commercial success and reputation

Flexibility of the instruments

During the lifetime of the instruments, there is not much flexibility offered regarding targets to achieve, administration and reporting. Companies mentioned that the rules and regulations of PSE-instruments could be too complex, detailed, and unpractical. Companies would like the Dutch government to adopt a more entrepreneurial mindset and to rely less on inflexible criteria, rules, and assessments. The focus should be on supporting the companies and helping them to improve RBC, sustainable business and trade & investments. Reducing the administrative burden as much as possible should always be aimed for. Special attention could be paid to smaller companies and innovative start-ups.

Proof of approval

Users of the PSE-instruments mentioned that it might be useful to receive some sort of proof that they received government funding. It was argued that such a certification, or letter of approval, would make

it easier for them to get additional funding from other investors. Providing such a proof is easy to facilitate and therefore recommended to supply by request.

Contribution to RBC, sustainable business, SDGs and sustainable development

Based on these results it is recommended to more actively support companies to get more familiar with OECD-guidelines, inform them about the relevance of the guidelines, and support the firms to actually implement the guidelines. Related to this, the government could provide more information to companies regarding the benefits of good RBC performance and offering information how to contribute to SDGs, offering incentives to companies that have better RBC performance, and offering a level playing field by enforcing stricter regulations regarding RBC. Clearer guidelines and information would help companies to know better what is expected related to RBC implementation.

Valuing contribution to RBC, sustainable business and SDGs

The expected contribution of companies to SDGs could be used as additional criteria to evaluate the applications for the instruments. For example, the higher the contribution, the easier it is to get funding/support. Currently innovative companies do not always have the chance to get funding, while this kind of “bonus” points could help them to get funding.

Improved control of due diligence steps

Currently there is no control mechanism from the government to check actual implementation of RBC. In result companies do not feel any pressure to implement RBC more than they already do. Implementing control mechanism would stimulate companies to perform better on RBC implementation and contributing to SDGs. This would also require companies to report on their results.

Be clear about intended effects

From this study it became clear that the ambitions of the companies related to RBC, sustainable business and SDGs are different depending on the PSE-instrument used and the change path it is related to. Users of change path 1 PSE-instruments mainly aim for improved results on RBC, sustainable business and SDGs while users of change path 2 PSE-instruments mainly aim to increase their commercial opportunities. This does not mean that companies using change path 2 PSE-instruments will not perform well on RBC and sustainable business, it implies that they do not explicitly aim to increase their RBC performance. For these firms, RBC and sustainable business are a means to an end of commercial success. If the aim of the government would be to improve RBC, sustainable business and SDG performance, increasing due diligence on RBC performance or incentivising RBC performance related to change path 2 PSE-instruments would be helpful.

For users of change path 1 PSE-instruments, RBC and sustainable business is an end in itself. Firms applying for these instruments are often social entrepreneurs and frontrunners in the field of RBC, sustainable business and SDGs. Their aim to commercially upscale is mainly to contribute to sustainable development. These firms would benefit from additional support related to upscaling, commercial success or by valuing their RBC performance (see point *Valuing contribution to RBC, sustainable business and SDGs*).

Impact assessment

One of the ways to have better insights into the impacts of PSE-instruments could be to ask a basic “impact assessment”, where at least the direct outputs and (potential) outcomes of the project are quantified. Impact assessments could be a requirement for projects that are funded by instruments that offer partnership or infrastructure development (FDOV or DRIVE).

4.4 Recommendations for further research

The results of this study lead to several recommendations for further research.

Panel of companies

As the knowledge of the effects of PSE-instruments on the companies is still limited, it would be interesting to build a ‘panel of companies active in LMI-countries’ to be able to conduct further research. It would be interesting to use this study as a baseline study and conduct follow-up studies in the coming years. This would help to build up more knowledge related to PSE-instruments and to answer questions like what works, for whom and under which conditions.

Non-users

Due to time limitations of this research, it was not possible to include more “non-users”, i.e. companies that have not (yet) used any of the instruments. An additional research can be conducted to obtain responses from these companies. If feasible, these companies could also be included in the panel mentioned above.

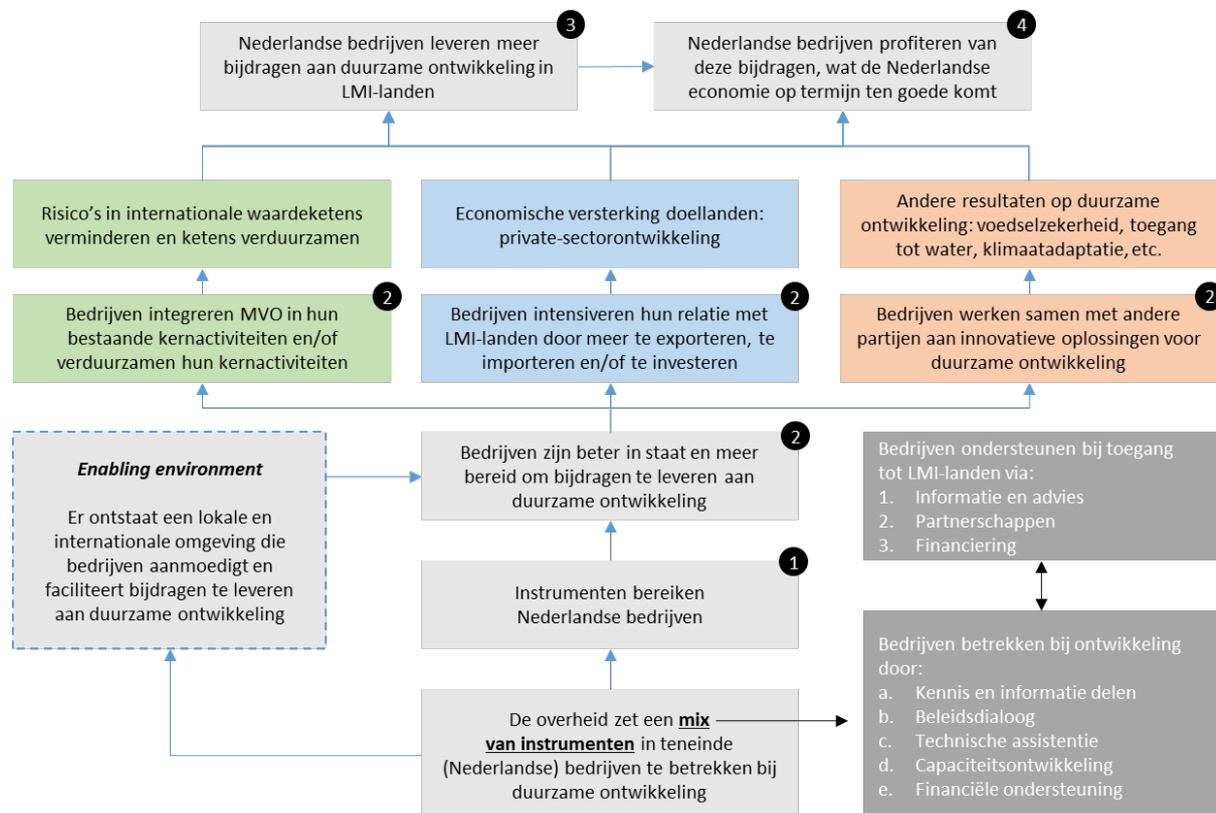
Monitoring and Evaluation

It would be interesting to ask some relevant questions to the companies in the current monitoring and evaluating processes of the different PSE-instruments. This would be an easy approach to collect ongoing information on the results of PSE-instruments related to RBC, sustainable development and commercial success.

Develop a research agenda

The Dutch government has a strong focus to combine aid and trade. PSE-instruments are an important tool to realise this ambition. It would be interesting to develop a research agenda based on the most relevant questions for the Dutch government, the executing partners and other relevant stakeholders like VNO-NCW, SER, UNCP, SDG Netherlands, sector organizations.

Appendix 1: Theory of Change Model for the PSE-policy



Appendix 2: PSE-policy Programs in Focus

The Dutch government offers different PSE programs and initiatives to support various business activities and initiatives. Most of these programs and initiatives are offered through the Netherlands Enterprise Agency (RVO), as well as through IDH, MVO Nederland and Solidaridad. The instruments included in this study are listed in the table below and specified towards the change paths they are labelled.

Activity / Program / Instrument (Included in the Online Survey / Research)	Change Path (based on ToC) 1. Integrating CSR and sustainability of chains 2. Strengthening trade and investment 3. Working together on solutions
Dutch Good Growth Fund (DGGF 1)	2. Strengthening trade and investment
Dutch Good Growth Fund (DGGF 3)	2. Strengthening trade and investment
Demonstration projects, feasibility studies and investment preparation studies (DHI)	2. Strengthening trade and investment
Demonstration projects, feasibility studies and knowledge acquisition projects (DHK)	2. Strengthening trade and investment
Development Related Infrastructure Investment Vehicle (DRIVE)	3. Working together on solutions
Fund against Child Labour (FBK)	1. Integrating CSR and sustainability of chains
Facility for Sustainable Entrepreneurship and Food Security (FDOV)	3. Working together on solutions
Sustainable Water Fund (FDW)	3. Working together on solutions
Fund for Responsible Business (FVO)	1. Integrating CSR and sustainability of chains
IDH: The Sustainable Trade Initiative	1. Integrating CSR and sustainability of chains
Impact Clusters (PSD Toolkit)	2. Strengthening trade and investment
MVO Nederland: Business with impact and IMVO vouchers	1. Integrating CSR and sustainability of chains
Leads for Economic Development (PSD Toolkit)	2. Strengthening trade and investment
Life Sciences and Health for Development (LS&H4D)	3. Working together on solutions
Facility for Infrastructure Development (ORIO)	3. Working together on solutions
Private Sector Investment Programme (PSI)	2. Strengthening trade and investment
Partners for Water (PVW) and Water Safety and Water Security for Urban Deltas (WWSD)	3. Working together on solutions
Small Business Innovation Research in Developing Markets (SBIR)	3. Working together on solutions
SDG Partnership Facility	3. Working together on solutions
Solidaridad: Practice for Change and Farmer Support Program	1. Integrating CSR and sustainability of chains
Transition Facility (TF)	2. Strengthening trade and investment

Appendix 3: List of Companies Interviewed

Note: The “size” category is derived from data on turnover (EUR) and data on number of employees.

#	PSE-instrument(s) company used	Sector	Size	Number of Employees	Turnover	Interview date
1	DHK, LS&H4D, ORIO	Life sciences & health	Small	10-49	2 – 10 million EUR	7-jan 2021
2	DGGF1, DHI	Construction	Start-up	Less than 10	0 – 2 million EUR	5-jan 2021
3	FBK, MVO Nederland	Natural stone	Medium	50-249	10 – 50 million EUR	5-jan 2021
4	DHI, DHK, Partners voor Water, transitiefaciliteit	Water supply and sanitation	Start-up	Less than 10	0 – 2 million EUR	12-jan 2021
5	DGGF1	Textiles and apparel	Small	10-49	0 – 2 million EUR	6-jan 2021
6	DGGF3, FDOV, PSI, SDGP	Agriculture	Large	250-500	50 million – 1 billion EUR	11-jan 2021
7	DGGF1, FDW, Partners voor Water	Energy	Start-up	Less than 10	0 – 2 million EUR	14-dec 2020
8	DHI, Impact clusters	Food and beverage	Start-up	Less than 10	0 – 2 million EUR	18-dec 2020
9	DGGF1	Production/industry	Medium	250-500	10 – 50 million EUR	18-dec 2020
10	DHI, DHK	Agriculture	Small	10-49	0 – 2 million EUR	17-dec 2020
11	FBK	Trade	Medium	10-49	10 – 50 million EUR	14-dec 2020
12	DGGF3	Textiles and apparel	Small	10-49	0 – 2 million EUR	7-jan 2021
13	DGGF1	Fisheries / Energy	Start-up	Less than 10	0 – 2 million EUR	4-jan 2021
14	DGGF3, DHI, DHK	Waste	Medium	10-49	10 – 50 million EUR	18-dec 2020
15	DGGF3, DRIVE, LS&H4D, ORIO	Life sciences & health	MNE	More than 500	Meer dan 1 billion EUR	17-dec 2020
16	DGGF1, DHI, SBIR	Life sciences & health	Small	Less than 10	0 – 2 million EUR	17-dec 2020
17	DGGF3, DHI, DHK, DRIVE, FDOV, LS&H4D, ORIO, PSI	Business services and consultancy	Small	10-49	0 – 2 million EUR	15-dec 2020
18	DGGF1, DHI, PSI, Transition Facility	Biobased economy	Start-up	Less than 10	0 – 2 million EUR	7-jan 2021
19	FDOV, IDH, Impact clusters, SDGP	Agriculture (horticulture)	Large	More than 500	50 million – 1 billion EUR	18-jan 2021
20	No instruments	Waste	Medium	50-249	10 – 50 million EUR	27-jan 2021
21	No instruments	Agriculture	Large	10-49	50 million – 1 billion EUR	27-jan 2021
22	No instruments	Energy	Medium	50-249	10 – 50 million EUR	26-jan 2021
23	No instruments	Energy	Start-up	Less than 10	0 – 2 million EUR	27-jan 2021
24	No instruments	Trade	Small	Less than 10	2 – 10 million EUR	2-feb 2021

Green = Companies that used at least one PSE-instrument

Yellow = Companies which have not used any PSE-instrument