

MARCH 2019

Formative Evaluation of Business Link Pacific



**Authors: Gary Blick and Preston Davies,
assisted by Marita Manley**



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Aid Programme

Further details about authors

Gary Blick and Preston Davies are Principals at Sapere Research Group and are based in Auckland. Marita Manley is a Consultant at Talanoa Consulting and is based in Suva.

The views expressed in this report are those of the author(s) and do not necessarily reflect the position of the New Zealand Government, the New Zealand Ministry of Foreign Affairs and Trade or any other party. Nor do these entities accept any liability for claims arising from the report's content or reliance on it.



Contents

Abstract	5
Executive Summary	6
Key findings	6
RELEVANCE	6
EFFECTIVENESS	7
EFFICIENCY	8
FUTURE DESIGN AND SUPPORT	8
Conclusions	9
Recommendations	11
Background	12
SUMMARY OF THE ACTIVITY	12
EVALUATION PURPOSE, SCOPE AND DESIGN	13
PURPOSE	13
SCOPE	13
DESIGN	13
INTERVIEW COUNTS	15
SAMPLING APPROACH AND COMPLETION RATES	16
A COMMENT ON SAMPLE SIZE	17
Overarching Findings	18
Objective 1: Relevance	18
Objective 2: Effectiveness	23
Objective 3: Efficiency	35
Objective 4: Future design and support	44
Evaluation Conclusions	49
Lessons Learned	52



Recommendations	53
Relevance and effectiveness of the BLP model	53
Effectiveness and efficiency of the implementation	53
Improvements that can be made to managing, implementing and achieving results	53
Inform decisions on whether to expand BLP to other PICs	55
Appendix 1: Glossary	56
Appendix 2: Subsidies approved	57
Appendix 3: BLP results diagram	58



1

Abstract

Business Link Pacific (BLP) is a development activity funded by MFAT with the goal of building the market for business advisory services in Pacific Island Countries (PICs), thereby enabling small-to-medium enterprises (SME) to access services to grow.

This formative evaluation will be used by MFAT to assess the relevance and effectiveness of the BLP model and the effectiveness and efficiency of its implementation, and to identify options for future support. The scope covers the implementation of BLP in 2017 and 2018 across participating PICs (Fiji, Papua New Guinea, Samoa and Vanuatu).

BLP has been implemented in a relatively efficient manner, in terms of where investments have been made and in the staged roll-out that allowed for piloting. Emerging benefits reported by business advisory service providers (BASPs) include increased revenue and deepening client relationships. SMEs reported benefits that include the realisation that better quality advice is available, improved visibility of financial status and a general sense of confidence in business prospects.

Implementation improvements that could be made are changes in emphasis, such as investing in in-country network representatives (ICNRs) and being clearer on objectives (i.e. SME growth via advisory services, rather than poverty alleviation).

BLP is a well-designed Activity that meets a need and remains relevant to the priorities of MFAT and Pacific partner countries. The design is aligned with the incentives of the participants – connecting business advisors, who are seeking to grow their client base, with SMEs that can benefit from quality business advice that will help them to growth their business.



2

Executive Summary

Business Link Pacific (BLP) is a multi-country small-to-medium enterprise (SME) development activity funded by MFAT at NZD\$10m over five years. The goal is to build the market for business advisory services in participating Pacific Island Countries (PICs) and to enable SMEs to access services that will help them to grow.

BLP adopts a systems approach to develop a local market where business advisory service providers (BASPs) offer quality services that respond to SME needs and SMEs use and pay for these services. This approach is underpinned by competency assessments to improve the quality of advisory services and a subsidy scheme that reduces initial costs faced by SMEs. BLP partners with local organisations as in-country network representatives (ICNRs) to assist with implementation.

This formative evaluation has the primary purposes of learning and decision making. It will be used by MFAT to: assess the relevance and effectiveness of the BLP model; assess effectiveness and efficiency of implementation; identify improvements in implementation; and to identify options for future support.

The scope includes the implementation of BLP in 2017 and 2018 in the participating PICs (Fiji, Papua New Guinea, Samoa and Vanuatu). The evaluation design has been guided by the evaluation objectives of relevance, effectiveness, efficiency and future support. Information sources included documentation (design documents, progress reports) and interviews with stakeholders including Activity participants.

Key findings

RELEVANCE

There is awareness of BLP among officials in government agencies that were spoken with. BLP is welcome, as a market-based activity that assists SMEs in overcoming some of the barriers to accessing finance. Business growth is generally a strategic priority and so there is support for BLP to continue to assist SMEs.

Although BLP was designed and implemented prior to MFAT's refresh of its strategic priorities during 2018, the Activity remains consistent with the economic growth objectives contained in MFAT's four-year plans at region and country level.



BLP is also seen as being complementary to, rather than duplicating, other business support programmes by representatives from those programmes.

There was a strong theme among the wider set of interviewees that BLP is helping to address a gap in the market business advisory market for SMEs (i.e. the premise of the BLP design document). This theme is reinforced by the participation of business advisors and the demand revealed by the take-up among SMEs. Interviews with SMEs revealed evidence of additionality, as outlined below.

EFFECTIVENESS

In terms of awareness, BLP was not highly visible initially. Some BASPs found out about its existence by chance while, in general, word-of-mouth is central to the spread of information. SMEs are generally not aware of BLP with BASPs being the way in which they learn about BLP. This is partly due to some difficulty in getting ICNRs in place, with suitable capability, which has been that the intended triaging and referral function of ICNRs is yet to fully develop.

Some possible benefits were identified in-country interviews, but direct attribution was difficult to establish and it was too soon for widespread impacts to be seen.

Benefits reported by BASPs include:

- widened their range of activities to address SME needs;
- internal benefits from the accreditation process, such as identifying areas in their business that need attention (e.g. succession planning, staff training and inductions, employee welfare);
- some BASPs had experienced increased revenue and billings as a result of BLP activities (e.g. through new client contacts and engagements);
- relationships between BASPs and client SMEs had deepened and an improved understanding of need and areas where benefits could accrue.

Benefits reported by SMEs include:

- gaining a wider appreciation of the linkages of different parts of their own business and developed a better view of priorities;
- realisation that better quality advice is available;
- among some SMEs that were interviewed, access to finance was improved due to gaining a better understanding of the financial health of the SME;
- across the board, better accounting data and visibility of the financial status of the firm was reported, leading in some cases to efficiency gains and in other cases better internal controls being exercised;
- for some SMEs, there was a general sense of confidence in their business and their prospects that came from participation in BLP.



EFFICIENCY

There are signs that BLP has been implemented in a relatively efficient manner in terms of where investments have been made.

- The criteria for investment have been clear – namely, the focus has been on approving applications for subsidies from SMEs that show potential for growth within the next 12 months, as measured by expected financial performance or jobs created, as a result of engaging a business advisory service.
- SMEs are required to show their readiness to engage with business advisory services by being willing to contribute to the cost.
- There has been flexibility in approving subsidies – the planned target sectors have not been strictly enforced (as discussed below). Instead the focus has been on the growth potential for the SME, regardless of sector.
- Additionality – there is evidence that SMEs are accessing business advisory services as a result of BLP, and that this would not otherwise have occurred in the absence of BLP. As noted above, among the 21 SMEs interviewed, two-thirds (67%, n=14) reported that they would not have purchased the advisory services in the absence of the BLP subsidy. Only a minority of the SMEs that were interviewed (9%, n=2) stated that they would definitely have paid the full cost of the advisory service in the absence of the BLP subsidy.

In addition, the approach has been tested in one market and then refined before rolling out to other markets. Pursuing this staged roll-out approach has allowed BLP to build up slowly. The gradual build up has meant that resources were not wasted and there has been opportunity to pilot and refine products before rolling out further.

FUTURE DESIGN AND SUPPORT

Overall, the design of BLP is its greatest strength and was widely lauded by interviewees for its intelligence, intent and innovation. There are relatively few changes needing to be made for BLP to achieve its goals. The changes that could be made are also more in the nature of tweaks, or changes in emphasis.

Invest more in ICNRs – so that the mix of resource and effort matches the important role they play now and into the future. Training, extra capacity and risk minimisation are all candidates for further resource.

Be clearer on the boundaries of BLP – this is largely a communications issue, but being clearer on the objectives for BLP (i.e. private sector SME growth through the channel of business advisory services, rather than poverty alleviation) is needed.

There is a question around the degree to which all outputs continue to matter for the success of BLP. Outputs relating to mentoring have been under-spent to date and there did not seem to be a groundswell of demand for such outputs.



Conclusions

The overall conclusion is that BLP is a well-designed Activity that meets a need and remains relevant to the priorities of MFAT and Pacific partner countries. The design is aligned with the incentives of the participants – connecting business advisors who are seeking to grow their client base with SMEs that can benefit from quality business advice that will help them to growth their business. A further strength of the design is the clear focus on assisting SMEs that have growth potential and a readiness and willingness to invest in advice on a cost sharing basis.

The following conclusions relate to the **relevance** of the Activity.

- The general theme among interviewees is that BLP remains relevant. It was accepted there is a need for BLP and that the Activity is helping to address a gap in the business advisory market for SMEs.
- BLP appears to fit well with Pacific partner country priorities for economic development, particularly in that it adopts a market-based approach to support entrepreneurial activity and small business growth.
- MFAT strategic priorities – BLP aligns well with MFAT's economic objectives in the relevant country plans. While the Activity is not designed to target inclusiveness, steps are being taken to ensure that women are supported to engage and reporting of activity by gender shows encouraging results.
- Pacific SME support landscape – while there have been some changes in the landscape of SME support activities since BLP was designed and implemented, they have not diminished the relevance of BLP.

The following conclusions relate to the **effectiveness** of the Activity.

- Overall, we conclude that there is noticeable progress being made in achieving BLP outputs and short-term outcomes. Some nascent benefits are observable and are likely to grow in future.
- Despite some initial issues around sufficient promotion and awareness of BLP, understanding and acceptance of BLP is growing, based on good programme design and positive experiences. Further clarity of objectives and roles will assist looking ahead. Sustained in-country presence will also be important.
- Inclusiveness objectives were not top of mind for interviewees, and appear to be being addressed indirectly (e.g. through job creation for women) rather than directly in dealing with SMEs and BASPs.
- The major risk concerns ICNRs. The importance of ICNRs is acknowledged by the BLP team and plans are being developed to boost the capability and capacity of such organisations in the future. This may require further resources to achieve, in relation to future support of the Activity.



The following conclusions relate to the **efficiency** of the Activity.

- BLP appears to have been implemented in a relatively efficient manner in terms of how subsidy investments are being allocated. The criteria for investment have been clear, in that the focus has been on approving subsidies for SMEs that have the potential for growth.
- The target sector focus has not been strictly enforced and, so far, does not seem particularly relevant for achieving BLP outcomes. While the majority of SMEs being assisted are in the target sectors, given that those are sectors of strength for these countries, excluding SMEs on the basis of sector would place an unnecessarily limit on potential growth outcomes at this initial stage. Nevertheless, retaining this feature allows for some future flexibility, as a way to target SMEs or to limit demand, as necessary.
- The mentoring network and market linkages activities are not yet fully developed and so it is difficult to form a view about their likely efficiency.
- The BLP team managed the Activity well and is widely seen as being helpful and responsive to questions and requests from BASPs.
- While the Activity has under-spent relative to budget in Year 1 and Year 2, this underspend decreased in absolute and percentage terms in Year 2, which broadly points to some momentum building for activity in Year 3.

The following conclusions relate to the **future support** of the Activity.

- The major change identified relates to further investment required in ICNRs as it has proven more difficult than anticipated to adequately staff ICNRs to the required level in Vanuatu and to establish representative/s in Papua New Guinea.
- Besides ICNR investment, there are relatively few changes needing to be made for BLP to achieve its goals. The changes that could be made are also more in the nature of tweaks, or changes in emphasis.
- The continued march toward success of existing activity, and any proposed expansion of BLP to other countries will need to ensure the mix of resource and effort dedicated to ICNRs matches the important role they play now and into the future. Investment in training, extra capacity and risk minimisation (e.g. succession planning) are all candidates for further resource.
- There is a case for extending BLP to other PICs, given the design, staged roll-out, and emerging evidence of the effectiveness. This would be subject to partner country priorities and readiness, the recommendations offered above and the lessons learned. Consideration would need to be given to resources available for the BLP team, and the scope to reprioritise.



Recommendations

The following recommendations have been developed in line with the learning and decision-making purposes of this evaluation.

Relevance and effectiveness of the BLP model

1. Note that the BLP model remains relevant to MFAT and partner country priorities, does not duplicate other donor activities and that the market-based, private sector-focused approach has the potential to be effective in the Pacific context.

Effectiveness and efficiency of the implementation

2. Note that BLP has been implemented in an efficient manner in terms of how subsidy investments are allocated and in the staged roll-out across countries. Mentoring and market linkage-related outputs are not yet sufficiently developed to fully assess efficiency.
3. Note that there are signs of progress being made in achieving core outputs and short-term outcomes, with nascent benefits being observable and we see no reason why they would not continue.

Improvements that can be made to managing, implementing and achieving results

4. Increase the resource and effort dedicated to ICNRs to be commensurate with the importance of their current and future role in sustaining BLP.
5. Re-assess the relevance and balance of the mix of outputs and re-prioritise accordingly.
6. Develop and promote a clear and succinct set of messages for communicating the objectives and scope of BLP and the role of ICNRs.
7. Keep the focus on evidence of SME growth potential as the criterion for approving BLP subsidy applications, while retaining the target sectors for future flexibility.
8. Improve engagement with other SME support activities with a view to developing SME referral channels for BLP.
9. Reduce the frequency of formal BLP progress reports from a quarterly to a six-monthly basis, with periodic updates on key issues and risks.

Inform decisions on whether to expand BLP to other PICs

10. Note that there is a case for extending BLP to other PICs, given the design, staged roll-out, and emerging evidence of its effectiveness.



3

Background

This section summaries the purpose, scope and design of the evaluation.

SUMMARY OF THE ACTIVITY

Business Link Pacific (BLP) is a multi-country small-to-medium enterprise (SME) development activity funded by MFAT at NZD\$10m over five years. The goal is to build the local market in participating Pacific Island Countries (PICs) for business advisory services and to enable PIC SMEs to access services that will help them to develop and grow. BLP has been developed in response to identified constraints to growth, including the need for business advice, technical assistance, and access to finance and local mentoring. A further consideration has been that SME support programmes in the Pacific have focused on direct provision and permanent subsidisation, potentially crowding out commercial providers of business services.

BLP has been implemented in four PICs in its first two years – Vanuatu, Fiji, Papua New Guinea and Samoa. BLP adopts a systems approach to develop a local market where business advisory service providers (BASPs) offer quality services that respond to SME needs and SMEs use and pay for these services. There are four support systems:

- a quality system of competency assessments, mentoring and technical assistance to improve the quality of business advisory services;
- a marketing system that connects SMEs to BASPs, with a subsidy scheme that subsidises initial costs of business advisory services (with a focus on SMEs with high growth potential in agriculture, construction, fisheries and tourism);
- a mentoring system that provides access to business mentors and technical assistance, primarily for BASPs, and through BASPs to SMEs;
- a market linkage system that facilitates and strengthens market linkages between NZ/PIC buyers and BASPs/SMEs.

BLP has been implemented by a Managed Service Contractor (AECOM) with staff operating out of an Auckland-based hub. The design provides for partnering with existing PIC-based organisations as in-country network representatives (ICNRs) to assist with implementation and to be the local face of BLP.



EVALUATION PURPOSE, SCOPE AND DESIGN

This section summarises the evaluation purpose, scope and design.

PURPOSE

This formative evaluation has the primary purposes of learning and decision making. The evaluation will be used by MFAT to:

- assess the relevance and effectiveness of the BLP model;
- assess effectiveness and efficiency of implementation by AECOM;
- identify improvements that can be made to managing, implementing and achieving results of BLP; and
- inform decisions on whether to expand BLP to other PICs and sectors and to identify options for future direction, design and support.

SCOPE

The scope of this evaluation includes:

- the establishment and implementation of BLP activities from 1 January 2017 to 31 December 2018 (i.e. the first two years of the Activity); and
- BLP activities in the four participating PICs (Fiji, Papua New Guinea, Samoa and Vanuatu) and in New Zealand and Australia.

As the Activity is less than halfway through its implementation period, the assessment of long-term outcomes and goals are outside of the scope.

DESIGN

The design has been guided by the evaluation objectives and questions (Table 1). Information sources included documentation (design documents, progress reports, and strategic plans) and interviews with stakeholders including Activity participants.

The interview collection stage comprised visits to Vanuatu, Fiji and Papua New Guinea, where interviews were largely conducted in person. Telephone-based interviews were conducted with available stakeholders in Samoa. The purpose of the interviews was to gather information on the experience and views of stakeholders. Interviewees were informed of the purpose and given assurance that names and quotes would not be attributed. The interviews were semi-structured in that a set of questions was used as a guide but participants were free to raise their own issues.

The interview notes were first analysed from a top-down perspective to identify major themes, driven by the evaluation question framework. This was then supplemented with a detailed, bottom up approach to analysing the notes.



Table 1: Evaluation objectives, criteria and questions

Objective and criteria	Questions
<p>Objective 1: to assess the extent to which building the local market for business advisory services and enabling SMEs to access these services remains a priority for Pacific partner countries and the New Zealand Aid Programme</p> <p><i>Criteria: Relevance</i></p>	<ol style="list-style-type: none"> 1. How well does BLP respond to Pacific partner country priorities for economic development? 2. How well does BLP align with MFAT's refreshed strategic priorities, including inclusive development, climate change, and the four-year plans for PICs participating in BLP? 3. What evolution has occurred in the Pacific SME development landscape, and accordingly, is the BLP model still necessary and appropriate?
<p>Objective 2: to examine the progress being made in achieving BLP outputs and short term outcomes</p> <p><i>Criteria: Effectiveness</i></p>	<ol style="list-style-type: none"> 4. How well does BLP reach target beneficiaries (business advisory service providers (BASPs), SMEs)? Are there barriers to inclusiveness objectives? What improvements can be made? 5. What benefits have Pacific BASPs and SMEs realised to date as a result of BLP activities? 6. Are there any unintended outcomes (positive or negative) from BLP? If negative, how should these be addressed? 7. Based on early results, how likely are medium-long term outcomes to be achieved? 8. What progress has BLP made towards achieving sustainability of services and outcomes? (i.e. how well is BLP planning for sustainability?)
<p>Objective 3: to review the cost and general efficiency of the BLP model and Managed Service Contractor approach</p> <p><i>Criteria: Efficiency</i></p>	<ol style="list-style-type: none"> 9. How efficiently has AECOM established BLP across the four participating Pacific Island Countries? How well is BLP coordinated with other relevant SME support activities? What improvements can be made? 10. How efficient are the individual BLP workstreams (i.e. quality system, marketing service, mentoring network, market linkages) likely to be in achieving BLP outcomes? What improvements can be made? 11. How effectively do key BLP design parameters (e.g. sector focus, Auckland office, in-country network representatives, BASP competency assessments, BAS-Net) contribute to BLP outcomes?
<p>Objective 4: Future design and support – to identify critical success factors and any changes needed to deliver sustainable outcomes from BLP, including a potential expansion phase.</p>	<ol style="list-style-type: none"> 12. What learnings have emerged from implementation of BLP to date? (including key differences between countries and context specific critical success factors) 13. Based on the learnings, what changes, if any, need to be made to enable BLP to achieve its goals under the current programme or in a potential expansion phase?

Source: Evaluation Plan for Business Link Pacific, 9 January 2019



INTERVIEW COUNTS

Table 2 shows the number of interviews conducted by country, categorised by the type of organisation or sector that the interview subject represented. In total, 73 interviews were conducted with participants and stakeholders in partner countries, comprising 25 in Vanuatu, 25 in Fiji, 21 in Papua New Guinea and 2 in Samoa. The number of interviews in Samoa was limited by two factors: BLP had only recently been launched in Samoa and so there were fewer stakeholders (no SME clients had yet completed); and contact being via email and telephone rather than in person.

The categories with the highest number of interviews were business advisors (27) and SME clients (21). The other categories comprised: MFAT Posts (Heads of Mission and development staff), officials of participating partner country government agencies, development partners, and representatives from in-country network partners¹, other industry organisations, and the banking sector.

In addition, interviews (in person and by telephone-based) were conducted with MFAT officials in Wellington, the Managed Service Contractor representative, the BLP Activity Director and Deputy Director in Auckland. Factoring in these interviews gives a total of 78 completed interviews. Appendix 2 provides a full list of interviews by sector and organisation name.

Table 2: Interviews completed with partner country stakeholders – by category

Interviewee category	Vanuatu	Fiji	Papua New Guinea	Samoa	Total
Business advisors	10	8	8	1	27
SME clients	9	6	6	-	21
Post	1	1	1	1	4
Government sector	1	2	-	-	3
Industry groups ^(a)	2	2	1	-	5
Banking sector	2	1	2	-	5
Donor partners	-	4	3	-	7
Education sector	-	1	-	-	1
Total	25	25	21	2	73

Notes: (a) Industry groups included the ICNR in Vanuatu (Vanuatu Chamber of Commerce and Industry) and in Fiji (Fiji Commerce and Employers Federation).

Source: interview database maintained by the evaluation team

¹ ICNR interviews were undertaken in Vanuatu and Fiji; the ICNR in Samoa was not available; there was no ICNR established in Papua New Guinea during the evaluation period.



SAMPLING APPROACH AND COMPLETION RATES

The sample of business advisors was selected to obtain a mix of advisors who are delivering subsidised services to clients as well as those advisors who have engaged with the BLP team but have yet to submit an application form. The sample also comprised a mix of advisory service types (e.g. accounting/finance, marketing and business strategy). The business advisors were mainly contacted prior to the country visit, with a small number being identified in country.

The method of contacting SME clients for an interview varied by country: in Vanuatu, the Chamber of Commerce took the lead role in contacting the SMEs; in Fiji and Papua New Guinea, the business advisors contacted the client or else provided contact details to the evaluation team to follow up directly.

Table 3 shows that the ratio of interview completion rates tended to be higher for business advisors than SMEs. Reasons for an interview not being completed include: (a) the candidate being non-responsive to an initial approach; (b) the candidate being responsive but unavailable during the country visit (e.g. travelling or else already fully scheduled).

Table 3: Interview completion rates – business advisors and SME clients

Interview measure	Vanuatu	Fiji	Papua New Guinea	Samoa	Total
Business advisors					
Completed	10	8	8	1	27
Not completed	1	2	2	1	6
Total contacted	11	10	10	2	33
<i>Completion rate</i>	<i>91%</i>	<i>80%</i>	<i>80%</i>	<i>50%</i>	<i>82%</i>
SME clients					
Completed	9	6	6	-	21
Not completed	6	7	0	-	13
Total contacted	15	13	6	-	34
<i>Completion rate</i>	<i>60%</i>	<i>46%</i>	<i>100%</i>	-	<i>62%</i>

Source: interview database maintained by the evaluation team



Table 4 shows the number of interviews with business advisors and SMEs as a proportion of the number in scope for this evaluation.

- The sample of 27 business advisors interviewed is equivalent to 36% or just over one-third of the 76 advisors that the BLP team has engaged with.
- The sample of 21 SMEs interviewed is equivalent to 18% or just under one-fifth of the 116 SMEs that have been assisted through BLP subsidies.

Table 4: Estimate of proportion interviewed – business advisors and SME clients

	Completed interviews	Total in scope	Proportion interviewed
Business advisors	27	76 ^(a)	36%
SME clients	21	116 ^(b)	18%

Notes: (a) the total in scope for business advisors is the “number engaged with”, as reported in the 2018q4 progress report; (b) the total in scope for SME clients is “SMEs assisted by BASPs through the BLP subsidy”, as reported in the 2018q4 progress report.

Source: interview database maintained by the evaluation team; BLP Year 2 Quarter 4 Progress Report

A COMMENT ON SAMPLE SIZE

The collection and analysis of qualitative data is designed to uncover patterns and themes that are relevant to the research questions; this approach is not designed to produce counts or measures of statistical significance. Qualitative sample sizes tend to be small – sometimes as few as ten people, although far more were interviewed in sampling business advisors and SMEs for this evaluation.

Therefore, it is important to judge whether enough data has been collected to answer the research questions. For example, would interviewing more people provide important new information? Would additional interviewees be likely to answer the questions differently? A method to ensure that enough people have been interviewed to give robust information is referred to as data saturation.

Data saturation is reached when the ability to obtain additional new information appears to have been exhausted, and when the researchers are confident that they have representative views of the total population. It is the view of the evaluation team that saturation was achieved for the samples of business advisors and SMEs; with most of the themes, among SMEs in particular, being evident after the first ten or so interviews.



4

Overarching Findings

The findings are structured to address the evaluation objectives and questions.

Objective 1: Relevance

To assess the extent to which building the local market for business advisory services and enabling SMEs to access these services remains a priority for Pacific partner countries and the New Zealand Aid Programme.

1. How well does BLP respond to Pacific partner country priorities for economic development?

There is awareness of BLP among officials in government agencies that were spoken with during the country visits (Vanuatu, Fiji). The general view expressed by these officials was that BLP is welcome, as a market-based activity that assists SMEs in overcoming some of the barriers to accessing finance. Business growth is generally a strategic priority for partner governments and so there is support for BLP to continue to assist SMEs. No clashes or duplication with government activities or programmes were identified. Country-specific comments were as follows.

- Vanuatu – BLP is seen as filling a gap in how SMEs access professional advice, with barriers to accessing finance being an issue. BLP is consistent with one of the National Sustainable Development Goals, which refers to “an enabling business environment, creating opportunities and employment for entrepreneurs throughout Vanuatu”.²
- Fiji – BLP is seen as addressing a gap in the market and is welcome, particularly if it can assist SMEs to access finance (e.g. through financial statement preparation). In addition, BLP appears to fit with a goal of the national development plan which refers to “Promoting entrepreneurial culture through sustainable micro, small and medium enterprises”.³

² Government of Vanuatu (2016) *Vanuatu 2030: The People's Plan*; (ECO4) p.18

³ Fiji Ministry of Economy (2017) *Transforming Fiji: 5-Year & 20-Year National Development Plan*, p.91



Although officials for Papua New Guinea and Samoa were contacted and unavailable for interviews, the following observations can be made with respect to how BLP fits with the priorities for cooperation and economic development in those countries.

- Papua New Guinea – New Zealand and Papua New Guinea are preparing a new partnership arrangement, but agriculture (a BLP target sector) had been a priority area in the Commitment for 2015-2018.⁴ In addition, BLP appears to fit well with one of the economic goals of the national development plan which is to create wealth by promoting SME growth.⁵
- Samoa – BLP is consistent with one of the priority areas for cooperation, recently agreed between Samoa and New Zealand, which is to encourage tourism development, with a focus on strong marketing capability and to drive the private sector contribution to Samoa's economy.⁶ BLP is also consistent with the national development strategy, which has a focus on enhancing the participation of the private sector, with job creation being a key indicator.⁷

2. **How well does BLP align with MFAT's refreshed strategic priorities, including inclusive development, climate change, and the four-year plans for PICs participating in BLP?**

Although BLP was designed and implemented prior to MFAT's refresh of its strategic priorities during 2018, the Activity remains consistent with the economic growth objectives contained in MFAT's four-year plans at a region and country level. The regional plan, for example, has an objective of supporting pathways to prosperity in the Pacific that are sustainable and private sector-led. BLP is also relevant to some of the economic growth-related objectives in each of the four-year country plans.

- Vanuatu – increasing shared prosperity with an emphasis on strengthening key sectors (e.g. tourism and agriculture) is an objective. These sectors are also a focus for BLP.
- Fiji – relevant objectives include strengthening Fiji's areas of economic advantage.
- Papua New Guinea – relevant objectives include improving the ease of doing business and increasing economic opportunity.
- Samoa – objectives include increasing formal employment opportunities by growing revenue generating-sectors, such as tourism, and supporting SMEs with growth potential. This is consistent with the focus of BLP.

⁴ *Joint Commitment for Development – New Zealand and Papua New Guinea 2015-2018*, p.3

⁵ *Papua New Guinea Medium-Term Development Plan III 2018-2022*, pp.20,24

⁶ *New Zealand – Samoa Statement of Partnership, 2019-2023*, p.4

⁷ *Strategy for the Development of Samoa, 2016/17-2019/20*



Inclusive development was not a strategic priority for MFAT at the time that BLP was designed and launched and so, understandably, the design is not particularly targeted at assisting women or youth. Nevertheless, BLP is not inconsistent with supporting inclusive development. The BLP team has developed a gender equality and social inclusion (GESI) plan, with specific plans being developed for Vanuatu and Fiji, and a gender advisor has been contracted to review procedures, materials, promotions and training to ensure that participants are not excluded on the basis of gender and that women business owners and advisors are supported to engage. Reporting of activity is disaggregated by gender (i.e. business owners and jobs created) and this shows that women are accessing BLP (discussed further below).

Similarly, climate change was not a strategic priority for MFAT at the time that BLP was designed. The BLP design document does refer to the selection criteria for SME assistance emphasising businesses that focus on sustainability.

In practice, the criteria for approving subsidies for SME clients are focused on the readiness of the SME and the potential for growth, including job creation. There do not appear to be exclusions on the basis of environmental sustainability of a business or any positive bias, for example, towards women-owned SMEs. This conclusion is reached on the basis of interviews with the BLP team and documents reviewed.

3. **What evolution has occurred in the Pacific SME development landscape, and accordingly, is the BLP model still necessary and appropriate?**

Assessment of the Pacific SME development landscape involved the following steps:

- suggestions of relevant programmes from MFAT and the BLP team;
- interviews in country – with Post in each country, with partner government officials where available (Vanuatu and Fiji) and with representatives of other donors where available, such as the Australian High Commission (Fiji and Papua New Guinea) and the Asian Development Bank (Fiji);
- interviews with representatives of the following development programmes – Pacific Horticultural and Agricultural Market Access (PHAMA Plus, in Fiji and Papua New Guinea), Market Development Facility (MDF, in Fiji and Papua New Guinea) and Pacific RISE (Melbourne).⁸ Table 5, below, provides a description of these programmes and the countries in which they operate.

In each interview, we asked about the awareness of BLP and whether there is any perceived duplication with other business support programmes. A key finding is that there is a high level of awareness about the purpose and approach of BLP

⁸ We also contacted Pacific Trade Invest in Auckland but no representatives were available for an interview.



among interviewees (i.e. Post in each country, partner government officials, and representatives of other donors and relevant development programmes). A further finding is that BLP is generally seen as being a complementary activity by representatives of business support programmes (e.g. representatives of MDF and PHAMA Plus in Fiji saw opportunities to refer SMEs that they work with to BLP). In addition, no interviewees reported that they saw duplication or clashes between BLP and the other programmes delivering support to businesses.

In conclusion, there have been no major changes detected in the landscape (including the emergence of new SME support programmes) that would mean that BLP is not as necessary or appropriate as when the Activity was being developed.

Table 5: Summary of relevant support programmes identified and contacted

Programme identified	Description	Relevant countries
Pacific Horticultural and Agricultural Market Access (PHAMA Plus)	An Australian Government initiative, co-funded by the New Zealand Government. It focuses on improving market access for Pacific businesses by providing practical assistance to help to manage the regulatory aspects and quality standards associated with exporting primary and value added products. This includes gaining access into new markets. Australia and New Zealand are markets of major interest.	PHAMA Plus has a regional office in Suva and is active across six core PICs, including all four countries in which BLP operates.
Pacific RISE (Readiness for Investment in Social Enterprise)	A grant programme facility funded by the Australian Government. Pacific RISE aims to facilitate a social impact investment market in the Pacific by helping to attract foreign investment. It identifies social enterprises that have investment potential and funds intermediaries to provide intensive support to ready those enterprises for investment.	Pacific RISE operates in all Pacific Forum countries, including all four countries in which BLP operates.
Market Development Facility (MDF)	Funded by the Australian Government, MDF is a value chain support programme, partnering with businesses willing to invest in improving business practices (e.g. offering more affordable products, expanding distribution, or providing better information). In Fiji, there is a focus on SMEs of 2-5 years of history to get them to the next level, where they would be ready to seek business advisory services.	MDF operates in Fiji and Papua New Guinea, and in several countries in Asia.
Pacific Business Investment Facility	This programme was funded by the Asian Development Bank to help Pacific SMEs to access finance. The facility closed in April 2018 due to funding cessation.	* No longer active



Programme identified	Description	Relevant countries
Pacific Trade & Invest New Zealand (PTI, Auckland)	The New Zealand arm of the Pacific Islands Forum Secretariat agency. PTI focuses on export-capable businesses across the Pacific Islands and promotes and supports them to export into New Zealand. PTI also identifies investment opportunities in its member countries.	PTI represents 14 Pacific island countries of the Pacific Islands Forum, including all four countries in which BLP operates.

With respect to the **relevance** of BLP overall, it is clear that its goals of building the local market for business advisory services and enabling SMEs to access those services fit well with the priorities of partner countries and of the New Zealand Aid Programme. BLP is also seen as being complementary to other business support programmes by representatives from those programmes.

In addition, there was a strong theme among the wider set of interviewees (e.g. business advisors, officials, representatives from the banking sector) that BLP is helping to address a gap in the market business advisory market for SMEs (i.e. the premise of the BLP design document). In economics, such gaps are expressed in terms of market failure. In this case, there is insufficient information (i.e. SMEs don't know what they don't know) for a market to function fully. Furthermore, there is an affordability issue adding to the 'gap' (i.e. price signals are not well understood).

This theme is reinforced by the participation of business advisors and the demand revealed by the take-up among SMEs. Interviews with SMEs revealed evidence of additionality – that SMEs would not have accessed business advisory services in the absence of BLP – and this issue is addressed in more detail in subsequent sections.



Objective 2: Effectiveness

To examine the progress being made in achieving BLP outputs and short term outcomes.

This objective is largely concerned with accomplishment. At this stage of the Activity, the emphasis is mainly on outputs. That is, we do not expect large-scale outcomes to manifest this early in proceedings. The Activity is nascent in Samoa, more established in Vanuatu and still relatively new in Papua New Guinea and Fiji.

4. **How well does BLP reach target beneficiaries (business advisory service providers (BASPs), SMEs)? Are there barriers to inclusiveness objectives? What improvements can be made?**

We characterise reach by assessing programme awareness and acceptability. We asked business advisors:

- what the business advisory community knows about BLP (awareness); and
- the degree to which they understand how BLP might be of benefit to them or their clients and hence demand the services on offer (acceptability).

Practically all innovations, new products and services including this Activity follow an s-shaped curve exhibiting a slow start up, then more rapid growth and finally a slowing of growth to a point of maturity. This model is known as the Bass Diffusion Model.

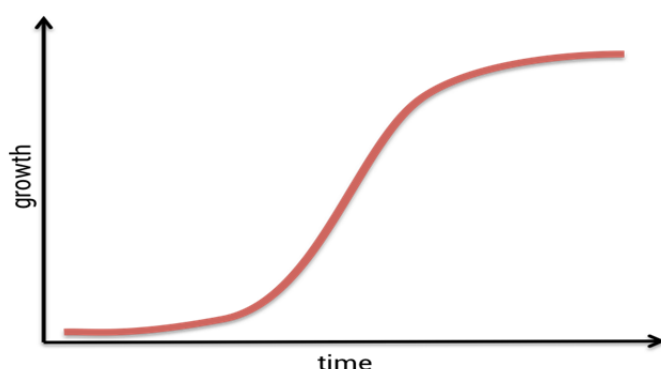
There a number of important considerations.

- We would expect greater reach if the programme has been in place a longer time.
- The slope of the curve will be determined by the rate of diffusion and the perceived quality of the service.
- Market maturity will vary depending on an external constraint being the number of providers or the budget available for distribution.

The premise is that there are three stages of growth over time. Initial growth is slow with modest gains in the earliest part. Once the effort or activity gains momentum, there is a period of substantial and increasing growth. This is maintained until certain limits are reached and growth begins to slow in the third part (see figure below).



Figure 1: A stylised conceptual framework around BLP reach



Our assessment of the available data for BASPs is broadly consistent with this pattern. We observed:

- low numbers of BASPs engaged with the Activity initially; and
- then a reasonably rapid increase in take up.

A similar pattern is observed for SMEs assisted by BLP, though in a more compressed time period.⁹ It is too early to say definitively when recruitment of BASPs and SMEs will reach the 'third stage' on the curve as there appears to be scope in Fiji, Papua New Guinea and Samoa for further expansion in numbers, given BLP is still relatively new in these countries.

Insights from documents and interviews

There are two streams of Activity aiming to raise awareness.

ICNRs are intended to be a key channel to reach target BASPs and SMEs. Engagement of ICNRs varies among the participating countries.

- The Vanuatu Chamber of Commerce and Industry (VCCI) is the contracted ICNR in Vanuatu. Its large membership base is advantageous in reaching both BASPs and SMEs.
- The Fiji Commerce and Employers Federation is the contracted ICNR in Fiji.
- The Samoa Chamber of Commerce is the contracted ICNR in Samoa.
- At present there is no ICNR engaged in Papua New Guinea. The Port Moresby Chamber of Commerce and Industry (POMCCI) was approached, but had internal issues which meant it was not in a position to act as an ICNR immediately. Other organisations, such as CPA Papua New Guinea, have been approached and remain as possible candidates.

⁹ Actual data is contained in Quarterly Progress Reports prepared by AECOM.



The relevant BLP/AECOM staff acknowledged in interviews how important ICNRs are to BLP (including the ability to reach SMEs and BASPs). They noted that it had taken more time than planned to get ICNRs in place, due to a combination of recruitment difficulties (i.e. availability of suitable candidates) and a higher than anticipated level of resource being needed to build specialist capability. This was particularly the case in Vanuatu, though we understand the prospects in Samoa and Fiji are stronger. We understand that the situation in Papua New Guinea is improving following recent POMCCI elections.

As a result of the difficulty getting ICNRs in place, with suitable capability, our observation is that the triaging and referral function of ICNRs is yet to fully develop. This is confirmed in the most recent report by the BLP team. The number of triage referrals was 12 against a target of 55 – owing to the fact that the launch of diagnostic tool and triage/referral service was only active in Vanuatu (VCCI had a target of 20).

There is a secondary awareness raising stream of activity. BLP runs workshops, gives presentations, and produces promotional materials.¹⁰

Key points made by in-country interviewees in relation to BLP **awareness** to BASPs were as follows.

- BLP was not highly visible initially and some BASPs found out about its existence through serendipity (e.g. being at meetings about other programmes).
- Word-of-mouth is central to the spread of information.
- “Stickability” is important- one-off events and time-limited campaigns are not suitable; sustained contact and interaction is more beneficial although, having said that, the cloud-based accounting workshop held by BLP and CPA Papua New Guinea in Port Moresby in December 2018 was well attended and equally well received; there is interest in further events of this kind being held.
- Consciousness is rising, but will take time (i.e. patience is needed).
- In-country presence (and consequently linking through informal networks) would produce greater awareness.
- BLP has lifted its promotional activity more recently, and plans are in place for more intensive marketing in particular markets (e.g. Papua New Guinea).

Key points made by in-country interviewees in relation to BLP **awareness** to SMEs were as follows.

- SMEs are generally not aware of BLP, prior to participation.

¹⁰ AECOM (Undated) “Activity Design Document: Strengthening Pacific Island Business Services” p.11.



- BASPs are the main vehicle by which SMEs learn about BLP.
- Social media (predominantly Facebook) is an important source of business for SMEs and so BLP should look for greater presence on such platforms.

Key points made by in-country interviewees in relation to BLP **acceptance** to BASPs (i.e. demand) were as follows.

- BLP has been very effective in recruiting accounting-related BASPs.
- There was a degree of uncertainty, or a lack of clarity, about what exactly BLP was intended to achieve and for whom:
 - needy small businesses who may not necessarily meet the entry criteria for BLP could benefit from BLP, if its scope were to be broadened;
 - the distinction between a poverty reduction activity and a private sector business growth activity was not universally understood in the market (i.e. existing perceptions around the purpose of general aid activity create confusion); and
 - some BASPs would like BLP to triage and refer new clients, rather than doing it themselves, due to the transaction costs involved in assessing SME needs.

Key points made by in-country interviewees in relation to BLP **acceptance** to SMEs (i.e. demand) were as follows.

- BLP was designed to meet SME needs, both known and unknown (i.e. BLP bridges a gap in terms of affordability as well as knowledge of what is needed to improve business understanding and performance).
- SMEs who participated in BLP would not hesitate to recommend BLP to others.
- SMEs not directly in the BLP sectors of focus (e.g. retail and manufacturing) could benefit from participation in BLP.

Combining the insights from interviews with available material shows that there are clear indications that BLP is tracking well against its targets for reach (i.e. both awareness and acceptance. In particular:

- Output 1 (improved quality and affordability of business advisory services) – the target of 40 BASP quality assessments was exceeded with 43 being undertaken to date; and
- Output 2 (increased demand and supply of business advisory services) – the target of 65 SME subsidy agreements was materially exceeded with 116 being in place to date (Appendix 3 summaries the subsidies by country and sector).

Are there barriers to inclusiveness objectives?

We had no prior view on the extent to which inclusiveness objectives faced barriers from BLP design or operation. The design of BLP is agnostic on inclusiveness, with

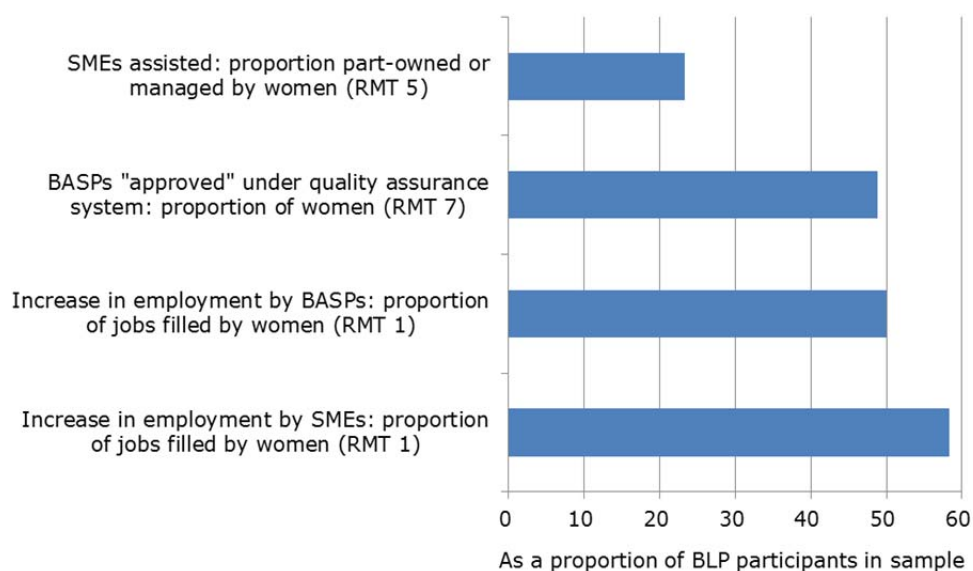


no specific emphasis but no obvious impediments to such objectives being able to be realised through the programme. Thus, while both direct and indirect impacts are possible, the latter are likely to assume more prominence given the existing, market-based design.

We therefore looked at the available data to answer this question. Reporting of activity by the BLP team is based on data from samples of BASPs and SMEs that were interviewed in Year 2. The results for some key measures are disaggregated by the gender of the BASP owner and SME client. Figure 2 shows the following results for how well women are accessing BLP.

- Of the total number of SMEs assisted through BLP subsidy scheme, 27 out of 116 (23%) are part-owned or managed by women.
- Of the business advisors approved under the quality assurance system, 21 out of 43 (49%) are women.
- Results from a sample of SMEs (33) in 2017Q2-Q4 found that of the 24 new SME jobs created while participating in BLP, 14 (58%) were filled by women.
- Results from a sample of BASPs (25) in 2017Q2-Q4 found that of the 46 new BASP jobs created while participating in BLP, 23 (50%) were filled by women.¹¹

Figure 2: Cumulative results at end of Year 2 – selected measures disaggregated by gender



Source: calculated from data in BLP Year 2 Quarter 4 Progress Report, Table 10, p.38

With the exception of one instance, where it was especially relevant, there was no explicit consideration of inclusiveness objectives in the interviews with BASPs and

¹¹ *Business Link Pacific – Year 2 Quarter 4 Progress Report 8*; draft of 13 February 2019



SMEs. BASPs and SMEs themselves did not mention inclusiveness to any degree in interviews. The following general points were made, predominantly by BASPs.

- Job creation is a key channel through which inclusiveness objectives could be realised – and this is consistent with the data shown below.
- While BLP data shows a high level of engagement from local/indigenous owned and managed SMEs (and BASPs) in Papua New Guinea, Fiji and Samoa, there is a strong sense that local/indigenous SMEs could be highlighted and/or included more in Vanuatu.

5. **What benefits have Pacific BASPs and SMEs realised to date as a result of BLP activities?**

The BLP Monitoring, Evaluation and Learning (MEL) framework sets out how it is anticipated BLP would deliver benefits. It states that BLP interventions would enable BASPs to think beyond their current practices. The results diagram for the Activity maps out the path to benefit and is attached as an Appendix 4.

The same general pattern of benefit realisation as that for target reach could be expected, but perhaps with a longer time lag. That is, benefits are likely to accrue relatively slowly in the initial implementation period, rising quickly and then taper off later in time. That is not to say that benefits no longer accrue in future; benefits continue to grow, but at a lower rate (i.e. there are diminishing marginal returns over time). However, benefits obviously take longer to materialise and as such evidence of benefits at this point in time is likely to be sparse.

The data available from surveys conducted by the BLP team as part of its reporting function provides some indications of benefit. For instance, highlights for the last quarter of Year 2 in Vanuatu from BASPs were:¹²

- 6 BASPs out of 8 interviewed reported increased turnover
- 5 BASPs reported financial benefits and 3 reported adding new services for SMEs in the last six months and attributed this to support from BLP
- The 8 BASPs interviewed reported a total of 74 new SME clients; 24 of which were directly attributed to BLP's support. 9 of the total SME clients are part owned or managed by women

Importantly, this was reinforced by SME client sources of information, which show that, of the 8 SMEs interviewed, 3 reported experiencing financial benefits, with 2 reporting increased turnover in the last year as a result of the subsidised support they received from a BASP.

¹² AECOM (2019) "Quarterly Progress Report Y2Q4 October – December 2018" p.36



While this data is indicative of benefit realisation at this stage, the BLP team was clear that some caution should be applied in relation to the data. In particular, attribution to BLP (as opposed to other external or cyclical factors) is difficult. Furthermore, the surveying did not cover the entire population of participating BASPs and SMEs. Finally, the relatively short time period for the survey and BLP implementation limits the robustness of the data collected, and the collection process does not include estimation of the status quo/baseline prior to BLP interventions, making precise benefit estimates problematic.

We agree with the need for caution in interpreting the survey results. Perception-driven surveys are well-known for limitations around the comparability of results across groups and determining the robustness/reliability of data provided. On the other hand perceptions data is useful for comparing changes across time. Again, much of the concern about the robustness of the data relates to the stage of the Activity, where outcomes are just emerging. Over time the ability to collect more and better data will mean more definitive assessment is possible, but what has been collected to date indicates 'green shoots' are appearing.

The in-country interviews yielded similar findings; some possible benefits were starting to show, but direct attribution was difficult to establish and it was too soon for widespread impacts to be seen. Other insights from interviewees were as follows.

For BASPs

- Some BASPs had widened their range of activities to meet SME needs (e.g. from traditional practice areas of finance, audit and accounting to trusts, strata title, immigration).
- BASPs had seen internal benefits from the accreditation process. For example, one BASP in Papua New Guinea indicated that the process had identified areas in their own business that had been neglected somewhat in the day-to-day operations of the business (i.e. succession planning, staff training and inductions, employee welfare).
- Some BASPs had experienced increased revenue and billings as a result of BLP activities (e.g. through new client contacts and engagements).
- Relationships between BASPs and client SMEs had deepened, leading to an improved understanding of need and areas where benefits could accrue.

For SMEs

- SMEs had gained a wider appreciation of the linkages of different parts of their own business and developed a better view of priorities (i.e. identification of and distinction between the urgent and the important) An example which arose more than once was the focus of the SME on tax issues but the BASP advised that in order to address such tax issues other elements such as record and book keeping, data entry and management reporting were needing attention.



- Realisation by SMEs that better quality advice is available and by implication identification of previously poor advice. What had previously seemed like a money saving opportunity for the SME was actually not cost effective (e.g. less costly accounting advice that the SME subsequently discovered was very superficial only after receiving advice from a BASP through BLP).
- For a small number of SMEs access to finance was improved due to the assistance provided by BLP enabling a better understanding of the health of the firm (for both the SME and the credit provider).
- Across the board, better accounting data and visibility of the financial status of the firm was reported, leading in some cases to efficiency gains and in other cases better internal controls being exercised.
- A few SMEs were motivated by participation in BLP to examine how they could re-activate potential projects or activities that had previously been dormant, such as marketing and strategy plans, and other growth-driven initiatives.
- For some SMEs, there was a general sense of confidence in their business and their prospects that came from participation in BLP, which should enhance the potential for growth over time.

Many of the benefits outlined above relate to Outputs 1 and 2: improved quality and affordability of business advisory services, and increased demand and supply of business advisory services. Perhaps reflecting the emphasis on these outputs in the initial stage of implementation, the interviews did not yield much by way of insight into outputs relating to business mentors or market linkages.¹³ These outputs did not appear to us to be front of mind for BASPs or SMEs.

6. Are there any unintended outcomes (positive or negative) from BLP? If negative, how should these be addressed?

Given the programme stage at which this evaluation is taking place, assessing the extent to which there are unintended outcomes from BLP is not straightforward. Put simply, outcomes are yet to be fully revealed. The following, relatively minor and somewhat mixed observations are relevant.

Positive outcomes mentioned in interviews

New Zealand's already good reputation is further enhanced by BLP

BASP interviewees, particularly in Papua New Guinea but also in Vanuatu, remarked how well BLP reflected on New Zealand. As a donor, New Zealand was seen as being more interested in positive change outcomes and more caring in general, as well as intelligent in how it went about the business of aid.

¹³ Note that we were not able to interview any business mentors in our field work.



A range of parties commented that they were not surprised that BLP was a New Zealand initiative, and that it would be hard to conceive of other donors designing and implementing such an activity. One SME owner remarked that his own country should follow the lead of New Zealand in being smart in how they looked to drive growth and provide assistance to SMEs.

Other donors were able to better focus their activities due to BLP

One donor organisation reported that due to BLP being in place, they were able to focus resources on areas where they might achieve better results (i.e. larger groupings in agriculture and resources). The interviewee inferred that BLP's design made it more likely to succeed than previous efforts made by this donor organisation to support SMEs and as a result, they could undertake their activities safe in the knowledge that SMEs are receiving beneficial support and that there is no duplication of effort.

Negative outcomes reported in interviews

Some BASPs are providing implicit subsidies to BLP clients

A reasonably consistent theme with most of the larger BASPs was that they would often provide services to BLP clients at rates that were substantially below what they would otherwise charge (equivalently, they do not record all increments of time spent with BLP clients). There was not a strong level of discomfort at this practice, with the underlying idea being that creating a long-term relationship of mutual benefit would mean any loss of revenue now would be inconsequential.

On the flip side, two BASPs indicated in their interviews that BLP allowed them more flexibility in how they accounted for their time, and much less pressure to cram in as much as possible for a small amount of revenue. In other words, BLP allowed the BASP scope to be more thoughtful in how the BASP provided services as well as providing a form of surety over payment.

Some (isolated) concern at the effects on ICNRs

One BASP raised strongly-held perceptions that BLP was not looking to build capacity at the ICNR but was essentially 'riding over the top' of the ICNR staff. The result, according to this BASP was anxiety for staff of the ICNR. The BASP suggested a possible solution relating to capacity building and training of ICNR staff, rather than essentially supplanting such staff.

Our interviews with the ICNR concerned did not bring to light any concerns of this nature, and as such we would be reluctant to recommend any remedial action in this area, but for the sake of completeness, note the concern raised.



7. **Based on early results, how likely are medium-long term outcomes to be achieved?**

Assessing the extent to which medium-long term outcomes (i.e. a sustainable and self-managed network of business advice providers that lead to increase access to quality business development services and ultimately high-performing PIC SMEs) are likely to be achieved is a balancing exercise. In essence, it involves weighing any identified deficiencies of the Activity with any identified strengths, relative to achievement of outcomes.

Obviously, in a formative evaluation such as this, hard evidence on outcomes is still emerging and demand for the services being provided has yet to fully reveal itself. Thus, it is difficult to be definitive. The standard of proof for an evaluation of this type is not 'beyond a reasonable doubt' but more akin to 'on the balance of probabilities'.

Review of written progress reports and fact-finding through in-country interviews suggests that the strengths of BLP outweigh its deficiencies, and on balance the likelihood is that BLP will achieve its medium-long-term outcomes.

A clear and consistent theme from interviews was that BLP is headed in the right direction and while patience is needed in any PIC endeavours, BLP has made good first steps which augur well for the future.

BLP has managed to identify unmet demand for quality business advisory services and improve the quality on the supply side of the market. BLP has come to distinguish itself as a growth initiative for private sector SMEs and service providers, rather than as a poverty alleviation undertaking. The market system approach supports that distinction.

BLP has come from a reasonably low base of awareness, but has managed to achieve some positive outcomes to date. Given the willingness of past participants to continue to use BLP (both services and in marketing materials), recommend it to others, and in the case of SMEs continue to pay for the services after the BLP subsidy has ended, the growth track of BLP looks set to continue.

We do note however, that continued progress depends crucially on further development of ICNRs. To the best of our knowledge, AECOM is aware that success is contingent on well-trained, highly motivated ICNRs with both capacity and capability to continue to facilitate interactions between the demand and supply sides of the business advisory services market.

The risks around ICNR capability and capacity have been identified and plans are afoot in the coming year to ramp up efforts in this area. Different countries face their own specific issues, and our assessment is that the BLP team is treating each country on its merits, rather than looking for a 'one-size-fits-all' solution.



We further note that, despite some underspend in the “PIC Network Representatives” line item in the most recent financial report of BLP, that additional resources may be required in future to execute the desired approach to boosting ICNRs.

8. What progress has BLP made towards achieving sustainability of services and outcomes? (i.e. how well is BLP planning for sustainability?)

In the context of this evaluation, sustainability relates to the durability of outcomes and services post-BLP involvement. That is, how likely is it that SMEs will continue to demand, and BASPs continue to supply business advisory services in the absence of BLP support?

In a market-based activity such as BLP, it is extremely difficult to identify the precise point at which sustainability has been achieved and the market self-sustaining. Thus, it is difficult to plan around that. In addition, like success, failure may not always reveal itself contemporaneously, again meaning that developing solution options in advance of problems is not straightforward.

There are two sources of information on which we base our assessment of this question: quarterly reports from the BLP team and specific questions posed to interviewees. The risk of SMEs not being willing to make a contribution for advisory services (not seeing value) is the most relevant to questions of sustainability. In the most recent BLP progress report, it is assessed as a medium risk.

The underlying premise is that as value is demonstrated the willingness to pay for advisory services will increase, regardless of the subsidy. The report notes that several SMEs have used BASP services again, some without subsidy and the others with a reduced subsidy proportion. The reporting concludes by stating that the indication for SMEs to pay for services is very good, once the value of the services has been demonstrated.

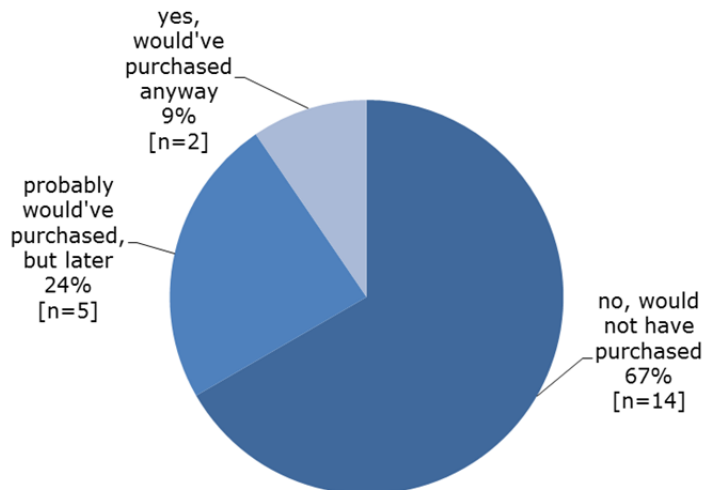
We specifically asked SMEs questions relating to the underlying intention driving their decision to participate in BLP (and hence procure advisory services). We also asked BASPs to give their views on the extent to which SMEs were mainly motivated by the subsidy.

The premise being examined was that SMEs who would not otherwise have procured advisory services would be motivated to see value and therefore more likely to seek advisory services again, even in the absence of BLP/subsidy. In addition, we asked SMEs directly whether they would be likely to use BASP services again even if they had to pay full price for the service.



The majority of SMEs interviewed (67%, n=14) reported that they would not have purchased the advisory services in the absence of the BLP subsidy. A smaller share (24%, n=5) responded that they would probably have purchased the service at a later date (for example, pending their ability to pay for the service). Only a relatively small fraction (9%, n=2) would have purchased the services anyway, but saw the subsidy as a good way to save costs.¹⁴

Figure 3: SME interviewee purchasing responses in absence of the BLP subsidy



Source: calculated from responses collected during interviews with SMEs [n=21]

Most SMEs (71%, n=15) also indicated that they would be happy to continue purchasing advisory services again in future, even if there was no subsidy available. That is, value was starting to be recognised by some SME owners.

Some BASPs suggested that it was less clear-cut that SMEs would not have purchased the services without BLP. One BASP estimated that around half of their clients would probably have purchased the advisory products and/or services anyway. If this were correct, it means the subsidy did not materially alter behaviour or provide new avenues of learning that would drive business decisions in future, for half the clients of this BASP. Other BASPs were less sure, but indicated there were definitely some SME clients that would have purchased the products and/or services regardless, without being able to cite numbers.

There were some signs of cross-country differences, where expat-owned businesses (for example in Vanuatu) had a slightly higher likelihood of purchasing services and products anyway, relative to indigenous or local businesses in Papua New Guinea and Fiji where they were less likely to have done so.

¹⁴ The remainder probably would have purchased the services anyway, but BLP sped the decision up.



Objective 3: Efficiency

To review the cost and general efficiency of the BLP model and Managed Service Contractor approach.

9. **How efficiently has AECOM established BLP across the four participating Pacific Island Countries? How well is BLP coordinated with other relevant SME support activities? What improvements can be made?**

Allocative efficiency is about putting resources where the pay-off is likely to be highest. There are signs that BLP has been implemented in a relatively efficient manner in terms of where investments have been made.

- The criteria for investment have been clear – namely, the focus has been on approving applications for subsidies from SMEs that show potential for growth within the next 12 months, as measured by expected financial performance or jobs created, as a result of engaging a business advisory service.¹⁵
- SMEs are required to show their readiness to engage with business advisory services by being willing to contribute to the cost.
- There has been flexibility in approving subsidies – the planned target sectors have not been strictly enforced (as discussed below). Instead the focus has been on the growth potential for the SME, regardless of sector.
- Additionality – there is evidence that SMEs are accessing business advisory services as a result of BLP, and that this would not otherwise have occurred in the absence of BLP. As noted above, among the 21 SMEs interviewed, two-thirds (67%, n=14) reported that they would not have purchased the advisory services in the absence of the BLP subsidy. Only a minority of the SMEs that were interviewed (9%, n=2) stated that they would definitely have paid the full cost of the advisory service in the absence of the BLP subsidy.

In addition, the approach has been tested in one market and then refined before rolling out to other markets. The sequencing of implementation began with Vanuatu (2017q4), with the rationale being that this smaller market, with an established community of business advisors, might offer some potential for early success. BLP was then launched in Fiji (2018q1) and then Papua New Guinea (2018q2), both being larger economies. Samoa (2018q3) is the most recent implementation.

¹⁵ The BLP team had not had to decline any subsidy applications at the time of this evaluation. One reason is that by the time the BASP completes and submits the proposal, the BLP team has already undertaken some filtering and pre-approved the scope of work. Ideas for possible subsidies that did not reach the proposal stage, as a result of the pre-work/filtering conversations included work with state-owned enterprises and not-for-profit organisations, which are outside of the scope of the commercial, private sector focus of BLP.



Pursuing this staged roll-out approach has allowed BLP to begin with one director in Auckland and build up slowly, hiring a deputy director and then specialist subcontractors as needed. This meant that the current level of resourcing was not required at the outset. This has been a cautious approach; the gradual build up meant that resources were not wasted and there has been opportunity to pilot and refine products and communications for implementation in subsequent countries. A possible downside to this gradual approach is that there are signs that progress has been slower than some stakeholders would have expected.

The alternative approach of implementation across multiple countries at the outset would have required more resource upfront, reduced the opportunity to refine for subsequent markets, and may have raised coordination costs before systems and procedures were fully tested.

Quality and frequency of reporting

The BLP team is required to submit progress reports to the MFAT Activity Manager on a quarterly basis. The content includes a detailed description of activities that monitors progress against the annual plan, an impact report within the MEL framework, a financial report and a risk report. The reports are thorough and of good quality, and meet the standard expected by the Activity Manager and stakeholders within MFAT.

However, the quarterly reporting cycle involves a considerable investment of resources from the relatively small BLP team, in terms of collating and analysing information and the drafting process. The BLP team has taken steps to reduce the compliance burden by reporting the impact component for each country on a six-monthly basis and moving to rolling interviews with participants in each country throughout the year to reduce response burden.

Now that BLP has been established in all four countries, there is a need to ensure that resources are focused on maintaining momentum. Accordingly, there is a strong case, in our view, for moderating the reporting schedule, as follows.

- Reduce the frequency of progress reports from a quarterly to a six-monthly basis. These six-monthly reports would retain the current quality and detail.
- Provide interim updates – a briefing between each six-monthly progress report that summarises detail that may be of use to MFAT on a more regular basis. The content could include measures of activity that show progress by country (e.g. number of subsidy applications approved, advisors signed up) or emerging risks or changes in the risk profile.

This arrangement allows for a more efficient allocation of BLP team time, while ensuring that MFAT remains informed via detailed reports every six months.



Coordination with other relevant SME support activities

Representatives from other SME support activities that were interviewed all showed an awareness of BLP and its objectives and scope. Those representatives were from Market Development Facility (Fiji and Papua New Guinea), PHAMA Plus (Fiji and Papua New Guinea) and Pacific RISE (region-wide). There was a general theme that linkages with SME support activities could be stronger, along with an acknowledgement that there is a mutual responsibility for this. There were suggestions that other programmes can, and should, be a source of SME referrals for BLP (e.g. in MDF in Fiji, PHAMA Plus in Fiji and Papua New Guinea).

There was also a suggestion that BLP could link with the Women in Business Secretariat in Fiji, with scope for a role in promotion of BLP to women-led enterprises. The Women in Business awards process could be used to identify women-led SMEs that could benefit from BLP.

Overall, the BLP team appears to have established the necessary relationships with relevant SME support activities. There is scope to improve coordination by linking up on a regular basis to share information and identify opportunities (e.g. encouraging SME referrals) and the actions needed to realise them.

10. How efficient are the individual BLP workstreams (i.e. quality system, marketing service, mentoring network, market linkages) likely to be in achieving BLP outcomes? What improvements can be made?

BLP comprises four workstreams, defined in the MSC implementation contract as outputs and comprising: (1) the quality system for business advisors; (2) the marketing service for the demand and supply of business advisory services (including subsidies); (3) a mentoring network for SMEs; and (4) facilitation of improved market linkages. Two of these workstreams have made tangible progress and are beginning to contribute to BLP outcomes, as noted above.

- Output 1, the quality system for business advisors – the target of 40 BASP quality assessments was exceeded with 43 being undertaken at the end of Year 2.
- Output 2, the marketing service – the target of 65 SME subsidy agreements was materially exceeded with 116 being in place at the end of Year 2.

The other two workstreams are less developed, largely still being at a planning stage rather than at full implementation. Therefore it is difficult to form a view at this stage about their efficiency and effectiveness in achieving BLP outcomes.

- Output 3, the mentoring network – a mentoring framework has been designed, potential local mentors have been identified, and short-term advisors have been mobilised to deliver initial mentoring requirements to BASPs.

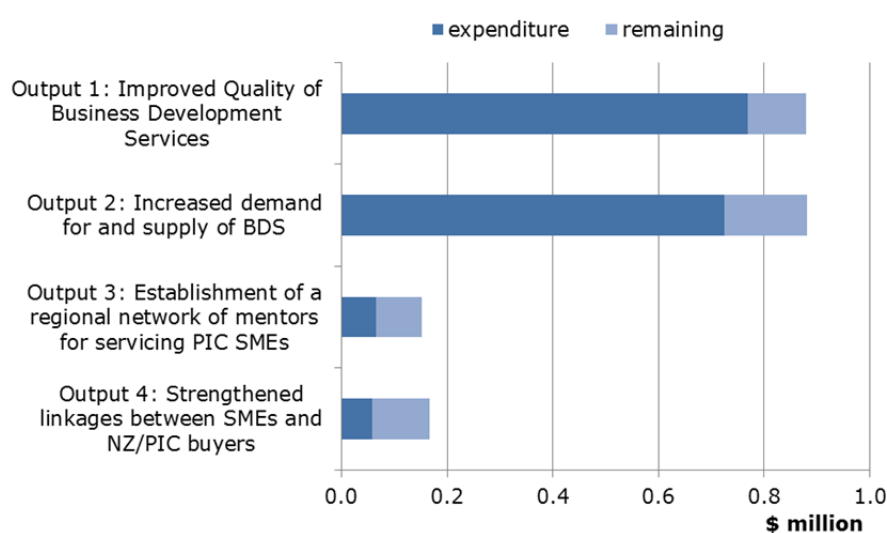


- Output 4, market linkages – a market scan has been commissioned, along with value chain assessments to identify market linkage opportunities across sectors and PICs.

This overall picture is reflected in Figure 4, which shows the amount of expenditure against budget for each of these four workstreams in Year 2. It is also noticeable that Output 1 and Output 2 account for most of the resources (being 85% of funds budgeted across the four workstreams) – reflecting their central importance in achieving the desired outcomes of BLP.

- The majority of resources for Outputs 1 and 2 were used in Year 2, with expenditure in each being 85% and 82% of budget, respectively.
- Conversely, a much lower proportion of resources were used for Outputs 3 and 4, with expenditure in each being 44% and 35% of budget, respectively.

Figure 4: Expenditure as share of budget by output, Year 2 (2018)



Source: Financial tables in BLP progress reports, 2017q4 and 2018q4

Overall, the Activity has under-spent relative to budget in Year 1 and Year 2. Table 6 shows that this underspend decreased in absolute and percentage terms at the end of Year 2, which broadly points to some momentum building.

Table 6: Total expenditure relative to budget, Years 1 and 2

\$ million	Total budget	Total expenditure	Variance from budget	Variance (percent)
Year 1 (2017)	\$1.790	\$0.792	\$0.998	40%
Year 2 (2018)	\$2.568	\$2.005	\$0.564	22%

Note: dollar amounts rounded to nearest thousand

Source: Financial tables in BLP progress reports, 2017q4 and 2018q4



11. **How effectively do key BLP design parameters (e.g. sector focus, Auckland office, in-country network representatives, BASP competency assessments, BAS-Net) contribute to BLP outcomes?**

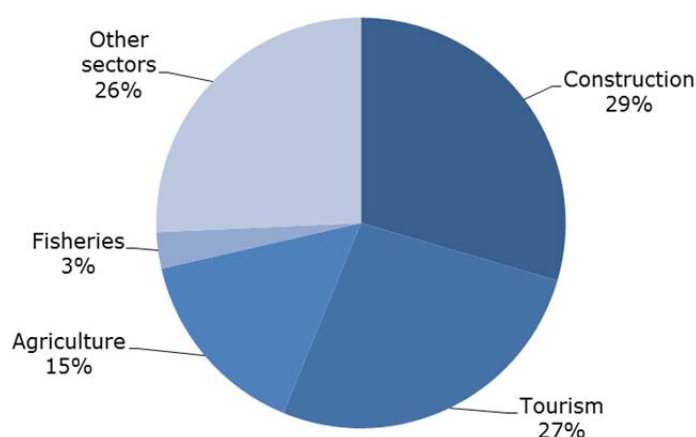
Sector focus

The design document identified two target sectors for each country, based on comparative advantage and the potential for impact.¹⁶ Upon implementation, following ministerial sign-off, the sectors had been standardised to agriculture, construction, fishing, and tourism – in part, reflecting bilateral agreements between New Zealand and those countries.

In practice, business advisors have recommended applications for subsidy agreements for SMEs with growth potential that are outside of the target sectors. The case from business advisors to the BLP team has been that if a SME has the potential to grow as a result of professional advice, then it is hard to justify excluding them on basis of sector. In such cases, the BLP team may refer these applications to the MFAT Activity Manager for review, although this does not happen in all instances.

Figure 5 shows that 26% of SMEs approved for support through the subsidy scheme were in sectors other than the four target sectors. At a country level, the proportion of SMEs in other sectors ranges from 12% in Vanuatu (various sectors) to 18% in Fiji (manufacturing and other sectors) to 45% in Papua New Guinea (retail, ICT, logistics, security and other sectors).

Figure 5: SMEs supported through the BLP subsidy scheme, by sector



Source: calculated from data provided by BLP Activity Director, as at end of 2018

¹⁶ Agriculture and support services for the construction industry in Vanuatu; value-added horticulture and mid-tier hotels and services in Fiji; construction services and agri-business in Papua New Guinea; and semi-commercial smallholder farmers and tourism in Samoa

This outcome shows some pragmatic flexibility on the part of the BLP team and the MFAT Activity Manager. The fact that the sector of an SME has not been a determining factor shows a willingness to adapt and focus on the high-level outcomes being sought (i.e. assisting SMEs to grow and to create jobs, and to activate the market for business advisory services).

However, there is a case for documenting this approach as part of a decision-making protocol so that the BLP team and the MFAT Activity Manager are clear and that the approach is future-proofed (e.g. in case of any personnel changes). Such a protocol could have the following criteria for investment.

- Evidence of growth potential – the SME has a business plan and can show current turnover and employment numbers and projections in 12 months as an indication of growth potential.
- The SME is willing to contribute to the cost of the advisory service.
- The SME has the confidence of the business advisor.
- While the BLP team has autonomy to approve applications from SMEs in target sectors that meet the above criteria, applications from SMEs in other sectors are referred to the MFAT Activity Manager for consideration.

This approach keeps the focus on evidence of SME growth potential. Retaining the target sectors, even if not strictly enforced, allows for future flexibility, as a way to target SMEs or to manage demand, if this proves necessary.

Auckland office

The BLP team is based in a hub in Auckland and has been co-located with the MFAT for the first two years of operation. Auckland was selected on the basis of several factors including good air links with most of the participant countries (direct flights to three of the four participating countries), being a neutral base and the potential to be co-located within an established MFAT office.

The model of the BLP team being based offshore, in Auckland, and flying in for short visits was frequently raised among in-country interviewees. This approach was perceived as contributing to a lack of awareness of BLP among SMEs. This perspective was somewhat anticipated in the design document, which noted that “for a multi-country programme, there will always be some element of fly-in fly-out for the key staff” regardless of location.¹⁷ Balancing this, it should be acknowledged that BLP had only recently been established in most of the participating countries and that local partnerships with ICNRs had only just begun in two countries (Fiji and Samoa) and had not yet been finalised in another (Papua New Guinea).

¹⁷ *Activity Design Document: Strengthening Pacific Island Business Services (SPIBS)*; version of 16.02.2016, p.11



A central hub is still needed for a regionally-focused Activity. The location of Auckland remains sensible, even though space constraints mean the BLP team is no longer co-located with MFAT staff. Arguably, a neutral hub in Auckland, which is at some distance from the markets, will require the BLP team to focus on partnering with, and working through, the local ICNRs – if momentum is to be maintained now that BLP is operating in four countries.

In-country network representatives

As noted above, ICNRs are intended to play an important role in achieving key BLP outcomes, such as an increased and sustainable market for business advisory services for SMEs. The ICNR role includes being the local face of BLP for in-country promotions and information provision, helping to build the business advisor network and providing a diagnostic and referral service that triages expressions of interest from SMEs and matches them with a business advisor. Longer term, when a sustainable market for SME advisory services has been achieved, it is expected that the ICNR intermediary role would reduce to information provision for new SMEs.

Overall, progress in establishing the ICNR role has been slower than expected in all participating countries.

- In Vanuatu, the VCCI delivered the BLP diagnostic and referral service for approximately six months during Year 2. A change of staff at year end has coincided with BLP's re-launch of the service, an upgraded diagnostic tool and the recruitment of a new service manager.
- At the time of this evaluation, an ICNR had been recently contracted in Fiji (the Fiji Commerce and Employers Federation) and Samoa (the Samoa Chamber of Commerce). In each case, a local service manager has been recruited, and the SME diagnostic and referral service is scheduled to be launched in the first quarter of Year 3 (2019).
- The BLP team has reported that recruiting and contracting an ICNR in Papua New Guinea has presented more of a challenge (i.e. suitability and readiness of candidate institutions).¹⁸

As a result, ICNRs have not yet had the impact that was envisaged. In Year 2 (2018), there were only 12 SME referrals from ICNRs (all delivered by VCCI) as compared with the target of 55 referrals across all countries. Several interviewees (including business advisors, SMEs) suggested that ongoing support from the BLP team would be important to enable ICNRs to play the role expected of them. In conclusion, ICNRs are not yet effectively contributing to BLP outcomes. However, the ability of BLP to scale-up will, in large part, rest on the capability of the ICNRs.

¹⁸ AECOM (2019) "Quarterly Progress Report Y2Q4 October – December 2018" p.45



BASP competency assessments

Business advisors are assessed by the BLP team for competency and quality before a contract to deliver BLP-subsidised work is signed. The BLP team initially engages with a business advisor to assess interest and to invite submission of an application with information on qualifications and experience in working with SMEs. The formal competency assessment begins when an advisor submits an application for review.

Table 7 shows that, of the 76 business advisors that the BLP team has engaged with, 43 have applied to become a BASP.

- Of those that have applied, 27 advisors have completed the competency assessment, signed a subsidy contract and are working with clients.
- In some cases, the BLP team has seen that the advisor would benefit from some training before completing the competency assessment and has arranged for technical assistance to be offered to the advisor and/or their staff.
- In some cases, an advisor may have applied and be deemed to be eligible to proceed but is still reviewing the contract or seeking a first SME proposal.

The general theme among interviewees is that the process to becoming a BASP has not been onerous – perhaps reflecting that the competency assessment is not yet fully developed. Some advisors commented that they gained some benefit from the associated self-reflection on their internal processes. Others saw that being accredited may be a useful signal of quality, and this was also noted by an SME support programme that may refer clients to BLP-accredited advisors in future. It should be noted that the BLP team has begun to upgrade the competency assessment framework, for example, to train local workplace assessors and to formalise the behavioural and technical competencies into a qualification.

In conclusion, the competency assessments are proving to be important in giving SMEs and other stakeholders the confidence about the quality of the advisory services being promoted through BLP. This is likely to increase with the planned upgrade and maturation of the assessment framework.

Table 7: Business advisor stage of progression in competency assessment process

Stage of progression	Count
Total number of advisors that the BLP team has engaged with	76
Number of advisors that have submitted an application form for review	43
Number of advisors with signed contract and working with clients	27

Source: in BLP Year 2 Quarter 4 Progress Report



BAS-Net

BAS-Net is an online platform that promotes and connects service users to providers. This platform was being developed by the software supplier during the evaluation period. The progress report for final quarter of 2018 quarter indicates that BAS-Net is scheduled to be launched from Y3Q1 onwards (i.e. first quarter of 2019). Therefore, this component has not yet contributed to BLP outcomes.



Objective 4: Future design and support

To identify critical success factors and any changes needed to deliver sustainable outcomes from BLP, including a potential expansion phase.

From the outset, the criticality of a tailored approach (i.e. one that recognises country differences) and consequently local involvement and ownership was acknowledged. In particular, the BLP design document notes the following points.

- A one-size fits all project design does not allow for the differences in PICs. There is a need for specialised expertise and advice that understands local business challenges.
- Local ownership and partnership is critical to the successful design and implementation of development activities. The Activity is designed with this in mind.
- Financial support is more effective when offered in conjunction with technical assistance and/or business support. The design of the Activity addresses this through the intended partnering with banks to serve SME clients.

In our view, these factors remain critical to the success of BLP and to the prospects for expansion.

12. **What learnings have emerged from implementation of BLP to date? (including key differences between countries and context specific critical success factors)**

Overall, the design of BLP is its greatest strength and was widely lauded by interviewees for its intelligence, intent and innovation. Particular design features that have merit include:

- the nature of the services being purchased (i.e. advisory services);
- the market-based aspect which works on both demand and supply sides of business advisory service provision;
- the risk-and-cost-sharing component that elicits 'buy-in' from participating SMEs; and
- the focus on SME growth potential.

However, good design is a necessary but not sufficient condition for success. Other important factors are summarised below.



- *Success pivots on ICNRs and greater in-country presence, both of which require more focus*

Interviewees across the PICs included in this evaluation were clear that intensive and sustained in-country presence is necessary to embed the programme at the initial stages of implementation. The reason for this is the role that informal networks play in PICs and awareness of initiatives is transmitted through word-of-mouth rather than more formal documented material.

ICNRs are pivotal in both the implementation phase and the operational stage of BLP. They provide the foundation for ongoing success and require significant attention and resources in order to perform their agency role. The extent to which a single organisation has the capacity and capability to perform this role, or a collaborative effort is preferable is an open question and is likely to differ in each of the countries involved.

To avoid perceptions of bias, independent parties should be used, if at all possible. This means AECOM/BLP team members and/or ICNRs assume more responsibility than BASPs. Similarly, High Commissioners could take on a 'championing' role, without necessarily being involved operationally.

- *Cross-country differences suggest more specificity might be helpful*

The choice of target SME sectors in different countries illustrates the variation in each of the pilot countries. Other contextual factors also suggest that country-specific factors could be employed to better achieve broad BLP goals.

For instance, the role women play in the conduct of work and business in Papua New Guinea is unique. In addition, Papua New Guinea is essentially a nation of nations, with differentiated populations in locations that are not well connected physically (i.e. the second largest city and centre of commerce is not connected by road to the largest city). The strong enterprise culture (though not all expressed in the formal economy) is also a key distinguishing feature.

Combined, these factors suggest that Papua New Guinea could be treated separately from the other countries, with particular parameters tailored to account for the idiosyncrasies at play. Examples could include the use of multiple ICNRs, subsidy levels that incentivise the greater participation of remote SMEs and greater leveraging of women (subject to appropriate security concerns being considered).

In addition, Papua New Guinea is well served by 'big 4' professional services firms and has considerable private sector investment that provides a large point of difference, which BLP could be adapted to better explore growth opportunities through complementary activities. One SME example in Papua New Guinea involved the use of BLP to procure services that would assist in the SME being better equipped to interact with and contract to a large investor in the gas and



petrochemical space. Development of agreements or memoranda of understanding with these organisations could be fruitful.

Anecdotally, we are aware that Papua New Guinea is often considered as a special case in other regional aid programmes and the merit of such an approach for BLP could be further explored.

- *Strong need for BLP to remain focused*

In some respects, BLP is a victim of its own good design. By this we mean that interviewees were impressed with the intent and the features of BLP and had started to see results coming through and inevitably sought to expand the scope of BLP to include businesses outside the working definition of SMEs being used. Smaller businesses, which are more likely to at least partially operate in the informal economy and struggle with access to finance, were suggested as good candidates for BLP inclusion.

With relatively limited funding, BLP needs to continue with its growth-oriented, comparative advantage aims in order to avoid the risk of dilution. While it is clear that smaller SMEs have significant needs, it is not clear that an initiative like BLP is the most appropriate tool to meet those needs. The purposeful design elements that distinguish BLP from other programmes need to be maintained as much as possible for success to flow from the Activity.

- *Greater clarity required on import of local/indigenous parties to BLP*

In Vanuatu, all of the BASPs that we engaged with are run by expats, notwithstanding many of these people are naturalised. Among SME clients, it appears that the majority are also owned by expats. This makes Vanuatu unique, as Fiji and Papua New Guinea have a much lower expat presence, at least in terms of BLP participation.

The design of BLP does not make clear how important local/indigenous parties are to it. Market systems tend not to explicitly factor in local/indigenous participation goals, to the extent they exist. Interviewees confirmed that the major route through which local/indigenous impacts are felt is employment rather than through direct participation in BLP (i.e. if employment is created due to BLP then locals are likely to fill those vacancies).

If such an indirect path to local/indigenous participation in BLP is as intended then no further action is required. However, it may be that BLP needs to signal more strongly any intention the programme has to give primacy to local/indigenous parties (either SMEs or BASPs), particularly in Vanuatu.



13. Based on the learnings, what changes, if any, need to be made to enable BLP to achieve its goals under the current programme or in a potential expansion phase?

There are relatively few changes needing to be made for BLP to achieve its goals. The changes that could be made are also more in the nature of tweaks, or changes in emphasis, with one exception in relation to ICNRs.

- *Invest more in ICNRs*

The continued march toward success of existing activity, and any proposed expansion of BLP to other countries, will need to ensure the mix of resource and effort dedicated to ICNRs matches the important role they play now and into the future.

Investment in training, extra capacity and risk minimisation (e.g. succession planning) are all candidates for further resource. Of course, to the extent that multiple ICNRs in a single country are in place, the investment needed may rise, but there may also be scope to leverage off respective capabilities and for the ICNRs to effectively act as a club.

Additional investment does not automatically mean that greater funding is needed, as there may be reprioritisation opportunities available.

- *Be clearer on the boundaries of BLP*

This is largely a communications issue, but being clearer on the objectives for BLP (i.e. private sector SME growth through the channel of business advisory services, rather than poverty alleviation) is needed.

In addition, stating plainly who has what role, especially in relation to triaging and referrals, and any preferences in relation to the nature and extent of expected participation of local/indigenous parties would avoid confusion.

Finally, setting out clearly the protocols that are used to determine whether SMEs outside of the focus industry sectors are able to participate in BLP would be useful.

- *Re-assess the output mix and re-prioritise accordingly*

While not a major point, there is a question around the degree to which all outputs continue to matter for the success of BLP. Outputs relating to mentoring have been under-spent to date and there did not seem to be a groundswell of demand for such outputs.

It may be that timing is the reason for the lack of overt demand, and that SMEs would seek such assistance in future once the more immediate requirements (e.g. accounting systems) are met. Moreover, it may be the case that mentoring-type



services to BASPs and SMEs fit within outputs 1 and 2 rather than as a standalone component (i.e. mentoring is taking place implicitly rather than as a distinct output). We do not know for sure at this stage what the explanation is, but consider it worthy of attention in the future.

In the case of the market linkages outputs, it is reasonable to expect that activity would take place later in the life cycle of BLP and thus, there is less immediate impact of lower levels of action in this output class.

To the extent that benefits are starting to materialise in particular output classes, it would make sense to capitalise on those opportunities to maximise returns by directing resources to such areas and reducing them in those output classes that are less material to outcomes. This is the case both for the achievement of BLP goals under the current programme and for any expansion possibilities.



5

Evaluation Conclusions

The overall conclusion is that BLP is a well-designed Activity that meets a need and remains relevant to the priorities of MFAT and Pacific partner countries. The design is aligned with the incentives of the participants – connecting business advisors who are seeking to grow their client base with SMEs that can benefit from quality business advice that will help them to growth their business. A further strength of the design is the clear focus on assisting SMEs that have growth potential and a readiness and willingness to invest in advice on a cost sharing basis.

While it is possible that the evaluation may have benefitted from accessing a larger sample of SMEs, we are confident that the strength and consistency of the messages received from the interviews undertaken allow us to comfortably draw conclusions.

The following conclusions relate to the **relevance** of the Activity.

- The general theme among interviewees is that BLP remains relevant. It was accepted there is a need for BLP and that the Activity is helping to address a gap in the business advisory market for SMEs.
- Pacific partner country priorities – BLP appears to fit well with Pacific partner country priorities for economic development, particularly in that it adopts a market-based approach to support entrepreneurial activity and small business growth.
- MFAT strategic priorities – BLP aligns well with MFAT's economic objectives in the relevant four-year country plans. While the Activity is not designed to target inclusiveness, steps are being taken to ensure that women are supported to engage and reporting of activity by gender shows encouraging results.
- Pacific SME support landscape – while there have been some changes in the landscape of SME support activities since BLP was designed and implemented, they have not diminished the relevance of BLP.



The following conclusions relate to the **effectiveness** of the Activity.

- Overall, we conclude that there is noticeable progress being made in achieving BLP outputs and short-term outcomes. Some nascent benefits are observable and are likely to grow in future.
- Despite some initial issues around sufficient promotion and awareness of BLP, understanding and acceptance of BLP is growing, based on good programme design and positive experiences. Further clarity of objectives and roles will assist looking ahead. Sustained in-country presence will also be important.
- Inclusiveness objectives were not top of mind for interviewees, and appear to be being addressed indirectly (e.g. through job creation for women) rather than directly in dealing with SMEs and BASPs.
- The major risk concerns ICNRs. The importance of ICNRs is acknowledged by BLP/AECOM and plans are being developed to boost the capability and capacity of such organisations in the future. This may require further resources to achieve, and thus appears below in relation to future support of the Activity.

The following conclusions relate to the **efficiency** of the Activity.

- BLP appears to have been implemented in a relatively efficient manner in terms of how subsidy investments are being allocated. In particular, the criteria for investment have been clear, in that the focus has been on approving subsidies for SMEs that have the potential for growth, as a result of engagement with professional business advisors.
- The target sector focus has not been strictly enforced and, so far, does not seem particularly relevant for achieving BLP outcomes. While the majority of SMEs being assisted are in the target sectors, given that those are sectors of strength for these countries, excluding SMEs on the basis of sector would place an unnecessarily limit on potential growth outcomes at this initial stage. Nevertheless, retaining this feature allows for some future flexibility, as a way to target SMEs or to limit demand, as necessary.
- The mentoring network and market linkages activities are not yet fully developed and so it is difficult to form a view about their likely efficiency.
- The BLP team has managed the Activity well and is widely seen as being helpful and responsive to questions and requests from BASPs.
- While the Activity has under-spent relative to budget in Year 1 and Year 2, this underspend decreased in absolute and percentage terms in Year 2, which broadly points to some momentum building for activity in Year 3.



The following conclusions relate to the **future support** of the Activity.

- The major change identified relates to further investment required in ICNRs as it has proven more difficult than anticipated to adequately staff ICNRs to the required level in Vanuatu and to establish representative/s in Papua New Guinea.
- Besides ICNR investment, there are relatively few changes needing to be made for BLP to achieve its goals. The changes that could be made are also more in the nature of tweaks, or changes in emphasis.
- The continued march toward success of existing activity, and any proposed expansion of BLP to other countries will need to ensure the mix of resource and effort dedicated to ICNRs matches the important role they play now and into the future. Investment in training, extra capacity and risk minimisation (e.g. succession planning) are all candidates for further resource.
- There is a case for extending BLP to other PICs, given the design, staged roll-out, and emerging evidence of the effectiveness. This would be subject to partner country priorities and readiness, the recommendations offered above and the lessons learned. Consideration would need to be given to resources available for the BLP team, and the scope to reprioritise.



6

Lessons Learned

Lessons learned that are relevant to both the potential expansion of BLP to other PICs and any extension within existing countries are summarised below.

1. Demand exists for market-based, private sector-focused aid activities in PICs, but clear, consistent and ongoing communications around objectives, scope and audience are needed to avoid confusion.
2. Upfront investment in a feasibility study to inform a detailed design document results in benefits through the implementation phase and in ongoing operations.
3. Pragmatism is helpful in securing initial buy-in, but as take-up increases, a tighter approach to entry might be needed to manage resources efficiently.
4. Time in-country is valuable, no matter what stage the programme is at, to capitalise on informal networks and word-of-mouth communications channels predominant in PICs.
5. To the extent that a programme's sustainability relies on the private sector, be thorough in sourcing in-country partners and avoid being over optimistic about capability of such partners.
6. High Commissioners can play a crucial role in championing initiatives, and effectively 'credentialing' the Activity.
7. Collaboration with other donors to tailor activities toward respective experience and strengths, as well as avoid duplication is more than just good practice, it is highly beneficial.



7

Recommendations

The following recommendations have been developed in line with the learning and decision-making purposes of this evaluation.

Relevance and effectiveness of the BLP model

1. *Note that the BLP model remains relevant to MFAT and partner country priorities, does not duplicate other donor activities and that the market-based, private sector-focused approach has the potential to be effective in the Pacific context.*

Effectiveness and efficiency of the implementation

2. *Note that BLP has been implemented in an efficient manner in terms of how subsidy investments are allocated and in the staged roll-out across countries. Mentoring and market linkage-related outputs are not yet sufficiently developed to fully assess efficiency.*
3. *Note that there are signs of progress being made in achieving core outputs and short-term outcomes, with nascent benefits being observable and we see no reason why they would not continue.*

Improvements that can be made to managing, implementing and achieving results

4. *Increase the resource and effort dedicated to ICNRs to be commensurate with the importance of their current and future role in sustaining BLP.*

This involves MFAT and the BLP team taking a close look at how much is to be expected of ICNRs for the remainder of the Activity period and beyond, and determining what support will be needed for ICNRs to fulfil that role.

Investment in training, extra capacity at ICNRs and risk minimisation (e.g. succession planning) are all candidates for further resource. In countries where it makes sense to have multiple ICNRs (e.g. Papua New Guinea, Fiji) there may also be scope to leverage off respective capabilities and for the ICNRs to effectively act as a club. Additional investment does not automatically mean that greater funding is needed, as there may be reprioritisation opportunities available among existing resources.



5. ***Re-assess the relevance and balance of the mix of outputs and re-prioritise accordingly.***

This involves MFAT and the BLP team assessing the balance of resources across the Activity outputs, and taking the opportunity to reallocate resources into outputs that matter most for near-term success. The outputs relating to SME mentoring have been under-spent and do not seem to be a natural fit when considered alongside the market-based approach to professional advisory services. In the case of the market linkages outputs, it is reasonable to expect that activity would take place later in the life cycle of BLP and thus, there is less immediate impact of lower levels of action in this output class.

6. ***Develop and promote a clear and succinct set of messages for communicating the objectives and scope of BLP and the role of ICNRs.***

This is largely a communications issue for the BLP team, but there is benefit in being clearer on the objectives for BLP (i.e. private sector SME growth via the channel of business advisory services, rather than poverty alleviation) and in communicating this consistently across all stakeholder groups. In addition, stating plainly the role of ICNRs, especially in relation to triaging and referrals, and any preferences in relation to the nature and extent of expected participation of indigenous parties would also help to avoid confusion.

7. ***Keep the focus on evidence of SME growth potential as the criterion for approving BLP subsidy applications, while retaining the target sectors for future flexibility.***

This recommendation relates to MFAT and the BLP team maintaining the current approach, which places primacy on evidence of SME growth potential (underpinned by SME readiness to invest and BASP confidence) in the decision to approve subsidy applications (and in the pre-application filtering process). Applications outside the target sectors can still be referred to MFAT for consideration and approval. This approach means that resources will be allocated to opportunities with the highest potential benefits. Retaining the target sectors, even if not strictly enforced, allows for future flexibility, as a way to target SMEs or to limit demand, if this proves necessary.

8. ***Improve engagement with other SME support activities with a view to developing SME referral channels for BLP.***

As next steps, the BLP team, and relevant ICNR, could schedule regular engagements (e.g. biannual or annual) with representatives of other donor-funded SME support activities (e.g. MDF, PHAMA Plus, and Pacific RISE) to share information and promote SME referrals to BLP. The BLP team, with relevant ICNR, could also identify other local business support groups (e.g. the Women in Business Secretariat in Fiji) with the aim of connecting with potential referral networks.



9. ***Reduce the frequency of formal BLP progress reports from a quarterly to a six-monthly basis, with periodic updates on key issues and risks.***

This involves MFAT requiring the BLP team to report on a six-monthly basis instead of quarterly. The rationale is that the progress reports represent a considerable investment of resources from the relatively small BLP team.

Periodic updates (a briefing between each six-monthly progress report) could include measures of activity that show progress by country (e.g. number of subsidy applications approved, advisors signed up) or emerging risks or changes in the risk profile.

Inform decisions on whether to expand BLP to other PICs

10. ***Note that there is a case for extending BLP to other PICs, given the design, staged roll-out, and emerging evidence of its effectiveness.***

The strength and consistency of the messages received in interviews and the reporting documentation counters any concern around the representativeness of the sample. Therefore, on balance the evidence assembled provides qualified support for extending BLP to other PICs.

This recommendation is subject to partner country priorities and readiness, the recommendations offered above and the lessons learned. Consideration would need to be given to resources available for the BLP team, and the scope to reprioritise within existing resources.



Appendix 1: Glossary

Table 8: List of acronyms and initialisations

Acronyms / Initialisations	In full
BASP	Business Advisory Service Provider
BLP	Business Link Pacific
ICNR	In-Country Network Representative
MDF	Market Development Facility
MFAT	Ministry of Foreign Affairs and Trade
PHAMA Plus	Pacific Horticultural and Agricultural Market Access
PIC	Pacific Island Country
SME	Small-to-medium enterprise



Appendix 2: Subsidies approved

Table 10: Summary of SME subsidies approved by country and sector

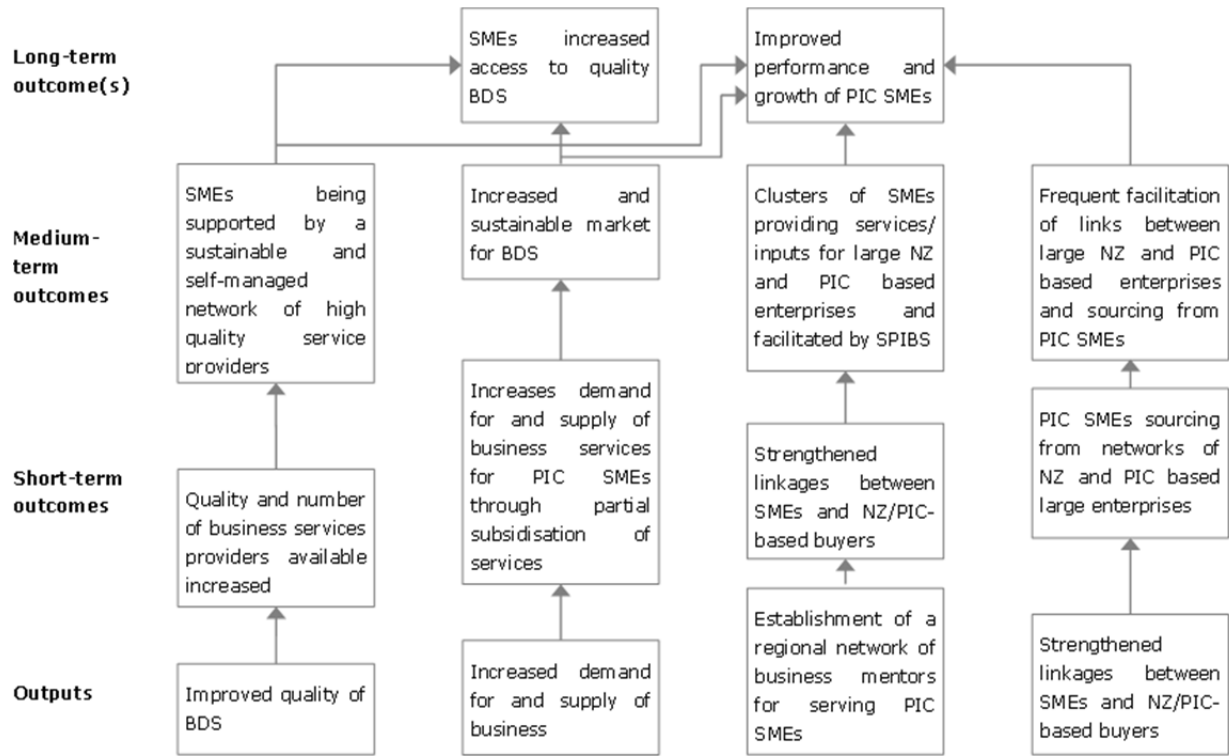
Sector	Vanuatu	Fiji	Papua New Guinea	Samoa	Total
Agriculture	7	7	1	1	16
Tourism	17	7	4	0	28
Construction	9	4	17	1	31
Fisheries	3	0	0	0	3
Manufacturing	0	2	0	0	2
Retail	0	0	3	0	3
ICT	0	0	4	0	4
Logistics	0	0	4	0	4
Security	0	0	2	0	2
Other	5	2	5	0	12
Total	41	22	40	2	105

Source: calculated from data provided by BLP Activity Director, as at end of 2018



Appendix 3: BLP results diagram

Figure 6: BLP results diagram



Source: BLP Activity Design Document

