



**NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Aid Programme**

Evaluation of Business Link Pacific, 2017-2021

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Abstract

Business Link Pacific (BLP) is a development activity funded by MFAT with the goal of promoting growth in small-to-medium enterprises (SMEs) through building the market for business advisory services in some Pacific Island Countries (PICs).

This evaluation covers the period 2017-2021, following a formative evaluation completed in early 2019. The evaluation assesses the relevance, effectiveness and efficiency of BLP and identifies options for future support.

Interviews conducted in-country by evaluation partners and onshore by Sapere were supplemented by data analysis to derive the main findings and conclusions of the evaluation. Due to sound design and willingness to adapt and improve, BLP performs well.

BLP remains relevant, fit for purpose, and meets an identified need. In the face of COVID-19, BLP's relevance has grown. BLP has demonstrated continued effectiveness in the delivery of outputs and outcomes in three of its four workstreams, as seen by gains to SMEs through increased revenue and employment, quality improvement of business advisory service providers, and a strengthening of in-country network representatives (ICNRs). The remaining workstream (relating to market linkages and export activity) was effectively put on hold due to COVID-19.

BLP is efficient, providing value for money and operational cost-effectiveness, with no obvious improvement needs around efficiency. BLP is progressing well towards its goal of a sustainable market for business advisory services. The main suggestion for future support is a continuation of work already underway to strengthen the capability and capacity of ICNRs, and some consideration of the future role of the 'market linkages' workstream. The solid foundations and good performance to date of BLP would support expansion to other PICs, though such expansion is not needed to maximise efficiency and effectiveness.



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Executive Summary

Business Link Pacific (BLP) is an NZD\$12.5 million, five-year, multi-country small-to-medium enterprise (SME) development activity funded by MFAT. The goal of BLP is to build the local market in participating Pacific Island Countries (PICs) for business advisory services and to enable PIC SMEs to access the services that will help them to develop and grow. This evaluation covers the period from 2017 to June 2021.

BACKGROUND

BLP adopts a systems approach to develop the local market, where quality approved business advisory service providers (BASPs) offer services that respond to SME needs. A subsidy scheme discounts the initial cost paid by SMEs. BLP was implemented in four countries in 2017 and 2018: Vanuatu, Fiji, Papua New Guinea, and Samoa. In 2020 (Year 4), BLP expanded its geographic scope to include the Cook Islands and Solomon Islands.

KEY FINDINGS

Relevance

Business growth is generally a strategic priority for partner governments, with respect to their formal economic development strategies and plans. Interviews with partner government officials found a high degree of awareness of BLP and its focus on enabling SMEs to access business advice. The relevance of BLP was a strong theme, with comments about a further phase being desirable.

In response to the onset of the COVID-19 pandemic, BLP launched an online Business Continuity Planner to assist SMEs to navigate the crisis. The subsidisation of business advisory services was increased, up to 100 percent in some cases, to enable SMEs to access the business advisory services to help stabilise their business operations. There is a general sense across interviewee cohorts that BLP has been able to respond in timely way – being the first development programme to respond. There is a sense that the impacts of the COVID-19 pandemic have increased the relevance of BLP.



Effectiveness

BLP aims to improve the quality of business advisory services through competency assessments and technical assistance. The number of BASPs has steadily increased year on year, with an increasing number of advisors being approved via an online competency assessment tool. The value of the assessment process was a strong theme emerging from interviews with business advisors. Interviewees cited the upskilling opportunities and feedback from assessors as leading to better-quality advice. There were also references to being “BLP approved” as carrying weight with clients. SME interviews revealed a generally positive view with respect to BASP professionalism.

BLP is also focused on increasing the demand for and supply of business advisory services. An online platform promotes BLP, offers diagnostic tools and connects SMEs to BASPs. The number of approved packages of subsidised advice increased from 116 in 2018 to 585 in 2020, demonstrating an ability to scale up to meet higher demand.

SMEs who had received subsidised support generally reported an appreciation for the availability of business advisory services and felt it had improved their business. Having received support, several SMEs commented that they had increased their understanding and/or that they would seek business advisory services in future. Alongside this was a more minor theme of the support being appreciated, but as a result of the pandemic it had proved difficult to implement or had yet to show a return.

Surveys of SME participants show that in 2019 (Y3H2), prior to the COVID-19 pandemic, the majority reported benefits, including increased revenue and profitability. From 2020 (Y4H1), SMEs were less likely to report increased turnover or profitability, as the economic effects of the pandemic emerged. At the same time, the proportion of SMEs reporting benefit from working with a BASP continues to rise. This increase could reflect a number of factors: for example, improvements in the quality of advice or efforts to stabilise a business within the COVID-19 context.

BLP has worked to establish a regional network of business advisory services. In-country network representatives (ICNRs), typically chambers of commerce, have been contracted in participating countries. The appointment of local business service managers (BSMs) is seen by ICNRs, Government representatives, BASPs, and the BSMs themselves as having improved problem solving at the local level and the coherence and connectedness of BLP at the national level.

Efficiency

Using simple measures of efficiency based on the costs of acquiring additional BASPs and approved projects provides indicators of the cost-effectiveness of BLP. The



measures are relative to the base year (2018), meaning cost-effectiveness is tracked across time.

For the time periods where full-year data are available, BLP has shown marked improvements in relative cost-effectiveness. The cost per additional BASP acquisition in year three (2019) was around 20 percent below the cost in 2018, while in year four (2020) the cost was around 40 percent lower than in 2018. The cost per additional approved project in 2019 was around 20 percent lower than in 2018, while the same cost in 2020 was almost 75 percent lower than in 2018.

The most plausible explanation for the positive efficiency/cost-effectiveness finding is the move to digitisation and other investments in online processing made by BLP. Such moves allowed a greater array of interventions made by BLP to achieve scale, thus reducing costs.

There was no evidence in the data or interviews that BLP had driven out or replaced private expenditure that would otherwise have occurred (so-called 'crowding out'), or that there were excessive costs of transacting with BLP. In other words, BLP provides good value for public money.

While some interviewees raised concerns about processing times for payments and the onerous requirements associated with the application system, there were mitigating factors (e.g. around probity) that suggested the concerns were not necessarily efficiency-related. Moreover, BLP is continually looking to streamline processes in the name of efficiency.

No glaring or major opportunities for improvement in the efficiency of BLP were identified. Improvement is less about changes (introduction of new things or reorientation away from some areas and towards others) and more about continuing with what is in place, including if any scale decisions are taken.

Future support

There are strong indications that BLP activities have led to the introduction of a market for business advisory services that is sustainable, a major goal of BLP. The key features of such a market are:

- a growing number of participants on the supply and demand sides of the market (competitive elements)
- willing buyers and sellers in the market making exchanges, with a key facilitation role being played by 'intermediaries' (trust)
- no obvious information issues or asymmetries (knowledge).



At the conceptual level, therefore, we do not see any obvious new areas of work that need to be developed or introduced. At a more practical level, what could be helpful is further analysis and understanding of the import of the subsidy element in terms of its presence, rate, and tenure.

CONCLUSIONS

The overall conclusion is essentially a strengthened version of the one contained in the formative evaluation: that BLP is a well-designed Activity that meets a need and remains relevant to the priorities of MFAT and Pacific partner countries. What can be added to that conclusion is that the design of BLP and a willingness to adapt and improve has contributed significantly to the good progress made in terms of effectiveness and efficiency since the formative evaluation.

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

- BLP is relevant. Across the board (i.e. PIC partner country priorities, wider Pacific SME support landscape and MFAT strategic priorities) BLP is fit-for-purpose, contributes to addressing priorities and meets an identified need.
- The relevance of BLP has remained robust in the face of changes brought about by COVID-19. In fact, there is reasonable support for the view that BLP's relevance has grown since the onset of the pandemic.

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

- In three of the four workstreams, BLP has demonstrated effectiveness in the delivery of outputs and outcomes. Particular gains have been made in terms of:
 - Quality assessment, volumes, and improvement of BASPs (although there were some complaints from established BASPs in relation to the need to be reassessed for competency)
 - Building the BLP brand and reputation (though interviews suggest that continued activity in this area would be welcomed)
 - Measurable benefits to SMEs that would not have occurred in the absence of BLP
 - Strengthening the in-country presence and capabilities of ICNRs through additional investment and creation of new positions. This additional investment and strengthening was a recommendation of the formative evaluation, and BLP has responded well to that suggestion.



- The fourth ('Market Linkages') workstream remains somewhat problematic. Progress has been slow, and due to the pandemic, the workstream is effectively now on hold. Given other initiatives around exporting currently in play, continued activity in the workstream at this time is questionable. Reactivation of activity in future is a possibility.
- Despite the overall conclusion of positivity in relation to effectiveness, some attention (and additional analysis) may be required in the third ('Regional Network') workstream around the transition of more services to ICNRs, as well as how and whether BLP impacts the financial sustainability of BASPs and SMEs in the longer term.
- BLP, due to its design features and targeted niche, is able to interface well with other SME support services and programmes. There is, in general, no replication or duplication of other offerings, but managing the potential for friction to occur will remain important.
- With respect to inclusiveness, positive progress has been regarding the participation of women. There is scope to further monitor the within-country geographic distribution of BLP participants to form a picture about the inclusion of SMEs located outside of main urban centres. Further work around other aspects of inclusion (e.g. people with disabilities, youth, and indigenous communities) remains to be done.

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

- Consistent with the formative evaluation conclusion, BLP continues to operate in an efficient manner. In fact, BLP appears to have improved its efficiency (e.g. through development of online systems and automation of processes).
- BLP provides value for money. The available data show that cost-effectiveness has improved over time (i.e. costs per output have dropped relative to the first year). There is no evidence of 'crowding out' of private expenditure, and it is plausible that BLP actually 'crowds in' such private expenditure.
- The BLP team is well thought of and dealing with BLP and other providers is largely 'hassle free', reducing transactions costs. BLP exercises flexibility in the face of the pandemic, which also assisted in lowering transactions costs and meeting pressing needs.
- Relatively minor, but persistent concerns exist in relation to some administrative factors such as delayed payment of invoices, onerous



requirements for some approvals and certification processes, and the methods used to publicise and raise awareness and take-up of BLP.

- Major improvements to efficiency are difficult to identify. The concerns immediately above are not purely efficiency-related but are reasonably easy to address in future, as required.

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

- There are no obvious areas where major further work is required to achieve BLP's goal of a sustainable market for business advisory services (BAS). BLP activities have led to the introduction (or enhancement) of a market that has the core features required of durability/sustainability.
- Additional work in the following areas could be helpful in future:
 - Analysis to gain a better understanding the role and importance of the subsidy component of BLP for decision-making and behaviour
 - Continuing to invest in and expand the local presence through ICNRs, Chambers of Commerce (COCs), and other in-country providers.
- The 'Market Linkages' workstream has made little impact, and it is not well aligned with the core focus of developing the market for business advisory services. Resources could be redirected away from this workstream with little or no apparent effect on the impact of BLP.

RECOMMENDATIONS

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

The following recommendations relate to decisions on whether to proceed with a second phase, and if so, what the future direction, design and support should be.

1. **Capitalise on the progress made and momentum gained by extending BLP to a second phase.** This recommendation follows the conclusion that BLP has proved itself to be relevant to participants, particularly during the COVID-19 pandemic, and that relevance is likely to increase during the post-pandemic recovery phase. It is also based on the conclusion that the design is effective, while acknowledging that building a self-sustaining market for business advisory services is realistically a medium-term proposition (i.e. 10 years at a minimum).



2. **Focus on building the market for business advisory services, where BLP has a comparative advantage.** Sharpening this core focus, where BLP, as a development activity, has a comparative advantage and an established brand. This could mean forgoing, at least for now, efforts to develop market linkages for SMEs that export (or wish to do so). The resources and time, although relatively small, could be reprioritised into other workstreams. Instead, the BLP team could build relationships with other development initiatives that are focused in this space and refer on candidate SMEs.
3. **Retain the market systems approach and expectation of co-payment.** In the post-pandemic recovery phase, the emphasis should shift towards co-payments, as SME ability to pay recovers. The pandemic response has highlighted the reach and usefulness of the BLP platform and its network of participants.

The following recommendations relate to improvements that can be made to managing, implementing, and achieving results from BLP.

4. **Develop a clearer picture of what a sustainable market for business advisory services looks like.** Defining some measurable features of success, including milestones along the way, would help inform a future decision about when BLP, as a development activity, could exit or take on a different form. This thinking would encompass the future role of ICNRs, the role and expectations around subsidies, and the future ownership and sustainability of online platform and tools.
5. **Continue to look for opportunities to involve ICNRs and build local capacity.** Continue to increase the resource and effort dedicated to ICNRs and to the BSMs, consistent with thinking about the future role for ICNRs.
6. **Improve the monitoring of the in-country geographic distribution of SME participants.** Building on the considerable work already done by BLP disaggregating data, measuring and tracking inclusion, additional collecting and reporting of geographical data would build a picture about the inclusion of SMEs located outside of main urban centres, thereby providing evidence for this dimension of inclusiveness (noting that this would be within the SME segment that is the focus of BLP).
7. **Continue to improve the communications element, with participants and stakeholders within partner governments.** Developing a clear set of messages for communicating the design, scope, and impact of BLP with partner government stakeholders would help build understanding (e.g. with respect to the position of BLP regarding micro enterprises and the informal business sector). Improved communications with business advisors around payment terms may help manage expectations of payment timeliness.



3

Background

This chapter provides an overview of Business Link Pacific and outlines the purpose, scope, and design of the evaluation.

OVERVIEW OF BUSINESS LINK PACIFIC

Business Link Pacific (BLP) is an NZD\$12.5 million, five-year, multi-country small-to-medium enterprise (SME) development activity funded by MFAT. The goal of BLP is to build the local market in participating Pacific Island Countries (PICs) for business advisory services and to enable PIC SMEs to access the services that will help them to develop and grow.¹ Appendix 1 provides the results framework and theory of change.

BLP has been developed in response to identified constraints to SME growth, including the need for business advice and barriers to accessing finance. Furthermore, SME support programmes in the Pacific have focused on direct provision, potentially crowding out commercial providers. Therefore, BLP adopts a systems approach to develop the local market, where quality approved business advisory service providers (BASPs) offer services that respond to SME needs. An online platform promotes BLP, offers diagnostic tools, and connects SMEs to BASPs. A subsidy scheme discounts the initial cost paid by SMEs.

BLP has been implemented by a Managed Service Contractor (DT Global) with a team 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. The work plan is structured around four outputs.

1. Improved Quality and Affordability of Business Advisory Services
2. Increased Demand for and Supply of Business Advisory Services
3. Establishment of a Regional Network of Business Advisory Services
4. Strengthened Market Linkages to Facilitate Pacific SME Growth

¹ MFAT (2021) Evaluation Terms of Reference for Business Link Pacific, 5 May 2021

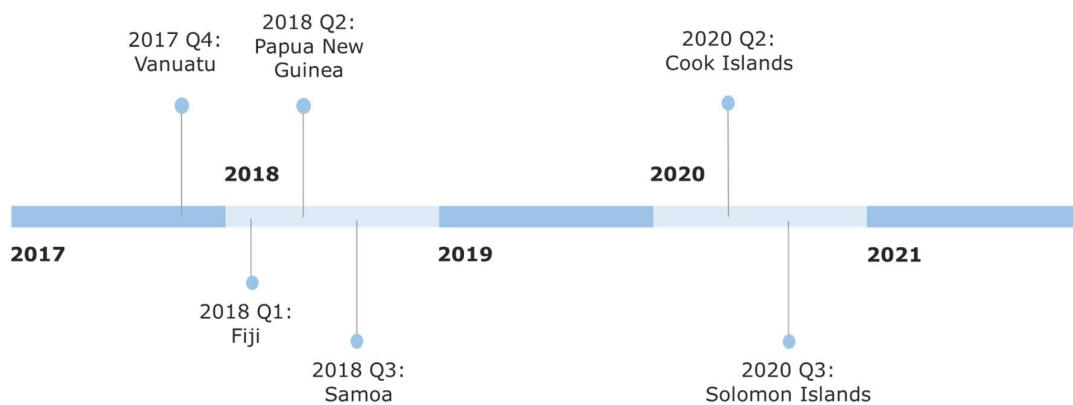


The 2016 activity design document had described Output 3 as “Establishment of a regional network of mentors for servicing PIC SMEs”. The formative evaluation of BLP in 2019 found little demand for mentoring services through BLP and so Output 3 was refocused on strengthening the regional network of business advisory services, including the capacity of in-country network representatives.²

Timeline of implementation

BLP was initially implemented in four countries in 2017 and 2018 – Vanuatu, Fiji, Papua New Guinea, and Samoa. In 2020 (Year 4), BLP expanded its geographic scope to include the Cook Islands and Solomon Islands following scoping missions in June 2019 and approval by MFAT in December 2019.³ Figure 1 provides a timeline with the sequence of launches in each country.

Figure 1: Timeline of BLP implementation in participating countries



Sources: Formative Evaluation of BLP; BLP website; progress reports

COVID-19 pandemic response

The World Health Organization confirmed the COVID-19 outbreak as a global pandemic on 11 March 2020. The resulting travel restrictions, social distancing and lockdowns have significantly affected Pacific economies and impacted on SME revenue and profitability, particularly those dependent on tourism.

In response, BLP launched a Business Continuity Planner, an online tool to assist SMEs. The subsidisation of business advisory services was increased, up to 100

² Business Link Pacific (2019) “6 Month Progress Report Y3H1 January – June 2019”, July 2019

³ Business Link Pacific (2020) “6 Month Progress Report Y4H1 January – June 2020”, July 2020; MFAT (2019) “Business case for the expansion of Business Link Pacific”, 5 August 2019



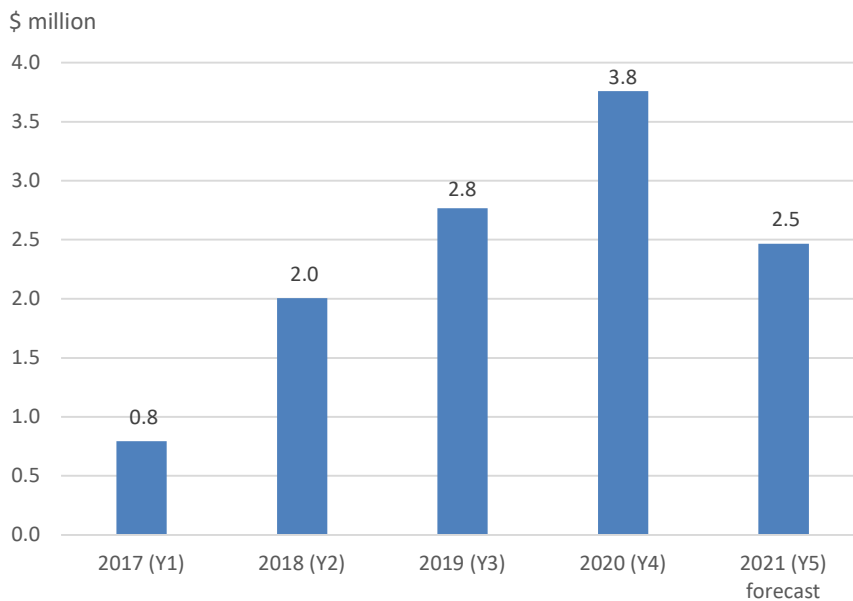
percent in some cases, to enable SMEs to access the business advisory services that they needed to stabilise their business operations.

In June 2020, the BLP team was invited by MFAT to develop the design for a regional Pacific SME Finance Facility Pilot to provide small grants and concessional loans to assist SMEs to adapt to a post-COVID business environment. The Finance Facility Pilot is a separate activity that is delivered using BLP structures and networks. It is the subject of a separate, formative evaluation undertaken concurrently with this evaluation.

Activity expenditure

Expenditure on BLP totalled \$11.8 million between 2017 (Year 1) and 2021 (Year 5). Figure 2 shows the expenditure in each year. The increase in expenditure in 2020 (Year 4) reflects the response to the COVID-19 pandemic and the reduced ability of SMEs to pay for business advisory services. Key elements of that response included a larger number of subsidies for packages of business advice and an increase in the subsidy rates. The Year 5 figure is a forecast, as at June 2021.

Figure 2: Expenditure on Business Link Pacific, Years 1-5



Source: BLP Progress Reports, 2017-2021



EVALUATION PURPOSE AND DESIGN

This section outlines the purpose, scope, and design of the evaluation. It also outlines the approach to data collection and analysis and the limitations encountered.

PURPOSE

The evaluation will be used by MFAT to:

- identify improvements that can be made to managing, implementing, and achieving results from BLP, and
- to inform decisions on whether to proceed with a second phase of BLP and, if so, what the future direction, design and support should be.

SCOPE

The scope of the evaluation covers the implementation and activities of BLP from January 2017 to August 2021 across the six partner countries of the Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands and Vanuatu.

DESIGN

The Terms of Reference for this evaluation identified four evaluation objectives, three of which map to the evaluation criteria of relevance, effectiveness, and efficiency, with the fourth objective being to determine future support.

- Objective 1: To assess the extent to which business advisory services for SMEs remains a priority for partner countries and the New Zealand Aid Programme. (relevance)
- Objective 2: To examine the progress being made in achieving BLP outputs and outcomes. (effectiveness)
- Objective 3: To review the cost-effectiveness of BLP and Managed Services Contractor approach. (efficiency)
- Objective 4: To identify the key changes needed to deliver sustainable outcomes from a possible second phase of BLP. (future design and support)

Table 1 shows how 12 evaluation questions are mapped to these evaluation objectives and criteria.

An evaluation plan was prepared, and it outlines the method in more detail. The data collection phase was run concurrently with the formative evaluation of the Pacific SME Finance Facility Pilot, which has its own evaluation plan.



Table 1: Evaluation framework – objectives, criteria, and questions

Objectives and criteria	Evaluation questions
<p>Objective 1: to assess the extent to which business advisory services for SMEs remain a priority for partner countries and the New Zealand Aid Programme. Criteria: Relevance</p>	<ol style="list-style-type: none"> 1. To what extent does BLP address PIC government priorities for SMEs and broader economic development? 2. To what extent does BLP address MFAT’s regional and bilateral strategic priorities, including economic resilience, inclusive development, and climate change? 3. Given the impacts of COVID-19 and the availability of other donor support programmes, is BLP still relevant and fit-for purpose?
<p>Objective 2: to examine the progress being made in achieving BLP outputs and outcomes. Criteria: Effectiveness</p>	<ol style="list-style-type: none"> 4. How effective are the key BLP workstreams and design parameters in contributing to outputs and outcomes? 5. How well does BLP interface with other SME support services and programmes? 6. What progress has been made in achieving sustainable and inclusive BLP services and outcomes? What further support is required to develop the local business advisory market and to maximise impact?
<p>Objective 3: to review the cost-effectiveness of BLP and Managed Services Contractor approach. Criteria: Efficiency</p>	<ol style="list-style-type: none"> 7. Given the budget available, do the outputs and outcomes achieved by BLP represent good public value? 8. Given the challenges of COVID-19, how well did BLP adapt its approach to respond to operating constraints and evolving SME needs? 9. What opportunities exist, if any, for improvement?
<p>Objective 4: Future design and support – to identify the key changes needed to deliver sustainable outcomes from a possible second phase of BLP.</p>	<ol style="list-style-type: none"> 10. What further work remains to achieve BLP’s goal for a sustainable, local market for business advisory services? What services or geographic areas should be added/discontinued and what potential exists for increasing/decreasing scale? 11. What policy constraints exist that may limit the achievement of BLP’s goal, and is there opportunity and scope to address these through a potential second phase? 12. If BLP is considered for a second phase, what changes, if any, are needed to the delivery approach to maximise effectiveness and efficiency?

Source: “Evaluation Terms of Reference for Business Link Pacific”



DATA COLLECTION AND ANALYSIS

The evaluation has used a mixed methods approach, with information and data being collected through stakeholder interviews (primary data sources), review and analysis of documentation, and analysis of Activity data (secondary data sources).

Interviews were undertaken with BLP participants and stakeholders across the six PIC markets where BLP has been implemented, and with stakeholders in New Zealand and Australia. The interviews were undertaken using a semi-structured format, with a set of open-ended questions tailored to each interviewee group. The composition of the sample is summarised in Table 3.

The COVID-19 pandemic has inhibited international travel and so the interview phase has been a partnership between New Zealand-based and in-country evaluators. The text box below lists the in-country evaluation partners. The interview notes were uploaded to a template for analysis, with each interviewer providing a set of initial themes and reflections. The themes were reviewed in an evaluator workshop.

In-country evaluation partners

- Cook Islands – Maureen Hilyard
- Fiji – Talanoa Consulting (Marita Manley, Matt Capper and Kolora Mason)
- Papua New Guinea – Lydia Nenai
- Samoa – Zita Martel
- Solomon Islands – Gaylyn Puairana
- Vanuatu – Rebecca Bogiri

Lead evaluators then conducted a detailed thematic analysis of interview notes, using a coding method to identify and interpret patterns of meaning (or “themes”). Table 2 provides some guidance on how the strength of these findings has been characterised.

Table 2: Thematic analysis – describing the strength of findings

Descriptor	Meaning
“Strong”	Meaning that most, or all, interviewees raised this point
“Moderate”	Where a material proportion of interviewees raised this point
“Minor”	For observations by more than one interviewee, but few in number, or else strongly held by an informed interviewee
“Mixed”	Where there are comments supporting, and taking away, from the finding

Source: Evaluation team



Stakeholder interviews completed

A total of 110 interviews were completed for this evaluation, of which 100 were undertaken by evaluation partners in the six participating countries.

The interviews included a sample of 30 SMEs that had participated in BLP as well as a further 13 SMEs that had not participated. Interviews were also undertaken with 25 participating business advisors. Appendix 2 provides more detail on the characteristics of these samples.

Interviews with donor partners included representatives from DFAT and the Asian Development Bank. Interviews with the Managed Service Contractor comprised members of the BLP team in Auckland and the contract representative at DT Global.

Table 3: Number of interviews completed by stakeholder group

Interviewee category	Cook Islands	Fiji	Papua New Guinea	Samoa	Solomon Islands	Vanuatu	New Zealand/Australia	Total
SME participant	6	8	2	6	3	5	-	30
SME non-participant	2	5	1	4	1	-	-	13
Business advisor	4	8	3	2	4	4	-	25
BSM	1	1	-	1	-	1	-	4
ICNR	1	3	4	1	3	2	-	14
Partner government	2	1	1	1	1	-	-	6
MFAT / Post	1	1	1	1	1	1	5	11
Donor partner	0	0	1	1	0	0	2	4
MSC	0	0	0	0	0	0	3	3
Total	17	27	13	17	13	13	10	110

Source: Interview database maintained by the evaluation team



Documents reviewed

Table 4 outlines the categories of documents that were examined in the document review. These comprise: Activity planning, monitoring, and evaluative documents, as well as documentation on the strategic context. The items and their authors and sources are also identified.

Table 4: Document review – categories, details and sources

Category	Detail	Author
Strategic context	NZ Statement on International Cooperation for Effective Sustainable Development (ICESD) MFAT Strategic Framework MFAT-PIC Statements of Partnership	MFAT
Activity planning documents	Activity Design Document (ADD)	MFAT
	Results Framework Document	MFAT
	Business Case for BLP expansion	MFAT Activity Manager
Activity monitoring documents	Activity Progress Reports (includes expenditure reporting)	BLP team
	In-country Steering Group papers	BLP team
Activity evaluative reports	Activity Monitoring Assessments (AMAs)	MFAT Activity Manager
	Formative evaluation of BLP (2019)	Evaluator (Sapere)
	Management response to the Formative evaluation of BLP (2019)	MFAT

Quantitative data sets

The BLP team provided record-level data sets on approved subsidies and results from surveys of SMEs and BASPs. These detailed data sets were analysed by the evaluation team and formed part of the evidence base for the findings.

The summary data contained in the BLP Progress Reports were extracted, placed into time series, and analysed to inform the findings.



4

Overarching Findings

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

Objective 1: To assess the extent to which business advisory services for SMEs remains a priority for partner countries and the New Zealand Aid Programme. (Relevance)

1. To what extent does BLP address PIC government priorities for SMEs and broader economic development?

As context, the formative evaluation of BLP, completed in March 2019, found that business growth is generally a strategic priority for partner governments, with respect to their formal economic development strategies and plans. There was support among officials interviewed (Vanuatu, Fiji) for BLP to continue, particularly in assisting SMEs to overcome barriers to accessing finance. No clashes or duplication with government activities or programmes were identified.

The business case for the expansion of BLP to the Cook Islands and Solomon Islands found that BLP would align well with national development strategies.⁴

- In the Cook Islands, the *National Sustainable Development Plan 2016-2020* emphasises economic development through Goal 2: Expand economic opportunities, improve economic resilience and productive employment to ensure decent work for all. This goal focuses on increased growth in the tourism sector as well as non-tourist related industries.
- SMEs form a core component of the Solomon Islands Government's plans to drive economic growth through its *Micro, Small & Medium Enterprise (SMEs) Policy & Strategy*. Facilitating SME access to business development services and to local, regional, and international markets is among the objectives.

⁴ MFAT (2019) "Business case for the expansion of Business Link Pacific", 5 August 2019



Interviews with officials for this evaluation (Cook Islands, Fiji, Papua New Guinea, Solomon Islands, Samoa) found a high degree of awareness of BLP and its focus on enabling SMEs to access business advice. The relevance of BLP was a strong theme, with comments that its relevance had increased since the onset of the COVID-19 pandemic. There were also comments about a further phase being desirable, with more emphasis on reaching more SMEs located outside of the urban centres.

A further theme, of moderate strength, was that officials would like more regular information about BLP and its progress. This could involve other ways of sharing information, outside of the scheduled in-country Steering Committee meetings.

2. To what extent does BLP address MFAT’s regional and bilateral strategic priorities, including economic resilience, inclusive development, and climate change?

New Zealand’s International Cooperation for Effective Sustainable Development (ICESD) policy statement outlines MFAT’s Pacific regional priorities, recognising New Zealand as a key player in Pacific relations and in building a more peaceful world where all countries can prosper. It states that New Zealand will prioritise working with Small Island Developing States to support their voice and advance their sustainable development interests.

Furthermore, New Zealand also has a commitment to deliver 20 percent of Official Development Assistance on aid for trade activities, and to support Pacific signatories to benefit from the PACER Plus agreement.

In terms of bilateral strategic priorities in the Pacific, including economic resilience, and inclusive development, country-specific comments are as below.

Table 5: BLP fit with bilateral priorities

Country	Comment
Cook Islands	New Zealand and Cook Islands Joint Commitment for Development (2014) has goals of increasing and sustaining tourism income.
Fiji	New Zealand and Fiji Development Cooperation Arrangement (2016) has a goal of building Fijian professional capabilities, as well as a focus on supporting the agricultural sector.
Papua New Guinea	New Zealand and Papua New Guinea Statement of Partnership (2021) in building prosperity and inclusive and sustainable development.
Samoa	New Zealand and Samoa Statement of Partnership (2019) encourages tourism development, with a strong focus on marketing capability and uplifting the private sector.
Solomon Islands	New Zealand and Solomon Islands Statement of Partnership (2019) has priorities for cooperation include working to create a sustainable future for Solomon Islanders, enhance sustainable economic growth and resilience, and building capacity to achieve accelerated sustainable growth.



Vanuatu	New Zealand’s development cooperation with Vanuatu (2021) specifies improving economic participation for women and youth, and strengthening key economic sectors to maximise inclusive growth.
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3. Given the impacts of COVID-19 and the availability of other donor support programmes, is BLP still relevant and fit for purpose?

In response to the onset of the COVID-19 pandemic, BLP launched a Business Continuity Planner, an online tool to assist SMEs to navigate the crisis. BLP also increased the subsidisation of business advisory services, up to 100 percent in some cases, to enable SMEs to access the business advisory services that they needed to stabilise their business operations.

There is a general sense across all interviewee cohorts that BLP has been able to respond to the pandemic in a timely way – being the first development programme to respond. There is a sense that the impacts of the pandemic on the business environment have increased the relevance of BLP. There are also signs that other development partners are recognising the relevance of BLP: for example, the Asian Development Bank recently cited the need to coordinate with BLP and recognised its market-driven approach to the provision of business development services.⁵

This finding of increased relevance is also visible in responses to most of the other evaluation questions, and this is explored below.

Objective 2: To examine the progress being made in achieving BLP outputs and outcomes. (Effectiveness)

4. How effective are the key BLP workstreams and design parameters in contributing to outputs and outcomes?

The **first workstream** is focused on improving the quality of business advisory services through competency assessments and technical assistance. As context, the number of BASPs steadily increased, year on year, from 27 in December 2018 (Year 2) to 132 in June 2021 (Year 5). An increasing number of individual advisors are being approved using the online competency assessment tool (CAT), launched in early 2020.

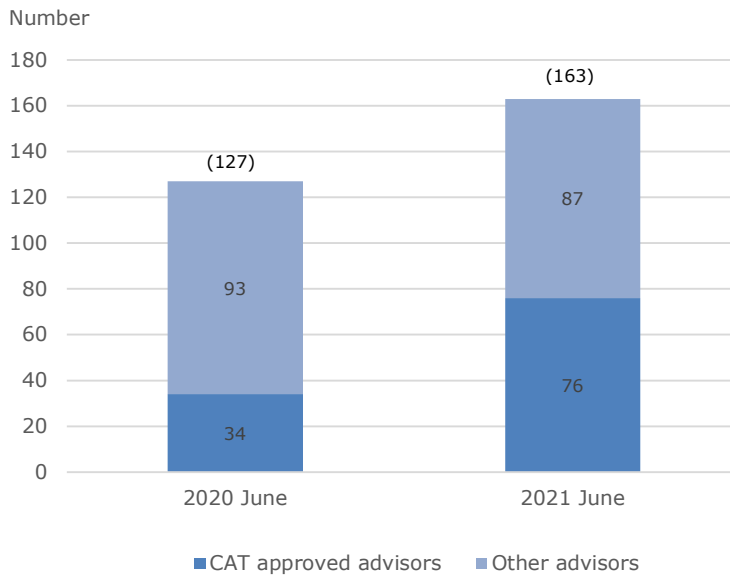
Figure 3 shows how the number of CAT-approved advisors increased from 34 (27 percent) to 76 (47 percent) in the 12 months to June 2021. In addition, 10 advisors,

⁵ Asian Development Bank “Supporting Recovery by Micro, Small, and Medium-Sized Enterprises in the Pacific from the Effects of the COVID-19 Pandemic”(KSTA: 54257-001), Terms of Reference



or 6 percent, have completed the requirements of the BLP Certificate in Business Advisory Skills.

Figure 3: Number of BLP advisors by approval status



Source: BLP Progress Reports, 2020-2021

The value of the competency assessment process was a strong theme among interviews with business advisors, in response to the question of how BLP may have benefited their business. Interviewees cited the competency assessment and upskilling opportunities, including feedback from assessors, as leading to improved performance and better-quality advice to clients. There were also references to the value of being “BLP approved” and it carrying weight with some clients. One advisor acknowledged that BLP’s quality improvement activities have improved over time.

The online competency assessment gave me the chance to review myself and the services I provide.

BLP is excellent in providing training support for me to upskill.

Certification has made a big difference in the way our service has been delivered to our clients.

A minor theme among the interviews with advisors related to the time commitment involved in the competency assessment process. Some advisors had been assessed using an earlier process and did not see value in taking time to be reassessed.



These findings are consistent with the surveys undertaken by the BLP team. Analysis of the data shows that 86 percent of BASP respondents (n=83) thought that their service offering to SMEs had improved since working with BLP. The first BLP progress report for 2021 indicated that 66 percent of BASP respondents were satisfied with the quality assurance system. Alongside this, it was noted that some BASPs who were approved using an early version of the competency assessment system were reluctant to be reassessed using the new online tool.⁶

From an SME perspective, the interviews show a generally positive view with respect to BASP knowledge, efficiency and overall professionalism. The comments relate to an SME's perception of their BASP at a point in time and so are not necessarily indicative of changes over time.

The **second workstream** is focused on increasing the demand for and supply of business advisory services. An online platform promotes BLP, offers diagnostic tools and connects SMEs to BASPs. A subsidy scheme discounts the initial cost. The number of approved packages for subsidy increased from 116 in 2018, to 145 in 2019, to 585 in 2020 – demonstrating an ability to scale up support to meet higher demand. The number of subsidies approved in the first half of 2021 (93) is a reflection of budget constraints. The option of a 100 percent subsidy was introduced in response to an increased need for advice and a reduced ability to pay, as a result of the economic effects of the pandemic. As at June 2021, \$2.601 million in subsidies had been approved, accompanied by SME co-investment of \$2.045 million (explored below).

Among the interviews with participating SMEs, there was a theme, of moderate strength, that the SMEs would not have purchased the advice in the absence of the subsidy – particularly in the case of 100 percent subsidies. Alongside this, there was a minor theme of SMEs stating that they would have eventually purchased advice, albeit much later, due to reasons of affordability. These findings are consistent with those of the formative evaluation, which surveyed participating SMEs and found that two-thirds of participants would not have otherwise purchased the advice and one-quarter may have purchased it later.

I would not have been able to afford it without the subsidy.

\$7000 tālā is a lot of money that we would not have spent ourselves.

SMEs who had received subsidised support generally reported an appreciation for the availability of business advisory services and felt it had improved their business. Having received support, several SMEs commented that they had increased their understanding and/or that they would seek business advisory services in future.

⁶ Business Link Pacific (2020) "6 Month Progress Report Y4H1 January – June 2020", July 2020, p.56



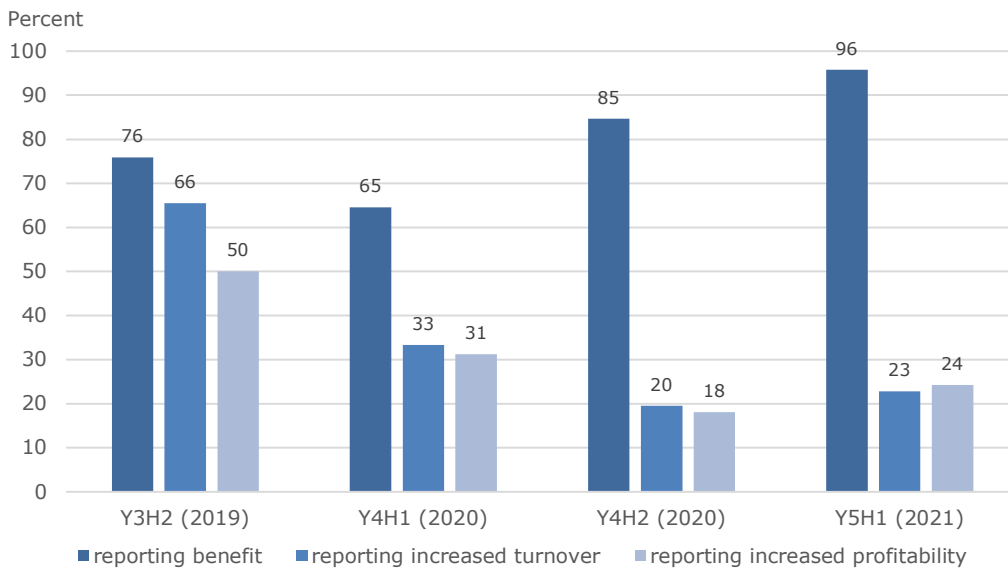
Alongside this was a theme, of minor to moderate strength, of the business advice being appreciated but, as a result of the economic effects of the pandemic, had proved difficult to implement or else had yet to show a return.

We would never have been able to put our financial accounts into a professional manner if it hadn't been for this great support.

We were in need of this help, but we just kept battling it out, we were quite closed-minded really.

The BLP team surveys SME participants on their experiences of working with a BASP. Figure 4 shows that in 2019 (Y3H2), prior to the COVID-19 pandemic, the majority of surveyed SMEs reported benefits, including increased revenue and profitability. From 2020 (Y4H1), SMEs were less likely to report increased turnover or profitability, as the economic effects of the pandemic emerged. At the same time, the proportion of SMEs reporting benefits from working with a BASP continued to rise. This increase could reflect a number of factors, for example, improvements in the quality of advice or efforts to stabilise a business within the COVID-19 context.

Figure 4: Proportion of surveyed SMEs reporting benefit since working with BASP



Source: BLP Progress Reports, 2017-2021

Data from surveys undertaken by the BLP team provide a useful insight into the potential for positive employment impacts, although some care needs to be taken in interpretation. The sampling is weighted towards the pandemic period and so SMEs are more likely than not, given business conditions, to report no growth or a decrease in the number of employees. Furthermore, the cumulative figures included in the



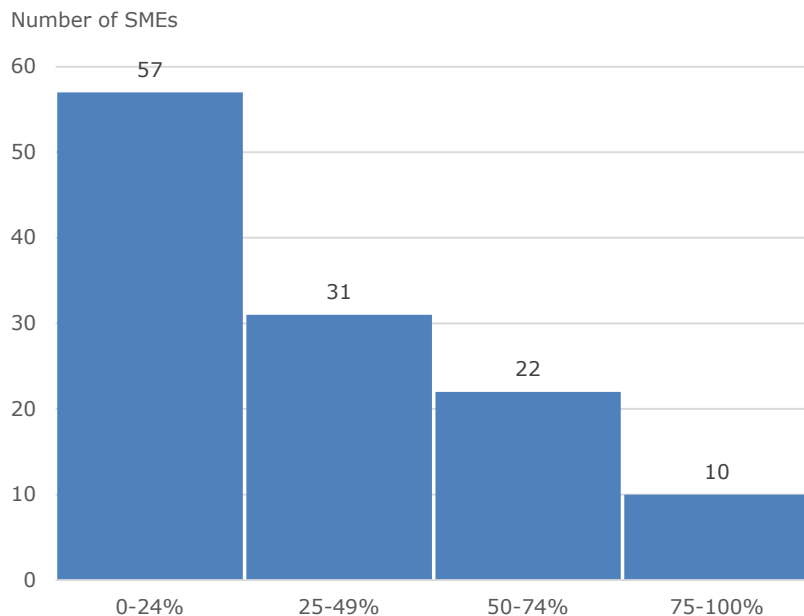
progress reports can be difficult to interpret, as some jobs may not have lasted due to the pandemic. The attribution to BLP also varies, as SMEs were asked to weight the strength of attribution of jobs created to their involvement with BLP.

Analysis of the data for this evaluation shows that 121 SMEs reported increases in employment since working with a BASP over the period 2018-2021. Of those SMEs, 32 (or 27 percent) attributed their employee increases to BLP with a weighting of 50 percent or more (i.e. being more attributable). Figure 5 shows the distribution of the SMEs reporting increases in employment by the weighting of attribution to BLP. This gives a fuller picture of the strength of BLP in contributing to employment.

Cumulatively, those 32 SMEs reported 134 jobs being created. That amount represents approximately one-fifth of all additional jobs reported by SMEs and included in the BLP progress report for the first half of 2021. The remainder of the jobs reported have an attribution weighting of 50 percent or less.

The key finding here is that BLP can have a positive effect on employment, as a result of positive effects on financial performance. The size of this positive effect has probably been dampened by the disruptions caused by the COVID-19 pandemic, particularly as the SME sample is weighted to surveys undertaken in 2020 and 2021.

Figure 5: SMEs reporting an increase in employment, by attribution to BLP, 2018-2021



Note: To what degree would you attribute the increase in employees to the support you've received from BLP BASPs? (On a scale of 0-100%)

Source: SME survey data set, provided by the BLP team



The **third workstream** is focused on establishing a regional network of business advisory services. The 2019 progress report appears to indicate that the concept of a “regional network” was focused on strengthening at the national level through a regional activity, rather than connecting entities between countries.

ICNRs, typically chambers of commerce, have been contracted in each of the participating countries. The direct appointment of business service managers (BSMs) in four countries is seen by ICNRs, government representatives, BASPs, and the BSMs themselves as having improved the coherence and connectedness of the activity at the national level, and improved local-level problem solving.

While business advisory services are largely domestically focused, there is some evidence of emerging regional linkages being supported by BLP.

- BSMs are part of a regionally coordinated network and share common resources that are applied locally, tailored to local context.
- BSMs across countries meet regularly via online calls to share ideas and support each other’s work.
- There are some emerging data on a small number of BASPs providing advice through BLP subsidised packages in small PICs where the market for business advisory services is limited.

The devolution of some responsibilities to the BSM, including tailored access to the BLP Portal, has enabled the BSMs to provide improved support to potential BASPs, better support subsidy applications, and manage issues between BASPs and SME clients. This has also provided an opportunity for the BSMs to input on-the-ground perspectives and apply their contextual understanding. It has also enabled the ICNRs to develop a clearer and more practical understanding of the mechanisms and inner workings of BLP. The key informant interviews generally highlighted the benefits of the transition process so far.

It is important to have on-island support for these businesses, people that connect with people, people that understand the nature of how business operates in this country.

The BLP progress report, for January to June 2021, lists the areas where transition of services to the ICNR in each country is complete, in progress, or not yet begun. It is notable that the areas still needing to be transitioned (organisation of advisory panels, subsidy application review and approval, grant application review and approval, subsidy administration, grant administration) are complex and more contingent on the governance arrangements and broader capacity of the ICNR.



A successful transition of the remaining services for all countries will require extending technical support beyond the current activity timeframe, and careful consideration of the type of support needed. Although a needs analysis of the ICNRs is not part of this evaluation, the key informant interviews indicated that while needs differed among ICNRs, support is needed to integrate BLP into governance arrangements and extend the institutional understanding of BLP's market systems approach.

While there is a clear pathway for the administrative transition of BLP to ICNRs, the strategies for ongoing maintenance of online resources and for sustainably financing the BLP activity within each ICNR are less clear. If the online diagnostic tool for SMEs, the competency and assessment framework for BASPs, and the register of approved (and quality-marked) advisors are key elements of BLP's point of difference, the management and maintenance of these online services needs a home and a revenue stream.

The long-term financial sustainability of BLP as an embedded service for BASPs and SMEs within each country's ICNR is also unclear. Several of the BSMs and ICNRs interviewed believed that funding through the national government would be possible. This may require extensive and careful discussions. Where governments perceive themselves to have dedicated internal SME services, such as MSME Fiji, there is a risk of friction.

The question of resources also relates to the scope of BLP's activities. Interviews with BSMs, ICNRs and government representatives, as well as some BASPs, in most countries indicated a need for business support services in rural and more remote areas, including smaller urban centres away from capital cities. This is in line with BLP's inclusivity objectives. However, informed stakeholders have noted that the return on investment could be diminished the further BLP reaches outside areas with high concentrations of SMEs, with the potentially higher cost of delivery a factor.

The activity would benefit from greater clarity in its vision for what sustainability looks like. On the one hand the activity is transitioning services to the ICNR; on the other hand it has invested in online tools, training, and accreditation processes, which require ongoing maintenance and investment, and which may be challenging to devolve to the national level.



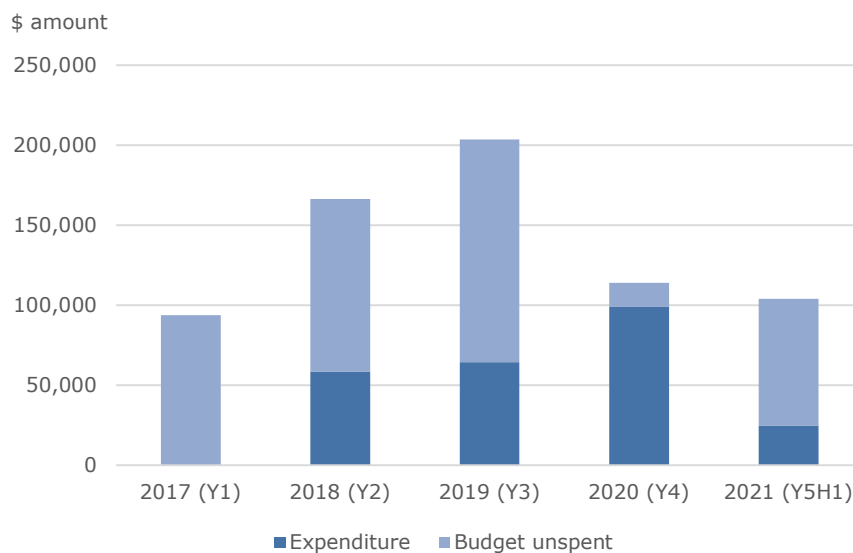
The **fourth workstream** is focused on strengthened market linkages. The intent is to facilitate market linkages between NZ/PIC buyers and BASPs/SMEs, thereby generating buyer interest and new ways of working with PIC SME value chains.

The market linkages workstream is the smallest of the four workstreams, with the budget comprising around 5 percent of the direct cost budget in 2021. Figure 6 shows that its budget has been unspent in each year, particularly in Years 1-3. It must be acknowledged that the budget was reallocated in Year 4 to support increased subsidies for SMEs in response to COVID and that this was agreed with MFAT. For Year 5, around a quarter of the full year budget had been spent in the first half.

The progress reports refer to collaborative partnerships being established, for example, with PHAMA, and Pacific Trade and Invest. Through other workstreams, BLP has identified export or investment readiness potential in SMEs, via the BASP network and the online Business Health Check. BLP has also developed both an Export Readiness and Investment Readiness tool that will be launched as part of the BLP Business Toolkit in Y5H2.

While programme expenditure is not the driver of this workstream’s effectiveness, it is an indicator that it has not been a priority to the extent suggested by the budgeting. This is understandable, given the pandemic, which has inhibited trade and led to resources being reprioritised to other workstreams. As such, BLP’s ability to influence market linkages to assist SMEs into new markets is yet to be proven, particularly given that there are other development activities focused in this space.

Figure 6: Output 4 (market linkages) – expenditure and budget underspends



Source: BLP Progress Reports, 2017-2021



5. How well does BLP interface with other SME support services and programmes?

At a regional level, BLP has established formal partnerships with most key organisations operating in the SME support and business advisory services spaces. Most partners are aware of BLP, and in general the BSM/ICNR is able to connect with relevant partners to coordinate activities. As noted above, BLP has established close partnerships with PHAMA Plus and Pacific Trade and Invest to ensure coordination of support to businesses seeking export opportunities.

There are opportunities that could be explored for more formalised partnerships with other private sector development programmes. The Market Development Facility (MDF) is based in Fiji and PNG, and it is currently expanding to Vanuatu, Tonga, and Samoa. MDF implements a market systems approach targeting a few key sectors, investing significantly in a small number of partnership agreements with enterprises that it assesses to be able to drive market transformation. While BLP and MDF collaborate and share information, BLP reaches more enterprises through its support to business advisory services. MDF considers its area of focus to be attempting to effect systems change in a few key areas. As both programmes are seeking to support enterprises to effect broader change, increased sharing of information and formalising of partnerships may be useful.

Interviews with partners indicated that BLP could explore actively sharing lessons relating to the regulatory environment with partners working on reforms to improve the ease of doing business in Pacific Island Countries, such as IFC and ADB, bringing their knowledge of the barriers that SMEs face to the attention of partners.

The contracts with ICNRs and the engagement of BSMs in each country have increased BLP's capacity to interface with SME support services and programmes, bring local contextualisation and improve networking. In-country informant interviews highlight the importance of the BSM in successful delivery. The BSM provides an accessible resource, who is able to act as a knowledge and partnership broker.

A strong theme in the interviews was the ability of the BSM, supported by the ICNR, to generate coherence and avoid duplication between entities, particularly with government departments or statutory agencies mandated to support the SME sector. These entities include MSME Fiji and SMEC in Papua New Guinea, development supported programmes such as the Fiji Enterprise Engine, and private sector incubators and resource hubs, including for example VLab and Yumiwork in Vanuatu, the Hub in Samoa, and Greenhouse Coworking in Fiji. BLP has established partnerships with most of these entities, and the BSM is able to closely track changes to the SME landscape in each country.



To the extent that BLP itself provides a business advisory service, particularly in diagnosing an SME's business needs and providing subsequent advice on how to address identified needs, there may be a risk of duplicating or effectively undercutting BASPs who include this service as part of their business model. To date, this service would appear to be complementary, and the risk appears as a minor theme in the interviews. However, the growth of private sector incubators and business resource hubs reinforces the need for ongoing and evolving partnerships within the BAS space.

6. What progress has been made in achieving sustainable and inclusive BLP services and outcomes? What further support is required to develop the local business advisory market and to maximise impact?

With respect to sustainability, BSMs (attached to ICNRs) are increasingly undertaking BLP in-country activities (diagnostic tools, SME support and referrals, support to BASPs). There were some questions raised in interviews as to how activities will be sustainably financed, quality assured, and tools maintained in the long run (as noted above).

With respect to inclusivity, BLP commissioned a gender equity and social inclusion (GESI) review in 2019. As a result, BLP has worked to ensure all staff and contractors (1) are familiar with how GESI realities impact SME operations in their contexts, and (2) understand how to integrate GESI learnings in their activities.

BLP is focused on maximising impact within its target segment: SMEs that are formalised and have the potential to grow and to co-invest in business advisory services. Within that territory, BLP has taken steps to be more inclusive.

There is evidence of a strong level of engagement of women-owned businesses, as shown in the cumulative results of the BLP progress report for 2021. Among participating SMEs, 65 percent have been owned or part-owned or managed by women. Women-owned businesses can also qualify for a higher subsidy for business advisory services. Among approved business advisors, 32 percent are women, and this share has been gradually increasing.

With respect to the reported increases in employment, where respondents attributed their employee increases to BLP with a weighting of 50 percent or more, there are some positive findings with respect to employment of women. Among BASPs, of the 38 jobs reported as being created, 66 percent involved women. Among participating SMEs, of the 134 jobs reported as being created, 40 percent involved women (slightly higher than the base of 35 percent of employees being women).



Objective 3: To review the cost-effectiveness of BLP and Managed Services Contractor approach. (Efficiency)

We approached the assessment of this objective from an economic efficiency standpoint. In simple terms, economic efficiency is fundamentally concerned with optimising the allocation of resources to achieve stated goals. Such a view of efficiency is often used in public sector contexts to measure value for money in historical, contemporaneous, and future terms. Economic efficiency can be measured in three ways, each of which is relevant to this review:

- *Productive efficiency* – often referred to as technical efficiency, it relates essentially to least-cost production and by implication waste minimisation
- *Allocative efficiency* – involves directing resources to highest value uses or areas of greatest return, and
- *Dynamic efficiency* – is concerned with adaptation and innovation over time (i.e. it is future-focused) and being forward-looking.

We use these efficiency concepts to assess the degree to which the BLP and Managed Services Contractor approach is efficient. While we acknowledge that BLP has four distinct output categories (and associated support systems), for simplicity we present efficiency findings at a programme level.

7. Given the budget available, do the outputs and outcomes achieved by BLP represent good public value?

Available data are used to construct relevant indicators as well as drawing on insights gathered from interviews to get a picture of efficiency. Cost-effectiveness is the major metric examined, relating to how economical (low-cost) the programme is in delivering its objectives (effectiveness). Thus, this part of the evaluation uses some of the measures contained in the preceding section on effectiveness.

The formative evaluation of BLP in 2019 concluded that there were signs that the programme was both implemented and operated in a relatively efficient manner. In particular, resources were directed to where returns were likely to be highest, and there was little evidence of resource wastage.

A relative approach to measuring cost-effectiveness is used

We use the basic approach taken in the formative evaluation as a structure for this assessment, while looking to capitalise on the additional data available now to augment the insights possible. That is, we take the relative efficiency conclusion of the formative evaluation as a given and compare the most recent full-year data on cost-effectiveness indicators to that base measure. Where costs per unit of output



are lower in the most recent year, we record an improvement in cost-effectiveness/value-for-money, and *vice versa*.

Available data provide an indication of the efficiency around both BASP recruitment and projects that were approved. We divide total programme costs by the number of BASPs recruited as well as the total number of approved projects in those years where we have complete data (i.e. 2018-2020).

While simple in nature, these measures provide an easily understood glimpse into cost-effectiveness. We acknowledge that, by including the subsidy amounts paid in the numerator, this approach could underestimate the extent of efficiency gains. We chose the measure as a straightforward way of expressing relative efficiency.

Given our focus on recruitment and approvals respectively, we use incremental numbers (i.e. the additional BASPs recruited and projects approved in comparison to the year before).⁷ To aid comparison, we index the measures shown to the 'base year' of 2018. That is, we set the value for the respective cost measures in 2018 to 100 and show values for the respective cost measures in 2019 and 2020 relative to 100.

Where efficiency has improved, we see values for the respective measures that are below 100. Where efficiency has worsened, we see values for the respective measures that are above 100.

The data show efficiency improvement for our two key measures, from an already strong position

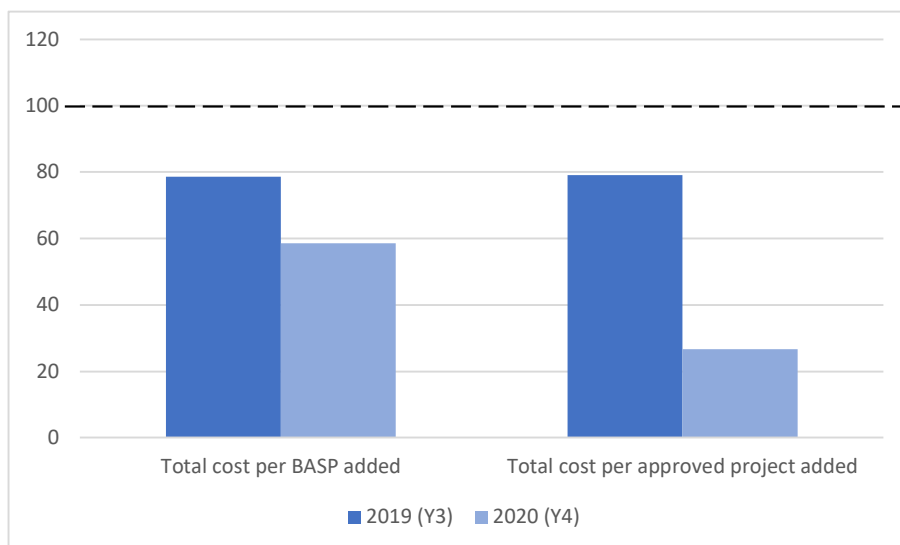
Figure 7 provides *prima facie* evidence of efficiency. Both of the cost-effectiveness measures show improvement relative to the 'base year'. The 'base year' was part of the period in which the formative evaluation concluded there was evidence of the programme being relatively efficient in terms of its implementation and operation. Thus, any such improvements provide support for the proposition that efficiency has further improved, from an already strong efficiency position.

It might be argued that the growth in the cost-effectiveness measures is caused by factors other than efficiency. For instance, greater numbers of approved projects and BASPs recruited might reflect better quality applications or applicants and/or lower approval standards. There is no evidence to support this view.

⁷ This approach is taken for data simplicity and timing reasons. Using absolute numbers of BASPs participating and projects approved could be misleading (i.e. would tend to understate cost).



Figure 7: Indicative cost-effectiveness of BASP recruitment and projects supported



As alluded to elsewhere in this report, there has been some flexibility exercised by BLP in respect of project approval, but this flexibility relates more to scope (i.e. discretion around eligibility to apply in terms of business size and/or industry sector) than to standards. Furthermore, to the extent that better quality applications or more competent applicants explain some growth, that is an outcome directly related to the programme and therefore has some efficiency implications.

In sum, we view any claim that the improved cost-effectiveness observed from the data is due to lower standards or an independent rise in the quality of applications is implausible. The most plausible explanation for the positive efficiency/cost-effectiveness finding is found in the move to digitisation and other investments in online processing made by BLP. Such moves allowed a greater array of interventions made by BLP to achieve scale, thus reducing costs.

The issue of 'crowding out' also provides insights into value-for-money

Crowding out is when public sector spending drives down or fully replaces private expenditure. This displacement is relevant to value for money as it relates to additionality. That is, public expenditure would not give rise to additional impacts as it is possible that the private expenditure would have occurred even in the absence of public expenditure.

All else equal, the higher the level of crowding out, the lower the level of value for money. Our assessment is that the design of BLP is such that it minimises the possibility of crowding out occurring, and may actually 'crowd in' private expenditure.

The co-investment feature whereby participating SMEs are required to contribute their own private funding (to various levels) provides a mechanism for SMEs to



ascertain the likely value business advisory services provide to them. By definition, the co-funding feature eliminates the possibility of complete displacement, which would not be the case if co-funding was not in place. The level of subsidies available through BLP provides a lens to examine the issue.

Available data do not show strong displacement effects

Table 6 below contains relevant data on the extent of co-funding with a focus on subsidies. Overall, the total cost of subsidies, of \$2.607 million, has been accompanied by SME co-investment of \$2.045 million. This equates to a ratio of co-investment to subsidy of 0.8 (for every dollar of subsidy, SMEs provide eighty cents).

Prior to the COVID-19 pandemic, there was co-investment parity (for every dollar of subsidy, SMEs provided a further dollar). In 2020, following the onset of the pandemic, the ratio decreased to 0.7, with the introduction of 100 percent subsidies as a measure to respond to the reduced ability of SMEs to pay for business advice. It appears plausible that, in the absence of the pandemic, that the level of co-investment would have been higher.

Table 6: Co-investment measures

Measure	2018	2019	2020	2021	Total
Number of subsidies	56	188	570	125	939
Total cost of advice (\$M)	0.399	1.122	2.604	0.527	4.652
Total cost of subsidy (\$M)	0.208	0.551	1.564	0.284	2.607
Total SME co-investment (\$M)	0.191	0.571	1.040	0.243	2.045
Subsidies as percent of total cost	52%	49%	60%	54%	56%
Ratio of co-investment to subsidy	0.9	1.0	0.7	0.9	0.8

Source: Sapere analysis of BLP progress report data



Interview findings show additionality from BLP and suggest 'crowding in' of private investment

In terms of SME intention to invest, the formative evaluation found that around two-thirds of SMEs would not have otherwise purchased the advice they received through BLP. Relatedly, only around a tenth of the SMEs interviewed would have purchased the advice even in the absence of BLP.

Interviews for this evaluation showed similar results. Around 70 percent of SME respondents who answered the question (n=14) indicated that they **would not have** purchased the advisory services they received had it not been for BLP. This is, in effect, evidence of additionality and a 'crowding in' effect from BLP.

Of the remaining responses, two SMEs (10 percent of those answering the question) were definitely clear that they **would have** purchased the services without BLP, and were planning to do so. Due to the roughly 50/50 co-funding mechanism for BLP, the effective proportion of displacement is actually five percent of SMEs, which is very weak evidence of displacement (equivalently strong evidence of non-displacement and hence good value for money).

The other four SMEs (20 percent of those answering the question) indicated that they **might have** purchased the services without BLP, but not for some time, and BLP sped the purchase up (and avoided associated costs of 'muddling through' or missing filing and reporting deadlines, thus incurring penalties).

Qualitative interview themes highlight the efficiency of BLP

The material above is focussed on quantitative measures of cost-effectiveness as a means to assess efficiency. However, there is also a qualitative aspect. Across interviews, the view on efficiency was less clear-cut than the data analysis and somewhat bifurcated, depending on interviewee role (i.e. SME, service provider, ICNR, post) and the length of time that BLP had been operating in the country. A summary of relevant themes from interviews is as follows:

- *Dealing with providers and BLP itself was largely 'hassle-free'*

A theme such as this is reflective of an efficient system, which does not involve significant transactions costs or unnecessary uncertainty. This sentiment was expressed mainly by SMEs:

No problems – the service was efficient and professional

[Provider] were extremely efficient and easy to work with



I enjoyed working with [Provider] – they were efficient and really understood my needs

Communications from BLP team have been very forthcoming - it is easy [...] to pick up the phone and call Fiji office or NZ office if there are any issues (BASP feedback)

- *Some processes are unnecessarily slow-moving and onerous*

Sentiments around this last theme suggest a lack of efficiency in terms of processing and processes. The claimed processing inefficiency mainly relates to delays in payment for services (i.e. payments are too slow), while the claimed process inefficiency largely refers to accreditation and approvals of BASPs (i.e. the requirements are too onerous).

Strictly speaking, the payment issue is not necessarily an efficiency concern, but rather is a purposeful design feature of BLP. In order to give effect to and strengthen the co-funding commitment, BASPs receive payment from BLP once payment from the SME is confirmed. To the extent that SMEs are slow to pay, then this delay flows on to BLP payments.

Furthermore, BLP staff mentioned that they had tightened up the invoicing requirements, in the face of apparent attempts to defraud. This tightening applied to all BASPs, so it could be seen as an inconvenience or unjustified by BASPs who are not aware of the reason for the change in requirements.

This timing feature is clearly expressed in the agreements signed by the respective parties, so it is known in advance and as such is not a case of BLP being tardy as a result of convoluted or slow-moving practices. Furthermore, BLP has taken steps to resolve a number of the issues around payments, such as advice around due diligence, credit control, and securing upfront payment from SMEs. To a certain extent this is acknowledged by BASPs, but payment delays are nevertheless a strong theme from BASPs:

I found the justification process to prepare a claim, go through the queries, before receiving payments a few months late to be an unnecessarily long process that took up too much time for me

The time delay in processing and paying of invoices has been a problem. Once work is done BLP still waits for client who is struggling to pay before they approve invoice for payment. This then could take up to 6 weeks before BLP advisor paid. This is



not a fair solution for suppliers who want to help businesses with problems. In some cases, we work with clients for three months and then invoice. Therefore, supplier is unpaid for a long period and this disincentivises the supplier for getting involved with BLP related work

For me, the receiving subsidy services payments has been slow. A project can take a month to do, which once done the client pays their portion and I bill the BLP invoicing team the subsidy portion. Payment from that can take up to 6 + weeks before reaching my account. I understand that the contract I have signed already stipulates that it takes a month for payment, but in such situations the advisor is the one left with the short end of the bargain, as the client has already received their subsidised service and continues but the one who has done all the work must wait to be fully paid

Payment process for projects, I have completed 4 projects, each of them have been an average of 5 weeks from when the project has been submitted, this is too long. The timeframe from start to finish is about 7 weeks before receiving remuneration other than the business contribution to the project. This is resulting in my available working time now being shared with more regular paying work

BLP did not pay them for nearly 6 months as one of [BASP's] SME clients under the subsidy support struggled to pay her 20% - not the clients fault given the current economic climate

While there were fewer comments around the approvals/accreditation for BASPs, the strength of feeling was similar:

Very good effort but the approval process is too much to complete

The due diligence requirements should be lowered as there is so much paperwork that could have frustrated some applicants



BLP's online certification process is time consuming for BASPs like me who have already been certified using the first certification process. I did not bother being certified a second time using the online process

The very thorough process to be certified I feel could have been handled better, I know of potential BASPs not completing the process as it was too lengthy. An interview at the beginning would have helped to understand the process and expectations

Again, it is questionable whether the concerns raised relate to inefficiency or are a function of the need to ensure value for money for the taxpayers of New Zealand. Given the co-investment feature and market development objective of BLP, there are clear goals to be achieved and associated standards to be met, distinguishing BLP from other aid-related activities.

Further, interviews with DT Global indicate that it is aware of concerns around the burden, and it has identified and actioned relevant improvements (e.g. through additional and specialised staff recruitment and digital approval systems).

In addition, BLP staff indicated that they had deliberately strengthened the competency assessment to reflect the desire to maintain quality. Some of the more confident (self-selecting BASPs) applied earlier when the focus was on attaining critical mass, and they are now being invited to complete the online competency assessment. The implication is that completion of the assessment (which was not done previously) might determine the extent to which they are able to maintain their approved status. Therefore, it is not an accident or unintended that the burden of maintaining certification is in place and it is causing some BASPs discomfort.

The formative evaluation highlighted that some BASPs derived benefit from the accreditation process, such as identifying areas in their business that need attention (e.g. succession planning, staff training and inductions, employee welfare). Similar sentiments were expressed in this evaluation, though it was a minor theme. Nevertheless, such impacts tend to work against a general conclusion of onerous and unnecessary burdens on BASPs.

Adding to the question marks around an efficiency (or other) problem from BLP processes and processing is the presence of a number of off-setting positive comments made by BASPs on the certification/accreditation process:



The BLP framework has helped us to strengthen our policies and deliveries, and meet the requirements of the client, and strengthened us

That they were endorsed by BLP carried weight with clients

BLP has developed the capacity of staff through learning the online portal and benefited from a leadership training

Assistance on performance policies for staff, where we developed a framework for staff upskilling, helped us focus on our growth, and the number of employees increased as a result of BLP

- *Understanding of BLP can be patchy and contact points serendipitous*

Some interviewees, either directly or through a service provider, expressed the view that BLP could improve the efficiency with which it publicises BLP and develops its reach. This issue was raised in the formative evaluation as well.

To some degree the fact that previous concerns are being raised again is not surprising. Since the formative evaluation, BLP has been extended to other countries. In Tonga and the Solomon Islands, both relatively new to the programme, concerns were raised about language barriers in respect of the technical jargon and the use of English.

The effect of language barriers is to render the expenditure on such materials as less cost-effective than what might have otherwise been the case. We note that BLP has progressed work on translation in Samoa and Vanuatu but not yet in the Solomon Islands and Tonga.

A small number of BASPs, SMEs and BSMs also mentioned that knowledge of BLP is not widespread and is often a matter of good luck than good management. One BASP reported securing a client after coming into contact with the SME through the Adaptation Grant, despite BLP having been established earlier. One SME spoke of a chance encounter leading to knowledge of BLP (rather than the concerted communications and publications efforts of BLP):

I was made aware of BLP through a friend at KPMG, and I had not ever considered advisory services or a grant before, but because the business has grown, I had to seek advice



*I think awareness has come from us to SME clients, you know,
and we had to do that, because unless we do that, they will, they
wouldn't know*

*Probably not many people know about this initiative and there is
a need to increase the awareness*

The awareness, reach and knowledge of BLP is a somewhat vexing issue. As reported elsewhere, take-up has generally been good, and in one instance subsidy funding ran out prior to the expected date, suggesting people know about and participate in BLP. On the other hand, there are still calls to expand the modes, volume, and nature of communications/publicity in the face of awareness gaps.

In response to the formative evaluation findings on awareness, BLP has directed additional resources towards BSMs at ICNRs as a means of extending reach (among other goals, such as better local knowledge/capability and lower travel expenses). In a fixed-budget environment, that means a reduction in other expenditure areas, raising questions of the relative cost-effectiveness of extending 'reach' versus actual support and delivery of BLP (potentially).

It is not clear to us that the marginal dollar of expenditure on communications/publicity would be more efficiency-enhancing than directing that dollar towards delivery. Further, it is difficult to measure exactly where expenditure on publicity and awareness raising is optimal, risking unnecessary or wasteful spending.

Finally, the value of word of mouth as an awareness-raising tool means that it is reasonable to assume that it would be efficient and 'natural' for spending on publicity/communications to tail-off. Re-orienting existing expenditure from other areas to improve awareness could provide value for money, but awareness does not seem to be a major issue or key priority at this time.

8. Given the challenges of COVID-19, how well did BLP adapt its approach to respond to operating constraints and evolving SME needs?

BLP adapted its approach in a range of ways. The adaptations can be characterised in three ways: additivity, flexibility, and availability.

Additivity is shown through the launch of a Business Continuity Planner (BCP), which assists SMEs to navigate the COVID-19 crisis by scanning the business from a resilience perspective. The scan is designed to identify the areas of the business that might need attention in times of crisis. The BCP scan sits alongside the Business Health Check to provide an overall picture of business performance and the needs of



the business through assessing different operational areas to support business growth.

Reports indicate that 1,155 BCPs have been completed online, which contributed to 212 successful SME referrals to BASPs. The most recent numbers of BCPs and referrals represent substantial growth from 'business as usual'. Similar emphasis has been placed on Business Diagnostics conducted by ICNRs, and almost 2,000 Business Health Checks were most recently undertaken, which represented a growth rate of around 50 percent from previous numbers.

The **flexibility** element came about as a result of a realisation at BLP that COVID-19 meant that rather than concentrating on examining businesses ability to pay (while also being aware to minimise funding businesses who don't need it) it needed to be cognisant of business survival as most businesses had no ability to pay.

The practical effect of this altered mindset was a rise in the rate of subsidy available (equivalently a reduction in the rate of co-payment by SMEs). An up-to 100 percent subsidy to enable SMEs to access BAS was a trade-off between ensuring businesses are clear about the precise need for/ value from BAS, and the immediate need, as well as the ability of businesses to pay (directly and indirectly through the opportunity cost of time spent considering need).⁸

As at June 2021, 169 subsidies at 100 percent had been approved, which equates to 29 percent of approved subsidies in 2020. Figure 8 illustrates this adaptation, expressed in terms of average subsidy rates. The average subsidy amount increased from 50 percent in 2019 to 66 percent in 2020. The average rate of subsidy was 54 percent for the first half of 2021.

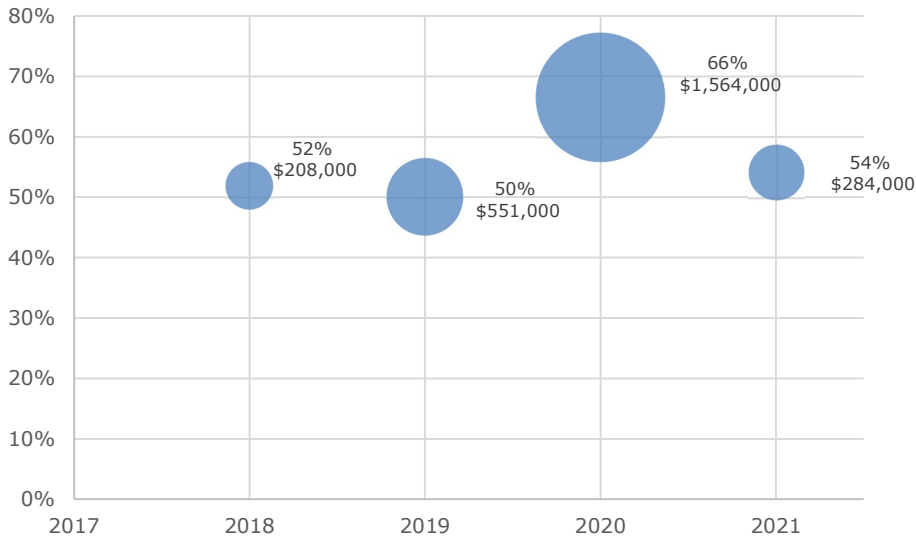
The effect of the flexibility is most stark in terms of the total amount of subsidy provided annually, where the total of \$551,000 in 2019 rose almost three-fold to \$1.564 million in 2020 (by 2021 the budget was fully dispersed). While the increase in subsidy rates might not directly assist the goal of developing a market for BAS, the flexibility of BLP to pivot to what the market most required can be seen as allocatively efficient.

⁸ Note that 100 percent subsidies were phased out in September 2020 as a result of SMEs indicating a willingness (and ability) to contribute to the cost of BAS.



Figure 8: Total subsidy amount and average subsidy rates, 2018-2021

Average subsidy percentage



Source: Subsidy data extract provided by the BLP team

The **availability** component refers to making more use of existing resources, structures, and capabilities. Examples of such availability responses include:

- Increased utilisation of ICNRs and BSMs as representatives, rather than receivers of knowledge through visits from BLP staff in Auckland. Greater resources devoted to in-country partners resulted in more rapid responses to identified issues and a win-win in terms of knowledge gain and transfer.
- Employed the network of BASPs to implement the SME Finance Facility Pilot. BLP were able to leverage existing relationships and capability to quickly do this. This attracted other funds too (to provide small grants and concessional loans to assist SMEs to adapt to a post-COVID business environment).
- Extending the use of online platforms and channels created through BLP learnings over the years to overcome travel restrictions and promote the burgeoning need for online communications, marketing, and sales.

Relevant comments from interviews included:

I leaned on BLP a lot during COVID. So I was able to keep afloat but also able to offer my clients major opportunities for digital transformation of their businesses

Its upped their (SMEs) game in business especially during covid



100% subsidy really helped

And BLP were quick to respond to the vastly changing landscape of business decimation by offering the 100% subsidy for businesses to get help from the pool of BLP business advisors. It brought a sense of calm to our business community. Most importantly it brought a spirit of working things out together, instead of trying to solve it alone

9. What opportunities exist, if any, for improvement?

We do not see any glaring or major opportunities for improvement in the efficiency of BLP. There is ample evidence in the data and interviews of cost-effectiveness (value for money), smart allocation of resources, and limited deadweight expenditure/displacement.

Improvement, in our view, is less about changes (introduction of new things or reorientation away from some areas and towards others) and more about continuing with what is in place, including if any scale decisions are taken. That is, the foundations for efficiency are in place currently, and any further phase of BLP should progress what is occurring now rather than look for opportunities that might not exist.

Areas of consistent concern (though relatively minor in nature) where the possibility of efficiency gain is possible are:

- Extending the 'reach' of BLP outside of urban centres, particularly for newer countries and those with a more dispersed population and access to services is problematic (Kiribati, The Solomon Islands, PNG, Fiji).
- Enhancing the 'package' of local assistance by further supporting BSMs in their ability to provide strategic advice and perhaps broadening the number of parties acting in an ICNR capacity to garner more specialisation.
- Considering ways to speed up exceptionally delayed payments from BLP, for instance by introducing:
 - flexibility to part-pay BASP invoices after a certain period of time has elapsed after provision of services and the SME has not paid
 - dedicated resources to identifying why the SME is not able or willing to pay their share
 - retention payments such as those used in commercial construction contracts



Objective 4: To identify the key changes needed to deliver sustainable outcomes from a possible second phase of BLP. (Future design and support)

Like most other elements of this work (and BLP in general), the spectre of COVID-19 has an influential role in determining what future design and support to deliver sustainable outcomes might look like. The so-called 'new normal' is not yet settled, and attention is rightly focussed on more immediate concerns.

Nevertheless, we are able to use data and understandings from pre-COVID-19 times as well as findings in the present age of COVID-19 to provide some sense of both the *structural* (enduring) and *frictional* (ephemeral) factors and associated changes needed to deliver on this objective.

This chapter contains a mix of feedback from interviews and some more conceptual discussion around the factors that support sustainable outcomes.

10. What further work remains to achieve BLP's goal for a sustainable, local market for business advisory services? What services or geographic areas should be added/discontinued, and what potential exists for increasing/decreasing scale?

As mentioned elsewhere, a very strong theme from interviews was that BLP has had beneficial impacts on both supply (e.g. increased the client base of advisors) and demand (raised awareness of SMEs of the availability and worth of BAS) sides of the market for BAS. Given the impact to date, the relevant question is how close that progress takes BLP to its goal of market sustainability. Addressing that question requires an understanding of what a sustainable market means.

In essence, a sustainable market is one that does not fail. Markets can fail for a variety of reasons, such as:

- market power (including monopoly)
- information problems (for instance, where some players have more information than others)
- unpriced factors leading to inefficient allocation and provision (so-called externalities)
- inability to provide sufficient returns to encourage parties to establish a market.

The latter is an example of a missing market, which was part of the original rationale for the introduction of BLP. Missing markets refers to a situation where competitive



exchange (through a market) could be efficient, but the market simply does not exist. The market may not exist due to coordination failures, high transactions costs, and a lack of trust and information. Therefore, assessing the extent to which interventions such as BLP overcome such failures provides a conceptual and practical way of assessing how close BLP is to meeting its sustainable market objective.

On the face of it, BLP activities have led to the introduction of a market that has the core features required of durability/sustainability:

- *competitive elements* – growing numbers of participants on both sides of the market
- *trust* – willing buyers and sellers in the market making exchanges, with a key facilitation role being played by ‘intermediaries’
- *knowledge* – there are no obvious information issues or asymmetries.

The key issue around whether the market is likely to be enduring is the degree to which market engagement is predicated on the subsidy component. As alluded to elsewhere, there is some evidence of a willingness by SMEs to continue to purchase services from BASPs with no BLP involvement. We are unable to provide a definitive view on the chances of that behaviour continuing (and the resulting impacts of it not), particularly once the influence of COVID-19 recedes.

At the conceptual level, therefore, we do not see any obvious new areas of work that need to be developed or introduced. At a more practical level, what could be helpful is further analysis and understanding of the importance of the subsidy element in terms of its presence, rate, and tenure. Insights from this bespoke analysis would allow a much clearer picture to emerge of the likely sustainability of the nascent market for BAS. Furthermore, continuing to expand the role of ICNRs, COCs and other in-country providers would cement in the ‘local’ element of the market.

Interviewees (mainly BASPs) made the following remarks around future support:

BLP core competency was finance-based. Need to go beyond finance and expand scope relating to business planning, marketing planning , web development

There is a need to train people to market through social media

More partnership with local organisations like [...] that promote ni-Van entrepreneurship for capacity development of local coaches, trainers and business advisors, business skills transfer



to SMEs and more stimulation of the local economy and domestic demand

Business should have an adaptation e-commerce plan

To the extent that additional resources need to be directed towards the suggested activities above, then resources could be redirected from the 'market linkage' programme output (and associated support system).

While advice on linking to markets and exporting are likely to be valuable to SMEs, the effective 'hold' put on this output does not seem to have resulted in an obvious detriment, and calls for further activity in this output area have not been strong. Such a reorientation of resources would not necessarily alter the scale of BLP but would change BLP's scope and focus. Reinstating the 'market linkages' output could be reconsidered some time in the future if a demonstrable need arises.

11. What policy constraints exist that may limit the achievement of BLP's goal, and is there opportunity and scope to address these through a potential second phase?

We are not aware of any particular policy constraints that may limit BLP's achievement of goals. As highlighted at the start of the report, BLP is generally consistent with the policies and intentions of overseas governments.⁹

On the domestic front, since its inception BLP has operated under the auspices of three separate and distinct governments. To our knowledge, the change in governments has not led to policy changes that might constrain BLP.

However, we do note the possibility of less focus on market-driven initiatives at present than would have been the case when BLP was conceived. To the extent that this perception is correct, there is a risk of diluting the position of BLP as a driver of market-led assistance to PICs, and a move towards aid-led actions could result. Such a move could erode BLP's comparative advantage and strong reputation, putting a constraint on achievement of BLP's growth through markets goal.

12. If BLP is considered for a second phase, what changes, if any, are needed to the delivery approach to maximise effectiveness and efficiency?

⁹ The entry into force of PACER Plus may also strengthen the policy enabling environment related to BLP goals.



No major changes or areas of improvement were identified in the respective effectiveness and efficiency chapters. In saying this, we have not specifically investigated the extent to which BLP should be expanded to smaller Pacific Island Countries (PICs) as part of our evaluation.

While each of the smaller PICs (i.e. Kiribati, Tokelau, Tonga, Tuvalu, and Nauru) would have their own challenges around scale and ability to create a market for BAS, these challenges would likely be offset by the ongoing efficiency of delivery and evidence of effectiveness that BLP has demonstrated to date. Furthermore, it is likely that the smaller PICs could be 'serviced' by existing BLP locations and resources.

Thus, in our view, expansion is not **needed** to maximise effectiveness and efficiency, but would not detract from such a maximisation goal.

More specifically, interviews have identified some potential tweaks or areas for continued focus that could lead BLP towards maximisation in terms of efficiency and effectiveness. Some of the suggested changes are in the same domains as those raised in the formative evaluation.

- *Strengthen the volume and nature of communications*

A moderate theme from interviews was that communications across and between BLP, BASPs, BSMs and SMEs could be improved. In this context, the rubric of communications includes both administrative and relational interactions as well as the provision of information and learning (e.g. webinars). The latter also has the effect of experience sharing and collaborative possibilities. Relevant interview comments around needs and improvements included:

Communication should be improved to provide update on the status of their applications and to work with the local currency

It would be really good if they could offer more of the webinars.

Regular meetings with BASP and prompt responses on their applicants' report evaluations.

Provide clear information and resources to BASP

BLP is currently providing regular webinars and is actively looking for communications to promote information sharing and collaboration among participants. Given this, our interpretation of the interviewee comments is that they would like BLP to continue to do what they are now doing, and possibly expand the offerings as opportunities allow, rather than the comments indicating a gap or inadequacy.



- *Continue to invest in local partners and providers*

It is well known that in-country presence, particularly in PICs, is invaluable, though not always possible (due to cost and/or availability). It is not a question of not doing this at present, and as mentioned above, BLP has directed more resources to in-country presence since the formative evaluation. It is more a case of continuing with the current approach.

In addition, broadening the range of experience, competencies, and skills available to SMEs would be of value. We note, however, that there are particular challenges around confidentiality of information in small economies, which place a natural limit on the extent of possible gains to be made in this area.

Comments from interviews included:

Needs a good re-look around a strengthened in-country presence. There are many locals that could provide services.

There's such an excellent and high response from the BLP overseas office but not from the local rep.



5

Evaluation Conclusions

The overall conclusion is essentially a strengthened version of the one contained in the formative evaluation: that BLP is a well-designed Activity that meets a need and remains relevant to the priorities of MFAT and Pacific partner countries. What can be added to that conclusion is that the design of BLP has contributed significantly to the good progress made in terms of effectiveness and efficiency since the formative evaluation.

We acknowledge that COVID-19 exerts a strong influence at this time, effectively placing an asterisk around an 18-month period of the programme. The pandemic effect could cloud the ability to draw sound conclusions for a programme that already has rather ambitious goals (in respect of market development in a five-year period). We have tried as much as possible to 'look through' its impact in developing our conclusions.

What these factors mean for the two-pronged purpose of this evaluation is that we have identified relatively few improvements that can be made to managing, implementing, and achieving results from BLP. That in itself should inform any decision to proceed to a second phase of BLP in a reasonably compelling manner.

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

- BLP is relevant. Across the board (i.e. PIC partner country priorities, wider Pacific SME support landscape and MFAT strategic priorities) BLP is fit for purpose, contributes to addressing priorities and meets an identified need.
- The relevance of BLP has remained robust in the face of changes brought about by COVID-19. In fact, there is reasonable support for the view that BLP's relevance has grown since the onset of the pandemic.

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

- In three of the four workstreams, BLP has demonstrated effectiveness in the delivery of outputs and outcomes. Particular gains have been made in terms of:



- Quality assessment, volumes, and improvement of BASPs (although there were some complaints from established BASPs in relation to the need to be reassessed for competency)
 - Building the BLP brand and reputation (though interviews suggest that continued activity in this area would be welcomed)
 - Measurable benefits to SMEs that would not have occurred in the absence of BLP
 - Strengthening the in-country presence and capabilities of ICNRs through additional investment and creation of new positions. This additional investment and strengthening was a recommendation of the formative evaluation, and BLP has responded well to that suggestion.
- The fourth ('Market Linkages') workstream remains somewhat problematic. Progress has been slow, and due to the pandemic, the workstream is effectively now on hold. Given other initiatives around exporting currently in play, continued activity in the workstream at this time is questionable. Reactivation of activity in future is a possibility.
 - Despite the overall conclusion of positivity in relation to effectiveness, some attention (and additional analysis) may be required in the third ('Regional Network') workstream around the transition of more services to ICNRs, as well as how and whether BLP impacts the financial sustainability of BASPs and SMEs in the longer term.
 - BLP, due to its design features and targeted niche, is able to interface well with other SME support services and programmes. There is, in general, no replication or duplication of other offerings, but managing the potential for friction to occur will remain important.
 - With respect to inclusiveness, positive progress has been made in respect of GESI objectives, while there is scope to further monitor the within-country geographic distribution of BLP participants, to form a picture about the inclusion of SMEs located outside of main urban centres.

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

- Consistent with the formative evaluation conclusion, BLP continues to operate in an efficient manner. In fact, BLP appears to have improved its efficiency (e.g. through development of online systems and automation of processes).



- BLP provides value for money. The available data show that cost-effectiveness has improved over time (i.e. costs per output have dropped relative to the first year). There is no evidence of 'crowding out' of private expenditure, and it is plausible that BLP actually 'crowds in' such private expenditure.
- The BLP team is well thought of and dealing with BLP and other providers is largely 'hassle free', reducing transactions costs. BLP exercise flexibility in the face of the pandemic, which also assisted in lowering transactions costs and meeting pressing needs.
- Relatively minor, but persistent concerns exist in relation to some administrative factors such as delayed payment of invoices, onerous requirement for some approvals and certification processes, and the methods used to publicise and raise awareness and take-up of BLP.
- Major improvements to efficiency are difficult to identify. The concerns immediately above are not purely efficiency-related, but are reasonably easy to address in future, as required.

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

- There are no obvious areas where major further work is required to achieve BLP's goal of a sustainable market for BAS. BLP activities have led to the introduction (or enhancement) of a market that has the core features required of durability/sustainability.
- Additional work in the following areas could be helpful in future:
 - Analysis to gain a better understanding the role and importance of the subsidy component of BLP for decision-making and behaviour
 - Continuing to invest in and expand the local presence through ICNRs, COCs and other in-country providers
- The 'Market Linkages' workstream has made little impact and it is not well aligned with the core focus of developing the market for business advisory services. Resources could be redirected away from this workstream with little or no apparent effect on the impact of BLP.



6

Lessons Learned

Lessons learned from the evaluation are summarised below.

1. Market-driven solutions have a place in the provision of development assistance and could feature more prominently in future. While markets take time to develop (and therefore require commitment) good design is crucial to the success of market-led initiatives.
2. A strong and tailored in-country presence (including through representatives) with continual monitoring and adaptation is beneficial from delivery, impact, and sustainability perspectives.
3. It is important to get communications expectations and a management plan in place as early as possible. Communications span a range of areas including administration, information provision, stimulation of knowledge sharing opportunities and follow-up (results-driven) summaries. Progress and monitoring reports serve a particular purpose, but could be added to.
4. While clear rules and standards are necessary, flexibility around such elements in the face of exceptional circumstances is highly prized. It is likely that in such trying times, what is considered important versus what is urgent often flips, and being able to respond accordingly is valued.
5. Finding a niche is not straightforward but helps in avoiding duplication of other efforts (from donors and governments alike). Investment in finding a niche or distinctive capability/advantage will pay off.
6. Sourcing an appropriate and capable delivery provider is integral to success.



7

Recommendations

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

The following recommendations relate to decisions on whether to proceed with a second phase, and if so, what the future direction, design and support should be.

1. **Capitalise on the progress made and momentum gained by extending BLP to a second phase.** This recommendation follows the conclusion that BLP has proved itself to be relevant to participants, particularly during the COVID-19 pandemic, and that relevance is likely to increase during the post-pandemic recovery phase. It is also based on the conclusion that the design is effective, while acknowledging that building a self-sustaining market for business advisory services is realistically a medium-term proposition (i.e. 10 years at a minimum).
2. **Focus on building the market for business advisory services, where BLP has a comparative advantage.** Sharpening this core focus, where BLP, as a development activity, has a comparative advantage and an established brand. This could mean forgoing, at least for now, efforts to develop market linkages for SMEs that export (or wish to do so). The resources and time, although relatively small, could be reprioritised into other workstreams. Instead, the BLP team could build relationships with other development initiatives that are focused in this space and refer on candidate SMEs.
3. **Retain the market systems approach and expectation of co-payment.** In the post-pandemic recovery phase, the emphasis should shift towards co-payments, as SME ability to pay recovers. The pandemic response has highlighted the reach and usefulness of the BLP platform and its network of participants.

The following recommendations relate to improvements that can be made to managing, implementing, and achieving results from BLP.

4. **Develop a clearer picture of what a sustainable market for business advisory services looks like.** Defining some measurable features of



success, including milestones along the way, would help inform a future decision about when BLP, as a development activity, could exit or take on a different form. This thinking would encompass the future role of ICNRs, the role and expectations around subsidies and the future ownership and sustainability of online platform and tools.

5. **Continue to look for opportunities to involve ICNRs and build local capacity.** Continue to increase the resource and effort dedicated to ICNRs and to the BSM, consistent with thinking about the future role for ICNRs.
6. **Improve the monitoring of the in-country geographic distribution of SME participants.** Building on the considerable work done by BLP disaggregating data, measuring and tracking inclusion, additional collecting and reporting of geographical data would build a picture about the inclusion of SMEs located outside of main urban centres, thereby providing evidence for this dimension of inclusiveness (noting that this would be within the SME segment that is the focus of BLP).
7. **Continue to improve the communications element, with participants and stakeholders within partner governments.** Developing a clear set of messages for communicating the design, scope, and impact of BLP with partner government stakeholders would help build understanding (e.g. with respect to the position of BLP regarding micro enterprises and the informal business sector). Improved communications with business advisors around payment terms may help manage expectations of payment timeliness.



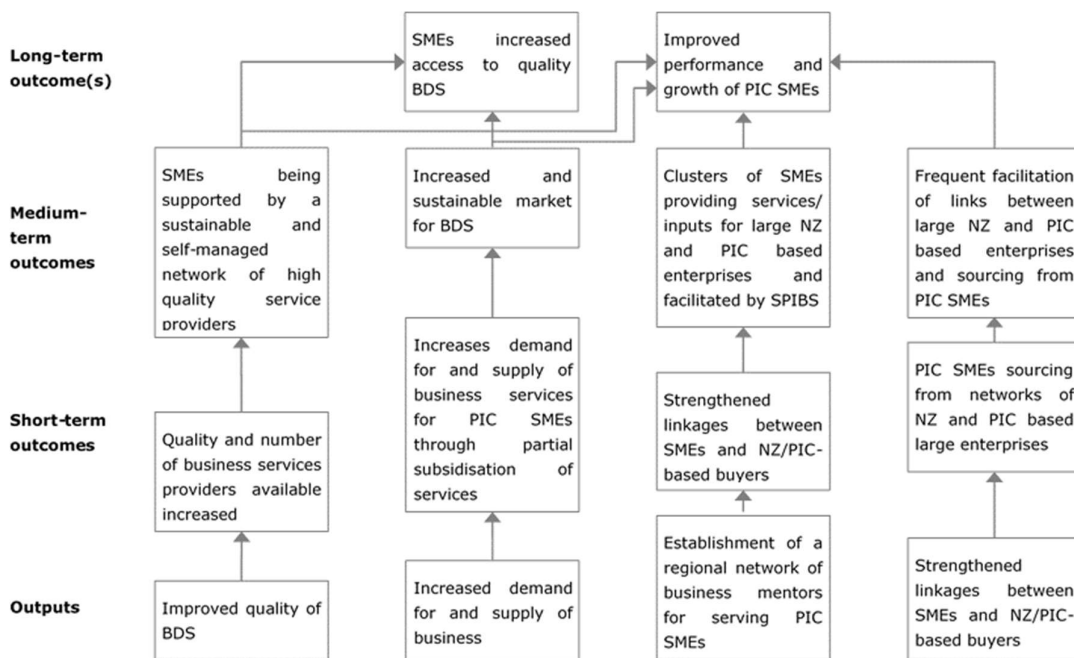
Appendices

APPENDIX 1: RESULTS FRAMEWORK AND THEORY OF CHANGE

Figure 9 shows the BLP results framework included in the Activity Design Document. Figure 10 shows the intervention logic and theory of change.

Figure 9: BLP Results Framework

Goal of the Activity: To stimulate economic growth and job creation



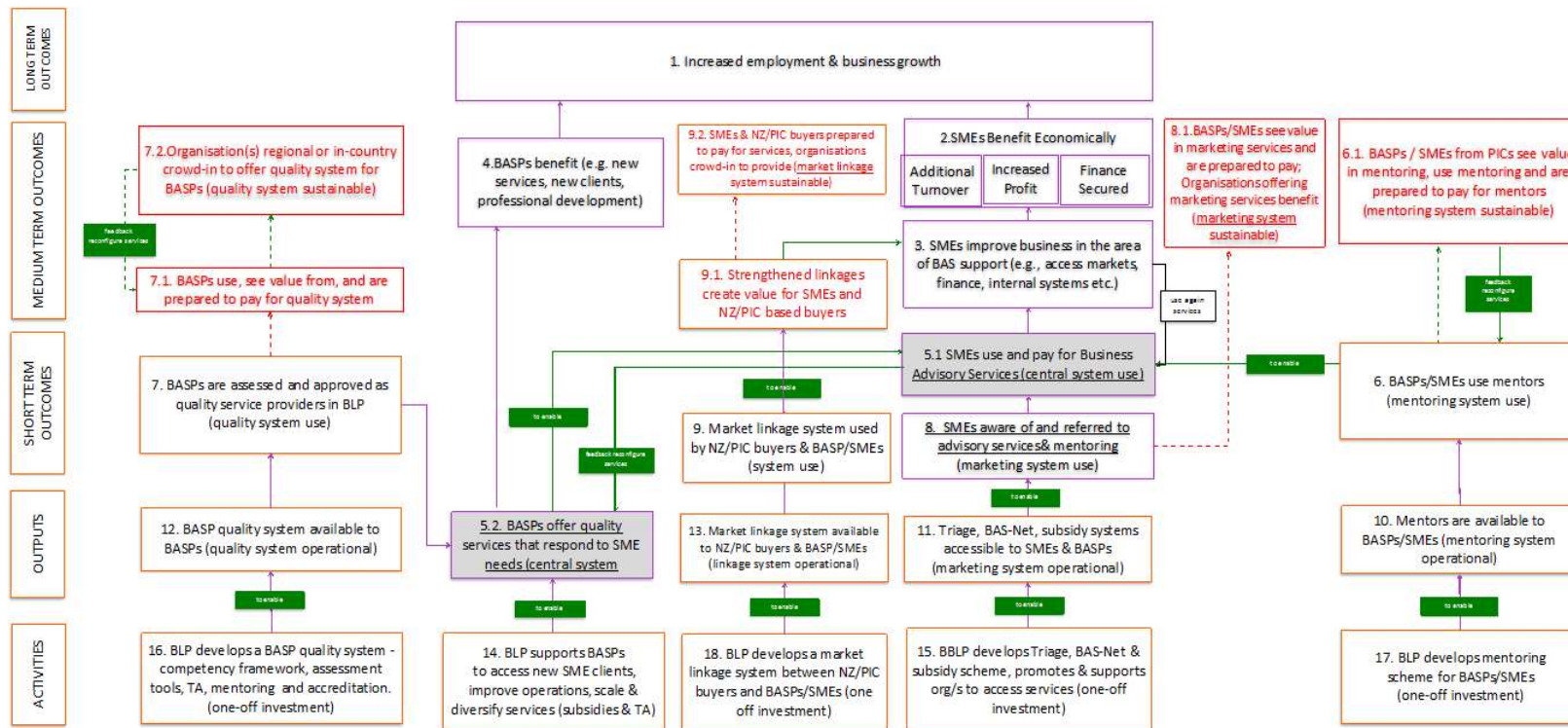
Source: BLP Activity Design Document





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Figure 10: Intervention Logic: BLP Theory of Change



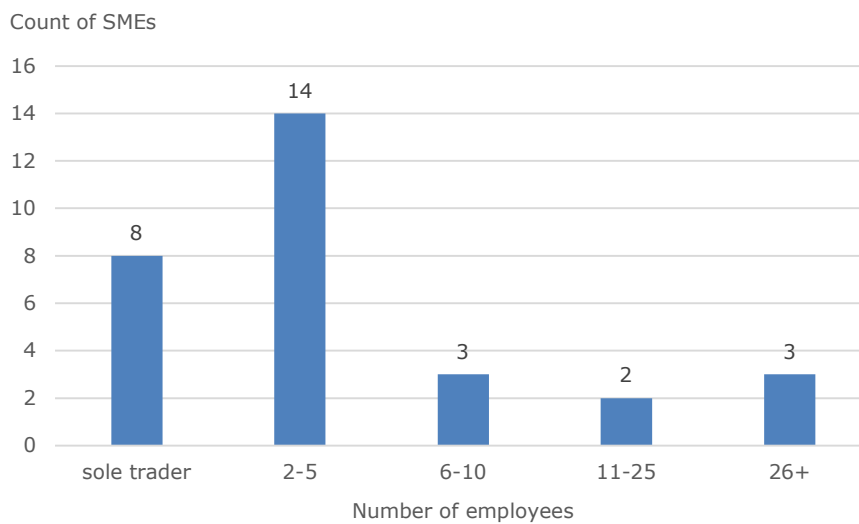


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APPENDIX 2: SAMPLE OF SME PARTICIPANTS

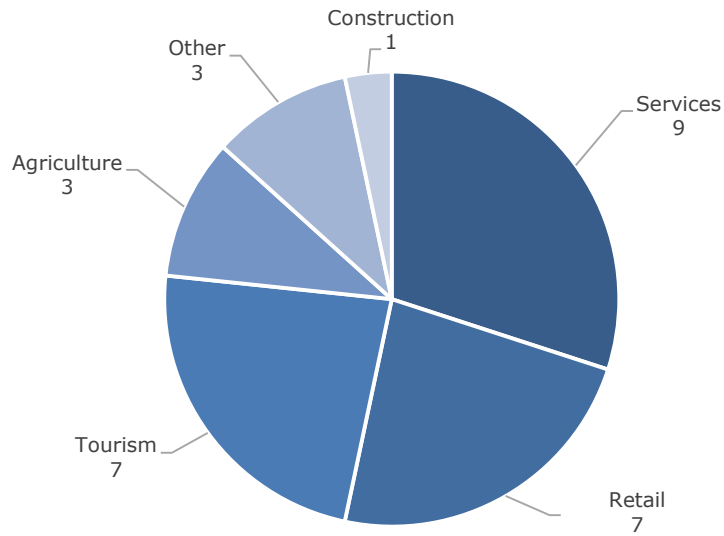
The sample (n=30)

Figure 11: Sample of SME participants by number of employees



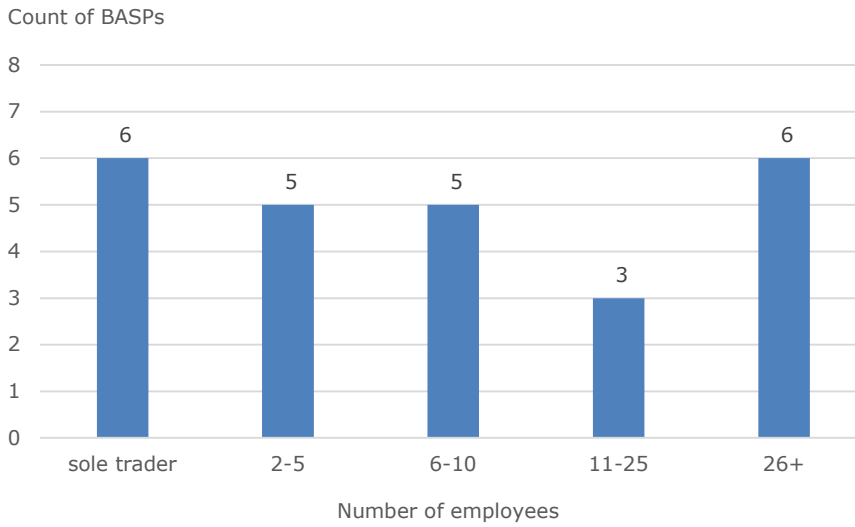
Source: Interview database maintained by the evaluation team

Figure 12: Sample of SME participants by sector



Source: Interview database maintained by the evaluation team

Figure 13: Sample of BASPs by number of employees



Source: Interview database maintained by the evaluation team

