

Evaluation Title: *Combined Mid-term Review of FVO and FBK*

Evaluation Year: 2021

Overall Response to the Evaluation

The report presents the results of the combined Mid-Term Review (MTR) for the Fund Against Child Labour (FBK) and the Fund for Responsible Business Conduct (FVO) programmes, covering:

1. a review of progress compared to results, focusing on the outputs and outcomes of the programmes' Theories of Change;
2. a review of the programmes' effectiveness;
3. recommendations for further improvement; and
4. an assessment of the recommendation to combine both funds into one programme.

Overall, Netherlands Enterprise Agency is grateful for the efforts that NRI, the evaluation team, put into the research and findings. It delivered useful insights on all four parts of the evaluation.

Progress on track

We are pleased with the overall conclusion that the FVO and FBK funds are providing useful support to Dutch companies. Especially with regard to the identification of child labour and other Responsible Business Conduct (RBC) risks, the implementation of impact assessments and the set-up of systems to address these risks. We are happy to see that the review concludes that both programmes, specifically FBK, have achieved improvement in knowledge of RBC issues. This is specifically the case for child labour and the fact that projects are making good use of their new knowledge in designing immediate project follow-on activities.

The MTR findings show overall a good progress of the projects compared to the results. We take note of the evaluators assessment less significant conclusions could be drawn that on impact level. This is mainly because the majority of projects are still in an early stage.

Due diligence

The review made clear that the companies involved in FBK or FVO projects made improvements in their due diligence systems. This is mostly regarding their policy development and risk assessment systems. The study also pointed out that there is limited evidence to support actual changes in company behaviour about risk mitigation, monitoring and remedy. In general, the evaluators concluded that the effectiveness of the programmes in improving corporate **due diligence** is difficult to evaluate.

We acknowledge these findings. The first steps of due diligence (policy making and risk assessment) are far easier than the later steps such as remediation activities, monitoring and tracking and communication of results. The later steps require greater changes in company practices which might not directly align with the current business case of the company. Moreover, companies' often limited influence on the local circumstances should also be taken into account.

We are continuously investing in developing knowledge on due diligence together with the companies involved in the funds. This is done through workshops, due diligence surveys, spreading of information, in-company trainings and cooperation with other organisations.

Recommendations

The review makes two main recommendations for both programmes for the remaining duration:

1. Invest in a **fast strategic planning process**. This includes levels of ambition and goals, developing a more detailed theory of change, and considers a number of strategic issues.
2. Take a number of **direct steps** to improve effectiveness. This includes streamlining the application process, and improving programme M&E and learning.

In the longer term, the additional recommendations are advised:

3. **Combine the FBK and FVO programs**. While ensuring that the investment in learning, action and visibility on child labour continues.
4. **Strengthen specialist internal capacity within the organisation**. Especially on RBC issues (including responsible business models, due diligence and changing the rules of the game) and monitoring, evaluation, and learning.
5. **Increase the investment in supporting RBC within Dutch supply chains**. Given the scale and urgency of the challenges faced, and linked to **more systemic action** to change the business context **and rules of the game**.
6. **Identify and support opportunities** for more localised and diverse economies in the global North and South. So that governments and communities have greater control and ownership.

Overall, the recommendations provide the funds with valuable information on improvements that can be made. With the understanding that some recommendations are beyond the scope of the programmes as commissioned to us, or are not deemed feasible in the remaining duration of the current programs.

The recommendation on **the rapid strategic planning process** (recommendation 1) whereby different scenarios would be discussed is valuable input to discuss with the Ministry of Foreign Affairs. These scenarios are for example the prioritisation of a set of RBC issues to tackle for which project application would be favoured, or the size of the grants to increase leverage and attract key players, or more clustering in specific target geographies and sectors. The Ministry of Foreign Affairs has the mandate to decide on such policy choices.

Netherlands Enterprise Agency will provide essential input for policy making on the improvement and future of the funds. This is fuelled by its hands-on experience from monitoring projects on the ground. We also question some suggestions, given the demand-driven nature of the funds and SME's as main target group. The focus on clustering and higher and fewer grants carries the risk that SME's will not be able to benefit from the funds. This is because of (financial and manpower) capacity problems to implement these size of projects.

The mid-term review concluded that to **enhance the effectiveness** (recommendation 2), the application process could be streamlined. This would result in reduction of the burden for applicants, and M&E and learning could be strengthened. This recommendation has been taken up actively and we have given priority to actions in this respect. However, in general, the streamlining of application and reporting processes is an already ongoing process and taking up lessons learned takes a prominent place in the funds.

The review resulted in a generally positive conclusion on **combining the funds** (recommendation 3). Although, in our opinion, of the pro's and con's of combining do not provide a clear picture on the why and how question. And neither on how to mitigate consequences. We will, together with the

Ministry of Foreign Affairs, seek to find the most appropriate form to deliver on the objectives of both funds.

Concerning the recommendation on increased **specialist internal capacity** (recommendation 4) within our organisation. This topic is currently taken up by our (internal) learning agenda. Which aims to improve the knowledge level of staff and knowledge sharing with project partners. We recognise, however, the limits of internal capacity strengthening. The diversity of sectors, countries and RBC issues makes it impossible to have specialised staff in all fields. Therefore we call in expert advice from external experts when it is deemed necessary.

Recommendations 5 and 6 call for **more systemic action** and an overall trade and investment climate. This gives **more ownership and control to local governments and communities**, which is fully supported by us. However, this proposed agenda is very ambitious and out of reach for funds the size of FBK and FVO. Within the limited funds, we try to create synergy between the projects and other initiatives.

We try to strengthen relevant Dutch and international networks on RBC and child labour issues, and pilots of alternative business approaches. Moreover, the two funds are part of a broader strategy. Because while FBK and FVO directly support Dutch companies in addressing RBC issues in their supply chain, other programmes supported by the Ministry of Foreign Affairs focus, for example, on enhancing a fair business climate and improving the capacities of local governments.

Follow-up on the evaluation

The findings of the review have been discussed with the NRI team together with the ministry of Foreign Affairs. And during an internal discussion of the MTR report with both the FVO and FBK teams and a representant of the ministry of Foreign Affairs, priority issues for follow-up have been identified.

This response to the MTR report has been formulated by Anne Kempers and Johannes Borger, coordinators of respectively the FBK and FVO fund, in concert with Sara Cohen, team manager Team Sustainable Supply chains, Department International Development at the Netherlands Enterprise Agency.

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