Ministry of Foreign Affairs

Demand-driven or driven demand?

The role of demand-drivenness in Dutch PSD-instruments.

Master thesis Public Administration and Business Administration

Date 15 January 2013
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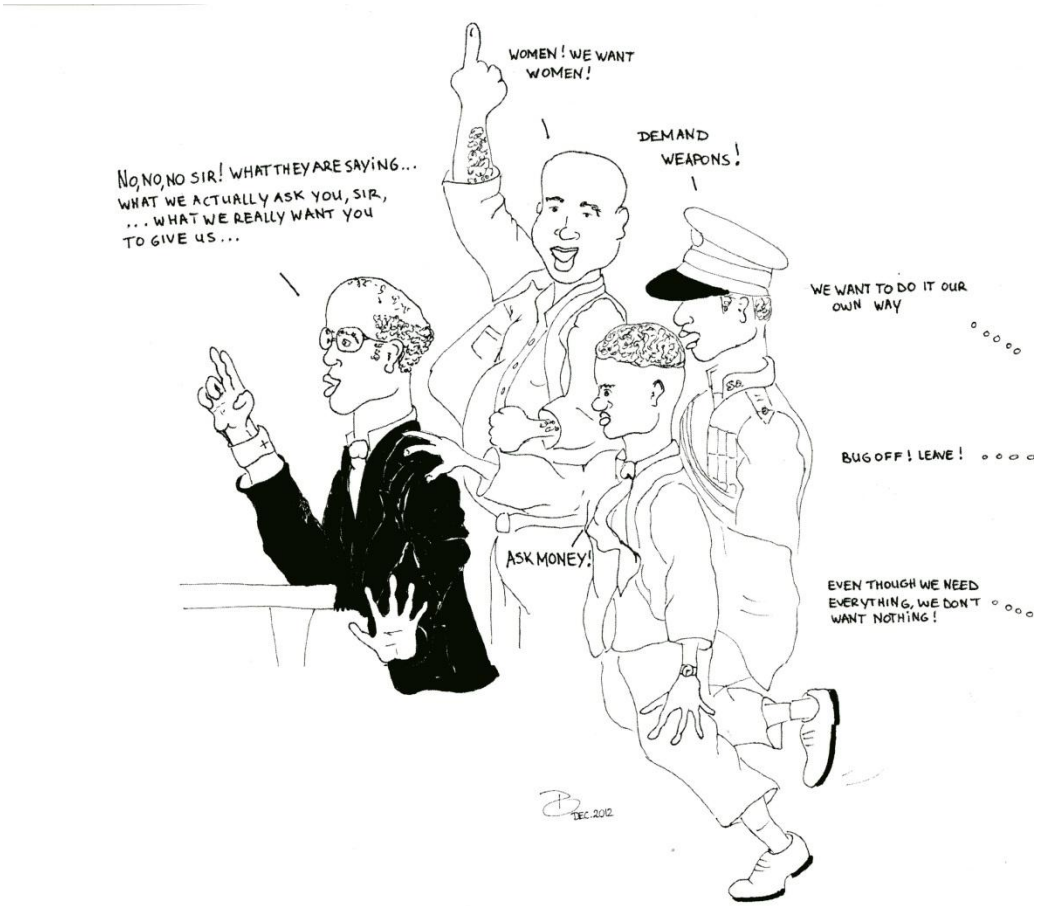

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Acronyms

AIV	Advisory Council on International Affairs
BA	Business Administration
BSC	Balanced Scorecard
BI	Business Intelligence
CAPEX	Capital Expenditure
CBI	Centre for the Promotion of Imports
DDE	Directorate Development Economics
DECD	Donor Committee for Enterprise Development
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden
IB	Intended beneficiary
ILO	International Labour Organization
IOB	Policy and Operations Evaluation Department (Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie)
IX	Instrument X
MDG	Millennium Development Goal
MoU	Memorandum of Understanding
NCW	Dutch Christian Employers association (Nederlands Christelijk Werkgeversverbond)
OECD	the Organization of Economic Cooperation and Development
ORET	Developmental Relevant Export Transactions
ORIO	Developmental Relevant Infrastructure Development
PA	Public Administration
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Papers
PSD	Private Sector Development
PSI	Private Sector Investments
PSOM	Program Cooperation Emerging Markets (Programma Samenwerking Opkomende Markten)
PUM	Dutch Senior Expert (Programma Uitzending Managers)
SER	Social and Economic Council
SME	Small and Medium Enterprises
SRQ	sub research question
TA	Technical Assistance
UT	University of Twente
WRR	Scientific Advisory Council (Wetenschappelijke Raad voor het Regeringsbeleid)

Preface

In order to graduate for the master programs business administration and public administration, I was looking for an organization that could offer me an internship during which I could perform a research on the cutting edge of business, government and development cooperation. IOB turned out to be a suitable place for such a research project. The private sector development (PSD) policy review offered me a good context to perform this research about demand-drivennes. I am grateful to colleagues that made time for reflection on my concepts and draft reports, i.e. Antonie de Kemp, Dick van de Hoek, Henri Jorritsma, Ruerd Ruben and Willem Cornelissen. Also Jaap Voeten from the University of Tilburg, who gave reflection on my theoretical framework, can be mentioned in this row. I thank Lieke Pullen for editing of the text. I thank Denise Bergkamp for drawing the cartoon for the first page. Most of all, I am grateful to the support of my supervisors Max Timmerman and Jiska Gietema from IOB and Hans de Groot, Ton Spil and Annemarije Kooijman from the University of Twente (UT) for their support and supervision on this research project.

As stated before, this research is performed at the cutting edge of business administration and public administration. The following will discuss in which part of this research specific elements of both fields can be recognized.

Public administration is about the governance of public issues. In this study the issue is the problem of poverty and the challenge that is formulated in the millennium development goals to reduce poverty. Public administration starts from a macro perspective in which the global problem of poverty is seen as subject for national policy. The description of the logical framework of the PSD-policy of the Dutch Government is a typical example of an analysis of a macro perspective, simplified in a model in order to make a policy to handle this problem. The idea that the development of the private sector can and should be influenced by public interventions is also a public way of thinking.

Business administration takes a private business as starting point of analysis. The first link with this research is off course the private businesses that are subject of the PSD-policy in order to develop. But also the implementation of the instrument by the different executive organizations fits in the scope of business administration. These organizations are in many ways similar to regular businesses, e.g. the need for Business Intelligence (BI) systems that provide the management with information in order to take decisions.

Summary

Demand is an ambiguous concept in a development context. Development instruments claim to be demand-driven, but it is unclear what exactly is meant by such a statement, how it can be measured or how it effects the impact of an instrument.

Problem statement
This research is executed in the context of a policy review of IOB[1] about the Dutch policy regarding private sector development (PSD) in developing countries. The Dutch PSD-policy consists of many instruments. The Dutch PSD-instruments[2] are supposed to be demand-driven according to the policy documents. The ´terms of reference of the country studies´ mention some research question about demand-drivenness. In order to provide input for these questions this research develops methods to assess demand-drivenness and measures the extent to which PSD-instruments were demand-driven. The following main research question is discussed in this research: *To what extent are the Dutch PSD-instruments demand-driven and to what extent do executive organizations have information about their own demand-drivenness?*

Methods
This question is answered by a combination of methods, consisting of a systematic literature review, interviews with representatives of the Dutch PSD-instruments, document- and data-analysis.

Literature
There is not one generally accepted definition of demand-drivenness in literature. Demand-drivenness is most often associated with participation, ownership and decentralization. Demand-driven is most often used as an opposite to supply-driven. Two recurring elements in the definitions of demand-driven are that the demand of the intended beneficiary is relevant and that the decisions in the different phases of an instrument are subject to influence by this demand. In the case of selected PSD-instruments, the relevant phases are: strategy, request and approval. The found definitions can be summarized in the following definition of demand-driven: *The extent to which decisions in the different phases of a development-instrument are based on the preferences of the intended beneficiaries.*

There is also not one generally accepted set of indicators in literature to measure the extent to which an instrument is demand-driven. However, 29 unique indictors for demand-driven were found in literature. The indicators can be classified according to the three phases mentioned earlier and according to the following four assumptions about demand-drivenness that will be used as criteria:
1. an instrument is demand-driven when receivers are willing to contribute.
2. An instrument cannot be demand-driven when there is low awareness among the intended beneficiaries.
3. A demand-driven instrument is accessible for the intended beneficiaries.
4. Intended beneficiaries can influence a demand-driven instrument.
From this list of 29 indicators, 22 indicators are selected that are appropriate for the context of this research.

[1] IOB: Policy and Operations Evaluation Department (Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie) of the Ministry of Foreign Affairs.
[2] This research considers the Dutch PSD-instruments that are mentioned as 'bedrijfsleveninstrumentarium' by the secretary of state and that started at least one year ago i.e. CBI, FMO (FMO-A, AEF, IDF, MASSIF), ORET, ORIO, PSOM/PSI and PUM.

Scores of instruments

The PSD-instruments are scored on the selected indicators. The scores are summarized in table x. The indicators show that the receivers of all instruments have demand for the instruments, because they are willing to contribute. In case of FMO this is clearer than in the case of PUM, the rest is in between. The strategic decisions are to a certain extent in line with the demand. The indicators show that the requests for ORIO are based on the demand of governments in developing countries. In the case of PUM, PSI and to a certain extent for CBI it is unlikely that the intended beneficiaries with the highest demand made the request, because many intended beneficiaries are not aware of the possibility to make requests. In the case of FMO and ORET this is more ambiguous. The indicators about the approval phase show the least disturbed process of demand-drivenness by the approval phase by PUM, followed by FMO. PSI, ORET and ORIO are indicated to have the most potential for disturbing the accessibility of the intended beneficiaries with the highest demand. In the case of ORIO it is possible that the 'disturbance' corrects some of the 'disturbance' of the request phase because it tries to select applications with sufficient demand. The scores are summarized in the table below.

Table x. Demand-drivenness of the Dutch PSD-instruments.

	CBI	FMO	ORET	ORIO	PSI	PUM
Strategy - (Willingness to) contribute	mod	high	mod	mod	Mod	low
Request – Awareness	mod	mod	high	high	Low	mod
- Accessibility	low	low	low	high	Low	mod
- Influence	n/a	high	n/a	high	High	n/a
Approval – Accessibility	high	mod	mod	low	Mod	high
- Influence	n/a	n/a	n/a	high	n/a	n/a

Information on demand-drivenness

When it comes to the definition of demand-drivenness that is given by the instruments, it can be said that most instruments associate demand-drivenness with a fit or alignment of instruments with the wishes or priorities of the governments of developing countries or with the wishes of the intended beneficiaries. Most instruments define the decisions in their strategy as a combination of demand-, need- and supply-driven[3]. The decision to request is in most cases made solely by the intended beneficiary and therefore seen as demand-driven. In case of FMO, supply also plays a role and in case of ORET it is only seen as supply-driven. The

[3] Demand-driven: based on the endogenous demand/preferences of the intended beneficiaries.
Need-driven: based on exogenous needs or requirements.
Supply-driven: based on what can be supplied by the donor, e.g. by the available budget or the preferred sectors instead of what is needed or demanded.

approval decision is mostly seen as need-driven. Only in case of ORIO demand plays a role also. In case of PSI, supply plays a minor role. ORET's approval decision is completely supply-driven.

This classification that is made by the instruments can only be measured in a limited way by their own business-intelligence-systems. Demand-drivenness is not measured as such in the BI-systems of the Dutch PSD-instruments. The indicators the interviewees came up with that could be presented in reaction to a question of the minister to 'prove' the demand-drivenness of the Dutch PSD-instruments are limited. It is not surprising that most instruments score generally high on their own indicators, because they were only asked for indicators that prove their demand-drivenness. Also, it is likely that the scores are high because of a self-report bias.

Data on indicators that could be used to measure demand-drivenness, both found in literature and reported by the instruments, is only limited available. 29 percent of the indicators that were found in literature are being measured by the instruments.

Impact

This research does not determine the effect of demand-drivenness on the impact of development instruments. However, it is possible to measure demand-drivenness with the indicators found in this research. Combined with regular impact studies and qualitative methods the link between impact and demand-drivenness can be established. However, there are many other factors that influence the impact of PSD-instruments.

Conclusion

Based on this research it can be said that the strategy of all instruments is to a certain extent in line with the demand of the intended beneficiaries. It is unlikely, when businesses are the intended beneficiary, that they are the intended beneficiaries with the highest demand for the intervention. It is likely that the approval phase reduces the influence of demand. However, essential data is missing to make a robust conclusion about the demand-drivenness.

The instruments do not measure demand-drivenness on purpose in their BI-systems. The availability of data that could be used to measure demand-drivenness is limited.

The influence of demand-drivenness on impact can be investigated, although many other factors make a precise determination impossible.

1 Introduction

1.1 Introduction

'In a world with people that have lack of everything, there is also demand for everything.' (WRR, 2010 p. 153) This is a quote of the scientific advisory council of the Dutch government in a report about development cooperation. It is exemplary for a complex issue in evaluation studies of development cooperation. Demand is an ambiguous concept in a development context. Development instruments claim to be demand-driven, but it is unclear what exactly is meant by such a statement, how it can be measured or how it effects the impact of an instrument. Different claims are made about the potential benefit of demand-driven instruments over supply-driven ones: it is supposed to improve the probability of broad-based adoption (Byerlee, 2000 p. 434) ownership, commitment, (Mengers, 2000 p. 375) sustainability, (Gupta, et al., 2008 p. 273; Schroeder, 2000 p. 424) efficiency, the chance of cost recovery (World Bank, 1993, in: Mukhija, 2010 p. 794), et cetera. Others challenge these claims by pointing to the limited empirical evidence. (Mukhija, 2010 p. 794; Mansuri, et al., 2004 p. 29)

This research discusses the concept demand-driven: the extent to which decisions in the different phases of a development-instrument are based on the preferences of the intended beneficiaries (see 4.1 for elaboration on the definition of demand-driven). First, the context of the research will be sketched, followed by the aims of the research, the problem definition and the limitations. This introductory chapter will end with an outline of the rest of this research.

1.2 Context

This research is executed in the context of a policy review[4] about the Dutch policy regarding private sector development (PSD) in developing countries by the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs of the Netherlands[5]. Part of this policy review is executed by consultants that are hired by IOB, to whom will be referred as the consultants. In 2011, IOB programmed this policy review about the period 2005-2011 (IOB, 2011). Subject of the review are two operational goals of policy article four of the budget of the Ministry of Foreign Affairs. Article four concerns 'more wealth and less poverty' and is the core of the PSD-policy of the Netherlands. This context was helpful in order to get access to information and supervision. The following paragraphs will elaborate on the development of the Dutch PSD-policy.

The concept 'private sector development' was discussed elaborately for the first time in a policy context by the Dutch government in 2000. However, some instruments that are considered part of the 'business-instruments' have existed for several decades, e.g. the Centre for the Promotion of Imports (CBI) as an instrument for PSD was established in 1971 (CBI, 2012). Also, a couple of questions were already asked by Members of Parliament and a couple of statements were made by ministers about the necessity of PSD-policy before 2000 (Tweede Kamer, 1996). This eventually led to the report 'Ondernemen tegen armoede' – 'Doing business against poverty' - (Herfkens, et al., 2000), that has been the basis for the Dutch PSD-policy. A definition of PSD, the intervention logic and a stakeholder analysis can be found in chapter three, the theoretical framework.

PSD-policy has been part of the Dutch policy for development cooperation since 2000, although some comments were made and changes were implemented. Four trends in the changes of the PSD-policy will be mentioned. A first trend is the

[4] A policy review is a form of periodic ex post evaluation research on general or operational goal level. The review is about fundamental questions about necessity and effects of policy. (Minister of Finance, 2006)

[5] The subject demand-drivenness is not only relevant in the development sector, but also in other departments of the government, see e.g. (Algemene Rekenkamer, 2008)

untying of the aid, i.e. aid without the compulsion to buy the goods in the donor-country. One example of this trend took place in 2002. The former secretary of state of foreign affairs, Van Ardenne-Van der Hoeven (2002), discarded the constraint on one of the PSD-instruments: PSOM[6], which required 60% of the capital goods were originated in the Netherlands; this untied PSOM.

A second trend is formulated by the Advisory Council on International Affairs (AIV) (2006). They commented on the Dutch PSD-policy and concluded that a coherent policy is missing and that the focus should shift from direct investments in e.g. infrastructure to creation of an enabling environment by reducing risk and binding constraints. This shift is supposed to reduce direct government support to firms and thereby reducing market distortion.

A third trend is the increased use of public-private partnership (PPP). This form of cooperation between government, businesses and other partners is considered to be effective by the minister and secretary of state of Foreign Affairs (Rosenthal , et al., 2010 p. 10). In 2011, two letters by the secretary of state announce that PPPs will be a priority of the Dutch policy (Knapen, 2011 p. 8) (Knapen, 2011 pp. 6,7). It can be argued that PPPs lead to tied-aid (Tweede Kamer, 2012). The use of PPP increases the role of individual firms in the execution of the Dutch policy in contrast to the previous trend.

A last trend that is most relevant for this research is the role of the intended beneficiaries. Several times it is mentioned by ministers or secretaries of state that the demand of the receiving 'partners' is leading (e.g. (Ardenne-van der Hoeven, 2002; Ardenne-van der Hoeven, et al., 2004; Koenders, et al., 2007; Koenders, et al., 2008; Knapen, 2011)). Also the already mentioned AIV-report (2006 p. 61) discusses the role of the receivers and states demand-drivenness as a quality criterion for PSD-instruments. The advice of the Social and Economic Council (SER) (2011 pp. 55, 88), 'Development through sustainable enterprise', confirms this pledge and advises to support demand-driven programs. The minister and secretary of state of foreign affairs (2010 p. 8) nuance this focus on the demand of the intended beneficiary by stating that a good Dutch supply will find its way to specific demand in receiving countries.

1.3 Aims of the research

The aim of this research is threefold. The first aim is to contribute to the policy review about PSD by IOB. In the terms of reference of the country studies that are part of the PSD policy review it is stated that the objective is to produce a description of the demand-drivenness of the application of the Dutch PSD-programs (both policies and instruments), in order to 'provide information from which lessons can be learnt by the Ministry of Foreign Affairs (MoFA) in the field of PSD-programs'. (IOB, 2012 p. 2). This research will contribute to the policy review by discussing demand-drivenness of the Dutch PSD-instruments.

The second aim is to formulate indicators that can be used to incorporate information about demand-drivenness in the BI-systems of development organizations that manage PSD-instruments. An example in the context of development aid of a call for objective, quantifiable indicators for information management systems to 'improve its systems and products on an ongoing basis and become more responsive to its clients' is formulated by Goldberg, et al. (2008 p. 27). An introduction on BI-systems can be found in the theoretical framework.

The third aim is to contribute to conceptualization of the term demand-driven in IOB. Demand-driven is a recurring theme in IOB-evaluation (e.g. (IOB, 2011 pp.

[6] PSOM: Programma Samenwerking Opkomende Markten, Program Cooperation Emerging Markets. Predecessor of the Private Sector Investment program (PSI), which is 'a subsidy program of the Dutch Ministry of Foreign Affairs / Development Cooperation that supports innovative investment projects in emerging markets.' (AgentschapNL, 2012)

116, 117; IOB, 2012 pp. 5-12)), but a clear definition and operationalization is missing in the evaluation guide (IOB, 2009).

1.4 Problem definition

In order to reach the above mentioned goals, the next problem definition will be treated in the research.

The Dutch PSD-policy consists of many instruments. The instruments are supposed to be demand-driven (e.g. (Tweede Kamer, 2012 p. 13)). The terms of reference of the country studies state: 'It is currently relatively unknown how this demand-driven approach and alignment work in practice.' (IOB, 2012 p. 2). This document formulates the wish for methods to assess demand-drivenness and to establish the extent to which PSD-instruments were demand-driven. In order to meet this demand, the following main research question is discussed in this research:

To what extent are the Dutch PSD-instruments demand-driven, to what extent do executive organizations have information about their own demand-drivenness and to what extent does demand-drivenness influence impact?

To answer the main research question, three sets of sub research questions are formulated. The first set tries to find out to what extent the instruments are actually driven by the demand of the intended beneficiaries. It firstly approaches demand-driven from a theoretical perspective to find definitions (1) and indicators (2) that are used in recent literature to define and measure demand-drivenness in a development context. After a selection (3) is made of the available indicators that are appropriate for the PSD-instrument setting, the scores (4) on these indicators can be measured to determine the demand-drivenness of the Dutch PSD-instruments.

The second set of questions tries to find out to what extent the organizations that implement the instruments know to what extent their instruments are demand-driven. These questions approach demand-driven from the perspective of the organizations that implement the Dutch PSD-instruments. Both the used definitions (5) and indicators (6) by the executive organizations will be identified and compared with the classification of definitions and indicators found in the first set of questions. Following it will be assessed to what extent data is available in the BI-systems of the executive organizations on the indicators that they use to determine demand-drivenness (7).

The last sub research question is about the influence of demand-drivenness on the impact of PSD-instruments.

The sub research questions (SRQ) are as follows:

1. Which definitions of demand-drivenness in a development context are used in recent literature and how can these be classified?
2. Which indicators of demand-drivenness in a development context are mentioned in recent literature and how can these be classified?
3. Which indicators (found in the previous question) are appropriate to incorporate in the business intelligence systems of PSD-instruments in order to provide information about the demand-drivenness of these instruments?
4. How do the Dutch PSD-instruments score on the set of indicators of demand-drivenness formulated in SRQ3?

5. Which definitions of demand-drivenness are used by the executive organizations of the Dutch PSD-instruments and how demand-driven do they estimated their own instruments?

6. Which indicators of demand-drivenness are incorporated in the business intelligence systems of the Dutch PSD-instruments and how do they fit in the classification of SRQ2?
7. To what extent is data available in the business intelligence system of the Dutch PSD-instruments about the scores on the set of indicators of demand-drivenness?
8. To what extent can the influence of demand-drivenness on the impact of PSD-instruments be determined?

1.5 Limitations

The research is limited in various ways: instrumental, methodological and thematic. Most limitations are given by the context of this research i.e. the PSD-policy review.

The first limitation is instrumental. Only the Dutch PSD-instruments that are mentioned by the Secretary of State as part of the Dutch 'OS-bedrijfsleveninstrumentarium' (development cooperation – business instruments) (Knapen, 2012) will be considered i.e. PSI, FMO-ODA, CBI, PUM and ORIO. Also the predecessors of ORIO, i.e. ORET will be considered. The recently started programs, i.e. IDH and the PPP-facilities will not be considered. The majority of the money that is invested in PSD by the Dutch government is channeled through these instruments. Programs of multilateral organizations like the International Labour Organization (ILO) or programs of Dutch NGO's that are co-financed by the Dutch ministry of Foreign Affairs are not considered in this research.

The second limitation is in the methods. It is beyond the scope of this research to perform field work among the intended beneficiaries of the instruments. Therefore, the data gathering will partly be executed by consultants without direct supervision of the author of this research. Although their selection is based on an extensive tender procedure, the quality cannot be monitored directly.

The third limitation is in the themes that can be addressed. This research only deals with the extent to which PSD-instruments are demand-driven. It does not deal with the consequences of the extent of demand-drivenness for the impact of an instrument. It is impossible to assess this, because of the marginal evidence on impact of the instruments that is available. Also, primary research about impact is not feasible within the limited time that is available for this thesis. However, there will be one chapter that discusses the possibilities for impact studies of demand-drivenness in the future. Other sectors or policy fields than PSD will not be addressed, because of limited time.

1.6 Outline

This report is structured as follows. The context, the aims of the research, the problem definition and the research question and the limitations of this research regarding instruments, methods en theme are described in the introduction chapter above. The next and second chapter is about the methods that will be used to collect data and answer the research questions. The third chapter outlines a theoretical framework about PSD, BI-systems and demand. Chapter four to six answer the different research questions. The report finishes in chapter seven with a conclusion and discussion of the results and recommendations.

2 Methods and approach

This chapter discusses the methods and describes the approach that is used to answer the research questions. The methods that are applied in this study can be roughly divided into two groups. The first and the second question are answered through a systematic literature review. The remaining questions are answered through the use of dossier study and interviews by the author and input from the country visits made by the consultants that are hired by IOB.

This chapter starts with the method of literature review, followed by the remaining methods.

2.1 Literature review

One of the aims of literature review is 'to survey the current state of knowledge in the area of inquiry' (Bhattacherjee, 2012 p. 23). This will be used to find possible definitions of demand-drivenness and available methods to determine demand-drivenness.

According to the Campbell Collaboration Guidelines (2012) 'it is important to have clear inclusion/exclusion criteria, an explicit search strategy, systematic coding and analysis of included studies and meta-analysis (where possible)'. The selection criteria for this study are: relevance for the research topic and quality, which is in case of academic literature a record in Web of Science. An article is considered relevant when it is about demand-driven in any sector of development cooperation or about private sector development in a non-development context.

The used search strategy is as follows. The database Web of Science is used for academic literature and the databases of the World Bank, IMF, OECD-DAC and ELDIS are used for professional literature. The search term that is used is: demand-driven. This leads to 798 academic articles. By excluding irrelevant categories[7], 123 articles are left. Based on the titles and summaries, 89 irrelevant studies are excluded. After reading the articles seven irrelevant articles are excluded, which leads to a selection of 27 academic articles. The databases for professional literature delivered nine (World Bank), one (IMF), eleven (OECD-DAC) and 58 (ELDIS) articles. Based on the titles and summaries, respectively one, one, six and six irrelevant studies are excluded. Also one article has been found twice in different databases and one article has been found three times. 32 articles from the ELDIS database are excluded because of non-availability. After reading the articles, two more articles are excluded. The total selection of articles from professional literature is 30 (six World Bank, four OECD-DAC and 20 ELDIS).

The articles that were included in this research are analyzed and the findings are reported in chapter four. In the case of the definitions, besides the reporting of the actual definitions that are used in the literature, the articles are analyzed on the associations and the contrast with demand-driven which are mentioned. This gives additional insight in the nature of demand-driven. These associations and contrasts are summarized in a word cloud, i.e. a visual representation of the relative frequency of a list of key words by a grouping of words with different font sizes (Dictionary.com, 2012). Frequency of association does not prove a logical connection, but it does indicate to which other concepts the meaning of demand-driven is related according to authors. The indicators are classified according to the classification that is constructed in 4.2.1. The indicators are also generalized by translating context specific phrases into phrases that are also useable in the PSD context. For example: EAS, which is the name of an instrument, is translated into instrument X (IX). Intended beneficiary is shortened to IB and specific names of themes, regions and sectors are translated to these more general terms. Theme is

[7] The included categories are: economics, planning development, management, business, urban studies, information system library science, public administration, political science, international relations, sociology, industrial relations labor, social sciences interdisciplinary and social sciences mathematical methods.

referring to the kind of intervention, e.g. in the theme education or finance. Sectors are about parts of the economy e.g. water, infrastructure or textile.

2.2 Dossier study, interviews and field visit

The selection of appropriate indicators is made based on a set of inclusion and exclusion criteria. The inclusion criterion is: used in the selected academic or professional literature to measure demand-drivenness. The exclusion criteria are formulated in consultation with the consultants during their inception phase[8]. Their experience with evaluation research in developing countries gave meaningful input for the formulation of exclusion criteria. The selected exclusion criteria are: 1. not measurable in most other contexts than the original research context, 2. the indicator is about a specific characteristic of an instrument that is unlikely to be found in other contexts, 3. the intended beneficiary is not seen as the relevant stakeholder to exercise demand. The exclusion criteria are explained and applied in chapter 4.3.

The scores of the Dutch PSD-instruments on the selected indicators are gathered by analyzing the evaluations and other documents that are available at IOB about the PSD-instruments, combined with the documents that are given by the instruments. Also, six interviews are performed with nine persons that are working for the organizations that execute Dutch PSD-instruments. One additional interview is performed with a policy officer of DDE that was involved with the transition from ORET to ORIO. The names of the interviewees can be found in appendix 1: interview list. The interviews were semi-structured (Boeije, 2005 p. 57). The interview protocol that is also used to get input for other sub research questions can be found in appendix 2: interview protocol. The interview protocol is based on the research questions and the findings of the literature review. When no data is available for an indicator the interviewees were asked to make an estimate or to come up with an alternative, similar indicator. In most cases a direct score is found in the documentation or given by the interviewee. A few score were calculated, based on the available data. In the case of variation scores a simple variance or standard deviation is not sufficient, because the differences in the amount of entries would make it incomparable. By calculating the difference in terms of percentage between the mean and the standard deviation this problem is treated. The data that is used is mostly from 2011. When available, extra years were added to the analysis in order to increase robustness of the data.

In order to give insight in the scores of the instruments compared to each other, the scores are transformed to a scale. A one to three scale is chosen, because many scores are estimates and therefore not very accurate. A '1' means that the indicator points to relative less demand-drivenness and '3' to more influence of demand on the decisions that are taken in that phase. The limits of the scales are based on the scores of the instruments, in such a way that the scores are distributed among the whole scales. This improves the comparability and above that, there is no benchmark available to justify limits. When the scores for all instruments are the same, a '3' is given if the scores are at the obvious upper side of the scale, e.g. when the absolute score is 'high' or '100%'; a neutral 2 is scored when the score is not at an obvious extreme of the scale. All indicators are measured for the whole instrument. These scores can be found in table 5. The scaled scores are summarized per criterion (i.e. willingness to contribute, awareness, accessibility and influence).

[8] Part of the policy review is executed by the IOB internally; part of it is tendered and executed by consultants. Among others, the study of the PSD-instruments on country level (e.g. Vietnam) is tendered. The tasks of the consultants can be divided in four phases. First, an inception report has to be made with among others the methodology. Second, a desk study of the business environment and national policies has to be made, combined with a schedule and detailed method of data collection for each country study (e.g. interview structures). Third, the actual visit to countries to visits key stakeholders and programs/projects are scheduled and finally a synthesis report has to be written. (IOB, 2011)

Instead of weighting all indicators with a neutral 'one', there is chosen for an alternative weighting in order to increase the weight of indicators about which consensus seems to exist. The weighting of the indicators is based on the citation score or impact factor of the journal in case of academic journals, which can be seen as an indication of the quality of the articles that are placed in the journal and the consensus that exist about the content. It is assumed that the relevance of the indicators correlate with the quality of the journal. In the case of articles from professional literature the score is based on an overlapping article; one article from the professional literature was also published in the academic journal The World Bank Research Observer with a citation score of 1.409. This score is used for all articles from professional literature. When more than one article refers to the same indicator, the scores are summed up. The summation is justified by the assumption that it is more likely that a indicator is of good quality when it is mentioned more often, although this can be biased for example by greater research interest for implementation issues compared to strategic issues. The weights are round up to whole numbers. The calculation of the weights can be found in appendix 3. The summarization is done by multiplying the scaled scores with the corresponding weight; after summation of the results of all indicators of one assumption, e.g. indicator 7-9 for the assumption 'awareness', the total is divided by the total weight. This gives a standardized score between 1 and 3. The calculation can be found in appendix 6. These standardized scores per assumption are transformed to table 6 in which the score of an instrument on a specific assumption is marked as low and red when the standardized score is the lowest of all the scores and is marked high and green when the standardized score is the highest of all instruments. Moderate and orange is used for scores in between.

The question about the definitions that are used by the Dutch PSD-instruments is answered by the semi-structured interviews. First the interviewees were asked about their definition of demand-drivenness. Following they were asked to react on the definition that is based on the found literature. They were also asked to classify different decisions of their instrument with the classification that is found during the literature study.

The question about the indicators that are used by the instruments is answered by asking questions about this theme during the same interviews. They were also asked how they score on their own indicators.

The last question about the availability of data is answered by a structured part of the interview. The results are presented in a table in which yes and green indicates that the score on this indicator is available in the BI-systems of the instruments. Red and no indicates unavailability. Yellow and alternative is used to indicate the availability of an alternative indicator.

3 Theoretical framework

In this theoretical framework concepts will be discussed that are related to the research topic. First, the concept private sector development, the intervention logic that is behind it, an analysis of the stakeholders and a description of the Dutch PSD-instruments will be discussed. The second part is about BI-systems. In the third part, the term *demand* will be discussed. The term demand-driven is not defined in the theoretical framework in order to align with the grounded theory principle: 'to avoid starting with a preconceived model but, rather, to produce a model growing out of data collection and analysis' (Pozzebon, et al., 2011)

3.1 Private Sector Development

In this section, the concept private sector development, the intervention logic that is behind it, an analysis of the stakeholders and a description of the Dutch PSD-instruments will be discussed.

3.1.1 The concept

As stated in the introduction, the Dutch government published its first policy document on PSD in 2000. Already in 1995 the Organization of Economic Cooperation and Development (OECD) published a document on PSD in their development co-operation guidelines series. They stated a definition and scope of PSD that starts with a definition of the private sector that is subject of development:

"Private sector" is conceived by the donor community as a basic organizing principle for economic activity where private ownership is an important factor, where markets and competition drive production and where private initiative and risk-taking set activities in motion. The private sector principle can be applied in all economic activities – agriculture, industry and services (including the delivery of public services). Donor motivations for supporting private sector development are based on promoting economic efficiency and social welfare. Donors agree that private sector development is fundamentally about people: releasing and harnessing their productive potential and satisfying their human needs and desires; and creating pluralistic societies which provide both human freedom and human security. (OECD, 1995 p. 7)

3.1.2 Logical framework

The definition mentioned above partly clarifies the intervention logic or logical framework[9] of PSD. In the document 'doing business against poverty' (Herfkens, 2001) the policy theory and intervention logic of PSD is also explained. This time by the minister of Development Cooperation and the secretary of state of Economic Affairs. The ultimate goal of the PSD-policy is to reduce poverty, which not only refers to material deficit, but also to lack of opportunity, empowerment and security; this can be linked to the Millennium Development Goals (MDG), especially the first goal to eradicate extreme hunger and poverty. (UNDP, 2012) This reduction can be reached by inclusive economic growth, which means that economic growth should come with active participation of the poor so they can contribute to and share in the benefits. This means that economic growth has to be combined with sustainable employment, social service in health and education, reforms in land and resources access, promotion of social organization, decent wages and attention for the most vulnerable groups. According to this logic, it is the task of the private sector to provide employment, income and taxes for the public sector. The public

[9] Logical framework: Management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution and evaluation of a development intervention. (OECD, 2010 p. 27)

sector should, beside the delivery of public goods, focus on creating an enabling environment for private sector development. (Herfkens, et al., 2000) (Herfkens, 2001)

The first step in an intervention logic scheme is the input provided for the intervention. This consists of the PSD-policy and the (financial) means to execute this policy. In this report, PSD-policy refers to the intervention logic and policy that is formulated by the Dutch government for private sector development. A PSD-program is that what is actually implemented on country level. This consists of several PSD-instruments, like PUM, ORIO en PSI[10]. The input is needed to perform the process, which is the actual intervention in the form of projects e.g. training or a grant. This process leads to outputs like for example number of people who followed a training. The ratio between the input and the output is the efficiency. (IOB, 2009 pp. 17,18) The output is supposed to lead to the outcome, which is in this case an enabled private sector. The relation between the output and the outcome is called the effectiveness. As stated in the introduction, this relation has been subject of discussion, e.g. the question on which level the outcome is relevant: the trend is to strive for more macro enabling instead of direct firm support (e.g. (OECD, 2007; Advisory Council On International Affairs, 2006)). The last building block of the intervention logic is the impact or relevance. In this case, that is economic growth and eventually reduced poverty. The relation between the outcome of an enabled private sector and the impact on the economic growth and poverty reduction is often assumed, although the report 'business against poverty' state that economic growth does not necessarily leads to poverty reduction. The growth needs to be pro-poor or least benefit the poor in some way. The described intervention logic can be found in figure 1.

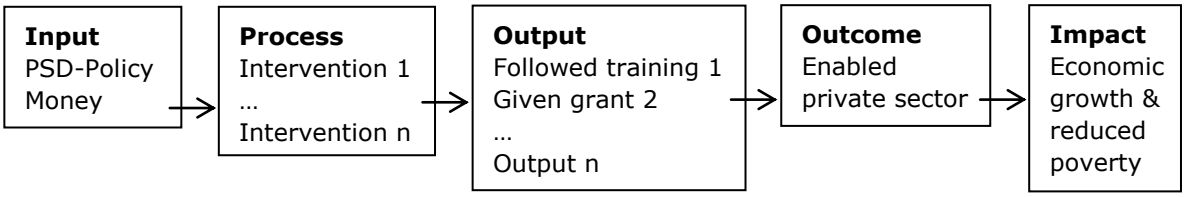

Figure 1. Intervention logic PSD.

3.1.3 Stakeholder analysis

Many stakeholders are involved in the process from input to impact. The most important stakeholders will be mentioned. The *donor* provides the money and the PSD-policy, although the donor often claims that the policy is based on the needs or demands of those who are supposed to benefit. In this research, the donor is the Dutch government, more specifically the Ministry of Foreign Affairs. The stakeholder group that is supposed to benefit from the PSD-policy is in this case ultimately the poor people i.e. people that live below the poverty line that is referred to in MDG 1. They will be referred to as *the poor*. The group of stakeholders that are (directly) targeted by a specific instrument will be referred to as the *intended beneficiary*. The PSD-policy exists of a set of instruments that are implemented by another group of stakeholders, the so-called *executive organizations* e.g. Agentschap NL or FMO. The executive organizations implement several interventions or projects. The stakeholder group that is approved to receive aid will be referred to as *beneficiary*. When the project is actually implemented the firm or person that is involved will be referred to as *receiver*.

[10] Note that the intervention logic of specific instruments can differ from the general logical framework of the PSD-policy. See the last part of this section for elaboration on the instruments.

3.1.4 Dutch PSD-instruments

The Dutch PSD-policy consists of a set of instruments. The following will describe these instruments.[11] The first organization is CBI. CBI is the 'Centre for the Promotion of Imports from developing countries - an Agency of the Netherlands Ministry of Foreign Affairs. CBI is established in 1971 in order to support producers / exporters to get a foothold in the Netherlands market, support to Business Support Organizations in improving their capabilities and to act as a Matchmaker between suppliers and buyers.' The mission of CBI is to 'contribute to sustainable economic development in developing countries through the expansion of exports from these countries.' CBI works with five main services: export coaching programs, business support organization development programmes, training programmes on exporting to the EU, market intelligence information and a company database of companies coached by CBI. CBI uses a programmatic approach to integrate the different services. (CBI, 2012)

The second instrument is the 'Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden' (FMO) i.e. the Dutch development bank. It finances companies, projects and financial institutions from developing and emerging markets. The core belief is that entrepreneurship is key in creating sustainable economic growth and improving people's quality of life. FMO is specialized in the sectors: financial institutions, energy & housing and agribusiness, food & water. (FMO, 2012) The products and services of FMO can broadly be divided in two categories: financial products and services, and capacity development. (FMO, 2012) FMO manages several funds for the Dutch government in order to support higher risk projects with possible high development impact. These funds cover financial risks that FMO is not able to cover alone - allowing these higher risk projects to develop. (FMO, 2012) According to the letter of the Minister of Development Cooperation, Ben Knapen, concerned with an explanation of the PSD-instruments (Knapen, 2012) the Infrastructure Development Fund (IDF), Access to Energy Fund (AEF) and MASSIF are part of the Dutch PSD-policy. The predecessor of IDF is the LDC infrastructure fund. Besides managing the government funds, FMO is active with their own FMO-A fund. This fund is not directly funded or controlled by the Dutch government, but the state has a majority share in FMO which makes the state indirectly involved.

The aim of the third instrument, the program Development Relevant Export Transactions (ORET), is described by the Minister of Development Cooperation Van Ardenne-Van der Hoeven in 2006 as follows: 'The aim of ORET is to enforce sustainable economic growth and the business climate in developing countries. This happens by facilitating investments in economic and social infrastructure. The program reduces the costs of a project by donations for the purchase of capital goods, services or works. ORET is a subsidy program of the Ministry of Foreign Affairs.' The program was launched in 1979. (Beerenschot, SEOR & Ecolas, 2006) Since 2002, it was executed and managed by the NIO. In 2007, the mandate was changed to PricewaterhouseCoopers Advisory N.V. and Ecorys Nederland B.V. (Ardenne-van der Hoeven, 2006). They are still managing the commitments of ORET that were started before the transformation of the program and that are not finished yet.

In 2009, ORET was changed to ORIO (Development Relevant Infrastructure Development) in order to increase the (development) relevance, demand-drivenness, sustainability and accessibility for SMEs both in the Netherlands and developing countries. The number of countries and sectors was decreased and the involvement during the whole process from preparation to operation and maintenance was increased. (DDE, 2008) The ORIO program is commissioned to

[11] The description is based on an overview that is published as preliminary study PSD Vietnam on the website of the policy review http://psosamenwerken.wordpress.com/

Agency-NL. ORIO contributes 100 percent to the preparation costs and 35-50 percent to the implementation and maintenance costs of a project.

The fifth instrument, the Program for Cooperation with Emerging Markets (PSOM) started in 1998 and was converted in 2008 to the Private Sector Investment program (PSI). The aim of this program is to contribute to poverty reduction by stimulating sustainable investments in innovative business in developing countries. This is done by encouraging Dutch and foreign entrepreneurs to start investment projects in a joint venture company with a local entrepreneur. The program provides subsidies of 50-60% of the project costs of investments with high risks, which would otherwise not be carried out. PSOM/PSI is carried out by the EVD, which is nowadays part of Agency-NL.

The sixth instrument is PUM. 'PUM Netherlands senior experts is a non-profit organization, which has been advising needy businesses in developing countries and emerging markets for over thirty years. To this end, PUM links these businesses, at their own request, to Dutch professionals who voluntarily devote their considerable experience to creating a better world. PUM therefore promotes entrepreneurship, self-sufficiency and the sustainable development of small and medium-sized enterprise locally.' (PUM, 2012) This quote represents PUM in a nutshell.

3.2 Business Intelligence Systems

A program that is supposed to be demand-driven, must incorporate information about the demand-drivenness of the instrument in the monitoring systems or BI-systems. The concept BI-systems will be explored in this section.

Business intelligence is most often used in the context of regular business administration. Various definitions are used. It is for example seen as 'applied analytics' (Dresner, 2006), or technologies and processes to collect and analyze data for better decision making (Davenport, 2006). Molensky et al. (2010) define business intelligence as follows: 'Business intelligence consists of monitoring and analysis technologies that will enable business users to turn data into information and information into knowledge, in order to optimize decision making and manage business performance with the goal to improve profitability and competitiveness of the business.'

In the context of development instruments, the concept of business intelligence is less popular, although many aspects can be applied to development instruments with the exception of the goal of profitability and competitiveness, which is often not relevant. Petrini & Pozzebon (2008) define the relevant core of business intelligence in the context of development instruments as follows: 'the core of BI is the gathering, analysis and distribution of information, and the goal is to support the strategic decision-making process.' Based on the definitions above, the following definition of business intelligence is constructed: *the monitoring and analysis technologies that enable organizations to gather, analyze and distribute information in order to support the decision making process.*

There are several kinds of technologies, BI-systems or BI-tools that can be used. Spil et al (2002, based on: Alter, 1977) distinguish data oriented tools, decision oriented tools and model oriented tools. The tools range from simple file drawer systems, via spreadsheets and data warehouses, to extensive and tailored management information systems. A new trend in business intelligence is to include indicators or data from outside the organization, e.g. retail prices of competitors or opinions of customers. This trend is driven by so-called web 2.0 technologies. (Trujillo, et al., 2011)

In the context of the demand-drivenness of development instruments, it is too earlier to design and use complex BI-tools. First methodological issues, like formulating the indicators, must be solved. Petrini & Pozzebon (2009 p. 189) state about the development of BI-tools in this context: 'it is clear that the major

difficulties are not technical but methodological and conceptual in nature.' Therefore, this research will focus on the conceptual development of a set of indicators that can be used for a data oriented tool like file drawer system or a spreadsheet system.

Two conceptual models will be discussed that can be used to classify indicators of demand-drivenness. The first model is constructed by Quinn & Rohrbaugh (1983) to classify criteria of effectiveness. Although there are considerable differences between effectiveness and demand-drivenness, the model is useful as the constructs have key characteristics in common. Both constructs are related to basically everything that is going on in an organization. Besides that, both constructs lack a simple, one-dimensional indicator to measure the construct. Three value dimensions are mentioned by Quinn & Rohrbaugh. One of the three mentioned value dimensions is related to organizational means and ends that can vary between an emphasis on processes and outcomes. This dimension will be used to classify indicators for demand-drivenness. It can be argued that indicators that measure ends are stronger than indicators that measure means that should lead to these ends, because they measure more direct the demand-drivenness.

The second conceptual model is an adapted version of the balanced scorecard (BSC). The original BSC has four dimensions on which indicators should be formulated: financial, customer, internal business process and learning and growth (Kaplan, et al., 1992). The BSC is often adapted to make it fit for other contexts. The BSC can be made 'sustainable' by adding social and environmental indicators to the dimensions or by adding a fifth 'sustainability' dimension with these indicators. (Figge, et al., 2002) The sustainable BSC of Petrini & Pozzebon (2009) distinguishes four dimensions: business strategy, stakeholders, processes, and training and education. Other authors propose to transform the BSC to a public balanced scorecard (Groot, et al., 2012), in which the weight of the dimension of customer or community resident is higher (Zhonghua, et al., 2012 p. 794). Others say the BSC should be transformed into a scorecard suitable for social enterprises. In there, 'social return' is added as an extra category (Meadows, et al., 2010 p. 136). The logic of the sustainable balanced scorecard is successfully applied to different sectors (e.g. construction by Zhao, et al. (2012) and salmon industry by Velásques, et al. (2011)). The logic of the public balanced scorecard is also successfully applied, for example to the urban waste sector (Guimarães, et al., 2010) and the health sector (El-Jardali, et al., 2011). These applications obviously lead to different sets of indicators caused by the different set of relevant stakeholders. This is in line with the conclusion of Oliveira et al. (2012 p. 5496) that 'simply following the ''best practice'' approaches or the well-known cases of other companies may bring little benefit.' Given the context of development instruments, the dimension 'finance' of the original BSC will be replaced by 'business strategy', because strategic goals are often broader than only financial goals which are idiosyncratic for commercial organizations, but are less relevant for development instruments. However, the financial goals should always be part of the strategic goals, because no strategy can be reached in the long run without healthy financial goals. Also, the dimension 'customer' will be renamed because this concept is ambiguous in the context of development aid. The term 'intended beneficiary' will be used instead, which makes clear that it is about the group that should profit from the instrument. The dimensions 'internal business process' and 'learning and growth' will be kept the same, since both of them are relevant in this context.

3.3 Demand

For over more than a century, the concept demand is used in the social sciences, like the economic science for a market situation. The concept is used in the theory about price formation. The basic assumption is that when demand and supply meet, the optimal price for a certain product or service will automatically emerge. This

classic perspective is the starting point of this section. Later, demand will be discussed in the setting of this research, i.e. development cooperation.

According to the neoclassical economist Alfred Marshall (1890), the final cause of demand is needs, wants or desires. He states: '[h]uman wants and desires are countless in number and very various in kind: but they are generally limited and capable of being satisfied.' Besides this first aspect, Krohwinkel et al. (2008 pp. 198,199) point to the distinction between on the one hand 'normative need' or requirements, which is determined by experts' evaluation and is basically exogenous and on the other hand 'felt need' or wants which is based on self-perception and is basically endogenous. For both kinds of needs there is a difference between desires and the possibility to satisfy them. To avoid confusion, normative needs will not be referred to as demand. However it can be argued that expert can make accurate ex ante predictions of the future 'felt need', maybe even more accurate than those who are the future demanders. See the discussion at the end of this report for some elaboration on this theme.

Demand in the economic sense measures the strength of the desire and becomes efficient when the price a person is willing to offer for a good reaches the level that others are willing to sell at. This obviously assumes an endogenous definition of needs. Demand can be used at the individual level, but is often used to express general demand of an entire market, which is the sum of all individual demands. For a supplier it is important to consider demand for the product he is willing to sell. If he tries to sell a product for which not enough demand exists, the supplier will eventually go bankrupt. Although most suppliers also create demand by ordering materials, the ultimate regulator of all demand is the demand of the final customer. Without his demand, the demand of the supplier would also not exist. The regulatory or driving power of demand leads in theory to optimal need fulfillment. (Marshall, 1890) Marshall (1890) refers to definitions of demand like: 'amount he [customer] is willing to buy' or 'intensity of his eagerness to buy a certain amount'. He states that demand can only be expressed when these definitions are linked to the price at which the person would buy that amount. However, price is not necessarily expressed by money; it can be seen as the trading point between different goods of different owners. His definition of demand can be summarized as the amount customers are willing to buy at a certain price or reversed.

Klerkx et al. (2006 p. 198) distinguish from the meaning of demand in economic sense in which purchasing power is crucial, by pointing to a second, more substantive meaning. This meaning focuses on the interests of people in certain products or services and in the content of them, so not only the monetary value. This definition also focuses on needs as an endogenous concept. However this kind of demand can be expressed by preferences or priorities, which is basically about making a trade-off between different options by the demanding actor. The distinction between price and preferences as means to express demand is especially relevant when market distortions influence the expression of demand by the price. This is very likely in a development cooperation context, since the reason for development cooperation is basically originated in dissatisfaction with the (assumed) balance that is or will be created by the forces of economic demand and supply. Development cooperation distorts the economic system in order to help the poor that lack purchasing power to express their demand.

In a development context, no clear market with demand and supply exists. A normal market situation is reflected in figure 2. The price and the goods are that what is physically traded and what expresses demand and supply. Four parts of the normal market situation are similar in the setting of development aid. There is still a 'producer' that trades money for a product or service.[12] In this case, the producer is the organization that implements a PSD-instrument. Second, the 'customer' is still

[12] In case of macro support, like budget support, sometimes there is no producer involved.

present in the form of the receiver of the aid, the so called 'target group' (OECD, 2010 p. 36) or intended beneficiary. Also the supply is similar. In a market situation the supply is expressed by the goods that are delivered. In a development context it is expressed by the aid (e.g. grants or technical assistance) that is delivered to the target group. Even the price is clear; the donor pays the price to the producer.

The problem is that it is unclear how demand fits in the model. Strictly economically reasoned, the donor who pays the prices expresses his demand. It can be argued that the donor hereby fulfills his 'moral' need to do well or the need to gain legitimacy. When demand is considered in a more substantive sense and seen as preferences, the simple market model fails to give insight whose demand matters and how it affects the supply. The preferences that express the demand of the target group can probably influence the donor or the producer. Figure 3 gives an example of how the model of demand and supply can look like in a development context.[13]

The next chapter will explore how both the academic and the professional literature defines the role of demand of different actors in different aspects of the supply or aid that is given. Given the claim that a driving role of the demand increases effectiveness (see introduction), it is relevant to further explore these relationships.

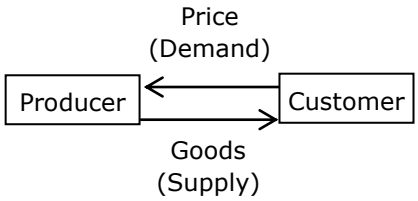

Figure 2. Simple model of demand and supply in a market situation.

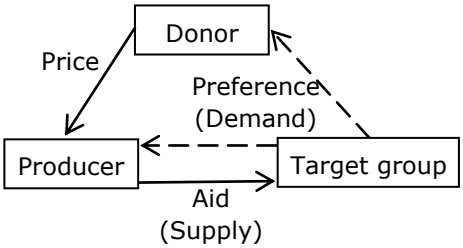

Figure 3. Simple model of demand and supply in a development context.

[13] In practice there are often intermediaries between the donor and the producer. There are also interventions in which the donor gives the money to the target group.

4 Demand-drivenness of Dutch PSD-instruments

4.1 Definitions

In order to assess the role of demand-drivenness in a development context it is important to clearly define this concept. In the theoretical framework the concept demand is already explored. For a suitable definition it is important to know whose demand matters and what exactly the demand is driving. This paragraph will answer the following question: which definitions of demand-driven in a development context are used in recent literature? The following sections discuss the found definitions, associations and contrasts of demand-drivenness in both academic and professional literature. It concludes with the definition that will be used in the rest of this report.

4.1.1 Definitions in literature

Demand-driven is often mentioned in the literature, but it is often poorly, or not at all, defined. The following is about the definitions that are found in academic literature. An overview of the definitions can be found in table 1.

Demand-drivenness can be defined as a particular feature of the design of an instrument, namely 'that communities, civil-society organisations and other stakeholders are invited to exercise direct control over key project decisions.' (Schou, 2009 p. 156)

Three other definitions are found to be in use in different settings. The first one is used in the setting of privatized agriculture extension services. In that setting: '"demand-driven'' refers to finding a good fit between the knowledge and information desired by farmers and the services delivered by extension service providers.' (Klerkx, et al., 2006 p. 198) The second is found in the setting of social funds in Malawi. 'This [demand-driven] means that the funds are to be allocated to groups that qualify for the funding (perhaps based on the level of poverty) *and* where adequate project proposals have been formulated.' (Schroeder, 2000 p. 430) The third one is found in an article about the same fund which defines demand-driven as follows: 'any community group (i.e. a village) in Malawi can be invited to state its primary needs' (Schou, et al., 2010 p. 547)

It is clear that the definitions differ in whose demand matters. They mention communities, civil-society organizations and other stakeholders, farmers and groups. There is also a difference in what is to be influenced i.e. key project decisions, delivered services or fund allocations.

The following is about a few definitions that are given in the selected professional literature. Most are applied on specific situations.

The first definition is given in the context of a policy document about an approach to strengthen sector competitiveness in Kazakhstan. 'Demand-driven' is defined as follows by the OECD: 'leveraging feedback from OECD foreign investors and the local private sector on their priorities.' (OECD, 2011 p. 30)

A second definition is given in a strategy about ICT in development of the Swiss Agency for Development and Cooperation. According to them demand-drivenness means that: 'developing countries and those that are in transition should determine if and how ICTs are a priority for their social and economic development'. (SDC, 2005 p. 17)

Another definition is found in a descriptive report about PSD-policies in Indonesia. It defines demand-driven programs as: 'programs based on the stated needs of the SMEs themselves rather than based on the perceptions of officials'. (Wie, 2006 p. 35)

A fourth definition is given in a beneficiary assessment about a social fund in Malawi, where 'demand-driven' is defined as an 'approach whereby communities identify, select and manage their own projects' (Ng'ong'ola, et al., 2001 p. 19)

A fifth definition is found in a paper about the politics behind pensions in Lesotho, Namibia and South Africa. According to the authors, a policy can be defined as demand-driven when they do not serve political ends, but when 'they serve welfare objectives of reducing poverty and promoting equality'. (Pelham, 2007 pp. i,7)

A last definition in a study of the Norwegian Agency for Development Cooperation states that 'demand-driven' 'means that calls are issued for applications' (Tostensen, et al., 2010 p. 37). In the context of the referred study about support to legislatures, the applications are mainly made by civil society organizations in order to receive a part of the available grant.

These definitions also differ in whose demand matters. They mention foreign investors and the local private sector, the beneficiary countries, the SMEs, communities and civil-society organizations. There is also a difference in what is to be influenced, i.e. policies, strategies, programs, projects and the approval of grants. In short, there is not one general applicable definition of demand-drivenness available.

Table 1. Definitions of demand-driven in literature. Stakeholders whose demand matters are made bold. What is to be influenced is underlined.

That communities, civil-society organisations and other stakeholders are invited to exercise direct control over key project decisions.
Finding a good fit between the knowledge and information desired by **farmers** and the services delivered by extension service providers.
That the funds are to be allocated to **groups that qualify for the funding** (perhaps based on the level of poverty) and where adequate project proposals have been formulated.
Any **community group** (i.e. a village) in Malawi can be invited to state its primary needs.
Leveraging feedback from OECD **foreign investors** and the **local private sector** on their priorities.
Developing countries and those that are in transition should determine if and how ICTs are a priority for their social and economic development.
Programs based on the stated needs of the **SMEs** themselves rather than based on the perceptions of officials.
Approach whereby **communities** identify, select and manage their own projects.
They [policies] serve welfare objectives of reducing poverty and promoting equality.
That calls are issued for applications.

4.1.2 Associations

Although authors are often reluctant to define demand-drivenness, they often associate demand-drivenness with other characteristics of an instrument or even use it as synonyms. This section will start with the associations that are found in academic literature and continue with the findings from professional literature. A word cloud of all the associations can be found in figure 4.

The most common association in academic literature is the association of demand-drivenness with participation, e.g. (Sanginga, et al., 2006 p. 504; Prokopy, et al., 2008 p. 295; Byerlee, 2000), or more specific community participation e.g. (Murray, et al., 2010 p. 94; Schroeder, 2000 p. 423; Madrigal, et al., 2011 p. 1663). Participation exists in many types or degrees of intensity (Mansuri, et al., 2004 p. 6). An example of a typology is given by Sanginga et al. (2006 p. 504).

There typology differentiates between contractual, consultative, collaborative, collegial and supportive participation. Sanginga et al. also argue that the type of participation can differ per stage in a process. Although it is obvious that a form of participation is necessary for demand-drivenness, it can be argued that at least some types of participation are insufficient to be classified as demand-driven. E.g. when the target group is only contracted to execute a part of the project, the role of their own demand is negligible. Other authors associate demand-drivenness with community preferences (Davis, 2004 p. 655) or user preferences (Krohwinkel-Karlsson, et al., 2008 p. 198). The last authors define preferences as the expressed needs that are endogenous wanted. All the previously mentioned associations focus on *who* should influence.

Another common association is responding/responsiveness to actual/greatest needs (and demands). (Jenkins, 2000 p. 147; Ibanez, et al., 2009 p. 436; Mukhija, 2010 p. 794; Prokopy, et al., 2008 p. 295; Bontenbal, 2009 pp. 100,101) Most authors do not specify what this responsiveness contains or how the greatest need can be determined. This association focuses on *what* should influence.

Another common association is with decentralization. (Schou, et al., 2010 p. 542; Jenkins, 2000 p. 138; Schroeder, 2000 pp. 423,424; Mukhija, 2010 p. 791) It is assumed that a more decentral organized government is closer to the demand, although there is no guarantee that the local government will incorporate the demand of the target group in their policy. Jenkins (2000 pp. 138,152) therefore combines decentralization with local democratization and good governance, which implies that the pressure of the electorate will drive the local governors to make their policy demand-driven, e.g. driven by the demand of the electorate. A democratic process is one form of accountability which is also a common association with demand-drivenness (e.g. (Klerkx, et al., 2006 p. 190; Keynan, et al., 1997 p. 226)). Another set of associations links demand-drivenness to regular private markets. Mentioned terms are market setting (Klerkx, et al., 2008 p. 460), competitive markets (Keynan, et al., 1997 p. 226), market oriented (Roessler, et al., 2008 p. 184) and client oriented (Sanginga, et al., 2006 p. 501). Mukija (2010 p. 791) adds privatization and deregulation as associated terms which are terms about a change of a public system towards private markets. None of these authors are explicit on how these concepts are linked to demand-drivenness. However, it seems obvious that introducing private market elements, especially the incentive to be responsive towards demand, in a development project is assumed to improve the extent to which the decisions are driven or at least influenced by the demand of the client. These associations focus on *how* demand should influence.

Demand-drivenness is also associated with ownership. (Mengers, 2000 p. 375; Rietjens, 2008 pp. 194,205; Madrigal, et al., 2011 pp. 1671,1672) In 2005, the international donor community signed the Paris Declaration on Aid Effectiveness in which ownership has been described as: 'Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions.' (OECD, 2005 p. 3) According to the authors that associate demand-drivenness with ownership, an instrument that is demand-driven increases the sense of ownership of the recipient. If true, this connection is relevant to donors. They are committed to the principle of ownership, as laid down in the Paris Declaration, the Accra Action Plan and the Busan Declaration. This implies that ownership can be enhanced by implementing interventions in a demand-driven way.[14] The last set of associations links demand-drivenness to the involvement of stakeholders (Gupta, et al., 2008 p. 261; Rietjens, 2008) or more specific: partnerships with neighborhood organizations and households (Whittington, et al.,

[14] An evaluation of a program that is also supported by the Dutch government, but that is not considered in this report, defines demand-driven and ownership as synonyms. They find a relationship between ownership/demand-driven and the effectiveness of the FIRST initiative. (FIRST, 2009)

2000 p. 297). This can be seen as ownership on a lower level. It depends of course on the context in which stakeholders are relevant to be involved as partners. Other authors see the community as the central actor, by writing about community based development or community driven development e.g. (Mansuri, et al., 2004 p. 2; Prokopy, et al., 2008 p. 295). This clarifies the relevant level of analysis but leaves unanswered which communities matter.

No clear answer arises from the associations about whose demand matters or what is to be influenced by demand. Some articles specify the relevant phase of a project, i.e. the request phase. (Ibanez, et al., 2009 p. 436; Schroeder, 2000 pp. 423,424,430)

Similar to the findings in the academic literature, many authors of professional literature associate demand-drivenness with other characteristics of an instrument or even use it as synonyms. Again, often mentioned associations are participation (Schneider, 1999 p. 8; OECD, 2012 p. 29; SDC, 2005 p. 7; Chinsinga, 2008 pp. 7,36; Joshi, et al., 2005 p. 12) (IISD, SEI, IUCN, Intercooperation, 2003 p. 2; Ng'ong'ola, et al., 2001 p. 14), decentralization (Schneider, 1999 p. 21; Araujo, et al., 2006 p. 2; Chinsinga, 2008 p. 19; World Bank, FAO, IFAD, 2009 pp. 52,408; Ramírez, et al., 2004 p. 1) (Deininger, 1999 p. 9) (Phillips, 2001 p. 4), community-driven development (Araujo, et al., 2006 pp. 2,7; World Bank, FAO, IFAD, 2009 p. 52; Ng'ong'ola, et al., 2001 pp. 14,59) and ownership (OECD, 2012 p. 29; Goldberg, et al., 2008 p. 25; Tostensen, et al., 2010 p. 49; Nyirenda, et al., 2009 p. 14). Although decentralization is often associated with community-based development, these two can be distinguished from each other. Decentralization can be seen as a political process that transfers authority to lower levels of government, where community-based development can be seen as an umbrella term that refers to projects that actively include beneficiaries in their design and management. (World Bank, FAO, IFAD, 2009 p. 53) According to Baird at al. (2011 pp. 2,13,19), the demand-drivenness of community driven development means just the requirement that a household or a community has to submit an application in order to become a beneficiary.

Other recurring associations are involvement of local stakeholders (Chinsinga, 2008 pp. 7,36; World Bank, FAO, IFAD, 2009 p. 408) and demand-responsive approach (Ramírez, et al., 2004 p. 7).

Also the link to the private market terminology is found by Goldberg & Palladini (2008 p. 25), who link demand-driven to market demand, and Wie (2006 p. 35) and Heemskerk, et al. (2004 p. 34) who make the link to respectively market-oriented and client-oriented.

Associations that are not mentioned in the previous section are pluralism (Nyirenda, et al., 2009 p. 1; Chinsinga, 2008 p. 7), bottom-up approach (Nyirenda, et al., 2009 p. 5; Ng'ong'ola, et al., 2001 p. 65), need assessment (Joshi, et al., 2005 p. 12), inclusiveness (World Bank, FAO, IFAD, 2009 p. 408), country-led development (UNEP, 2004 p. 24) and tailored program (Chisari, et

Figure 4. Word cloud: associations with demand-drivenness.

al., 1999 p. 25) which is the opposite of a standardized program. However, the authors realize that it is possible to implement a tailored program without taking the demand into consideration.

4.1.3 Contrasts

Another way to explore the nature of a concept is by looking to its contrasts; by stating what demand-drivenness is not, a picture could arise what it actually could be. A word cloud of all the contrasts can be found in figure 5.

Five contrasting concepts used in academic literature will be mentioned. The first contrast is centralized decision making, which is based on 'fair and reasonable' need assessments of exogenous requirements of the targeted beneficiaries or clients (Krohwinkel-Karlsson, et al., 2008 pp. 198,199). A second contrasts is top-down approaches (Klerkx, et al., 2006 p. 198; Schou, et al., 2010 p. 542). A third contrast of demand-driven is supply driven (Byerlee, 2000 p. 433; Madrigal, et al., 2011 p. 1663; Pató, 2009 p. 568). This fits in the economic terminology of demand and supply. A fourth, very similar contrast is resource driven (Roessler, et al., 2008 p. 185). Making decisions based on the available resources can lead to specialization which also is seen as contrasting with demand-drivenness (Tendler, et al., 1996 p. 407). A last contrast that is mentioned in literature is the concept of elite capturing i.e. 'elites have a tendency to channel funds to their closest family and limited constituency.' (Schou, et al., 2010 p. 542)

The contrasts that are mentioned in professional literature are: centrally-driven selection process (Baird, et al., 2011 p. 13), top-down (SDC, 2005 p. 7), supply-driven (SDC, 2005 p. 7; Wie, 2006 p. 36; Pelham, 2007 pp. i,7; Joshi, et al., 2005 pp. 12,14), donor-driven approaches (Lammersen, 2003 p. 6) and conditionality (Tostensen, et al., 2010 p. 49). It is also contrasted to 'the tendency of donors to focus on pre-defined, measurable outputs and indicators – often at the level of what they [donors] deliver themselves.' (OECD, 2012 p. 38). This last contrast differs from other contrasts because it points to the demand-drivenness of the evaluation phase.

Figure 5. Word cloud: contrasts of demand-drivenness.

4.1.4 Conclusion

There is not one generally accepted definition of demand-drivenness. Demand-drivenness is most often associated with participation, ownership and decentralization. It is most often contrasted with supply-drivenness. The definitions differ on whose demand matters, what is to be influenced and to what degree they can influence. The entities that are mentioned as whose demand matters are: communities, civil-society organizations and other stakeholders, farmers and groups, foreign investors and the local private sector, the beneficiary countries and the SMEs. In all cases this is the intended beneficiary in the context of the stated definition. In order to create a more general classification, there will be referred to the intended beneficiary in this research as the stakeholder whose demand matters. In the context of PSD this will mostly be the private sector or more specific companies. A more elaborate discussion about the intended beneficiaries can be found in 5.1.2.

Another difference is found in what is to be influenced. Mentioned: are key project decisions, delivered services, fund allocations, policies, strategies, programs,

projects and the approval of grants. All definitions refer to decisions that have to be made from the decision to start with the instrument and determine the strategy, via who can apply and how to approve requests, until the final implementation. It can be imagined that the degree of demand drivenness differs during the stages (similar to the way that the degree of participation can differ during different stages (Sanginga, et al., 2006 p. 504)).

The found definitions can be summarized in the following definition of demand-drivenness: *The extent to which decisions in the different phases of a development-instrument are based on the preferences of the intended beneficiaries.*

4.2 Indicators

In order to assess the extent to which development instruments are demand-driven it is important to measure this concept. Therefore this paragraph will explore which indicators are available to measure demand-drivenness of a development instrument. Also a classification for these indicators will be constructed. The section below will answer the following question: Which indicators of demand-drivenness in a development context are mentioned in recent literature and how can these be classified?

As stated before, the indicators are derived from both academic and professional literature. Considering the lack of clear definitions, it is not surprising that there is not one generally accepted method to measure the extent to which a program is demand-driven. Many articles discuss ideas how a demand-driven instrument can be designed (e.g. (Tostensen, et al., 2010 p. 59) or (Chisari, et al., 1999 p. 5)), but it is unclear how to determine whether these ideas reach the goal of being demand-driven. Another article offers a continuum from supply-driven to demand-driven to classify instruments (Phillips, 2001 p. 9), but it is lacking in the reasoning why instruments should be placed in a particular place in the continuum; indicators are missing. However, there were several indicators found. These can be found in the fourth column of the table in appendix 3. The fifth column describes the indicators translated into a more general form.

The first set of indicators tries to measure the composition or the strength of the demand. This information can be compared with the actual supply to evaluate the extent to which both match. A common indicator is willingness to pay[15][16] e.g. (Keynan, et al., 1997 p. 245; Whittington, et al., 2000; Davis, 2004; Roessler, et al., 2008 p. 187; Madrigal, et al., 2011 p. 1672). Also, the actual contribution that is or will be made is considered to be an indicator. This can be financially, (Keynan, et al., 1997 p. 245; Madrigal, et al., 2011 p. 1672; Goldberg, et al., 2008 p. 25) but also in the form of non-monetary contributions like labor (Schroeder, 2000 p. 435; Prokopy, et al., 2008 p. 300; Madrigal, et al., 2011 p. 1672). Other authors indicate the demand with the alignment with a municipal development plan; when an intervention fits in an earlier formulated development plan by a government body, it is supposed to be in line with the demand (Bontenbal, 2009 p. 105). There are also some indicators that are formulated dichotomously. They indicate whether there is any demand at all; an instrument cannot be demand-driven when there is no demand. The mentioned indicators are: pressure of interest groups when the service will be or has been stopped in the form of petitions or strikes (Keynan, et al., 1997 p. 226), signs of contesting between potential beneficiaries in e.g. local newspapers (Mukhija, 2010 p. 803), preference of current system compared to the previous system (Madrigal, et al., 2011 p. 1671), drop in attendance when services are

[15] Willingness to pay or willingness to accept compensation can be expressed by the implicit price, this is the price a respondent is willing to pay for a unit increase in an attribute or the compensation he/she is willing to accept for a decrease in an attribute. (Roessler, et al., 2008 p. 187)

[16] Willingness to pay can be seen as a separate field of study with his own discussion, for example about the difference between the actual and the hypothetical willingness to pay (Carlsson, et al., 2001) or the difference between willingness to pay and willingness to accept (Hanemann, 1991)

decoupled and no longer compulsory (Sievers, et al., 2007 p. 1353), whether key persons agree that the initiative for the instrument was originated locally (Bontenbal, 2009 p. 103) and whether projects were requested before the intended beneficiaries heard of the instrument (Madrigal, et al., 2011). All this indicators measure whether there is demand for what the instrument delivers. When there is no or just a little demand for the project, it is assumed that the decision to start the instrument was not based on the demand of the intended beneficiary, but on something else, for example the available supply or wrong expert need-assessments. The indicators can be found in the first column of table 2. The indicators that measured whether the receivers are willing to or actually contribute are classified as '(willingness to) contribute'. Willingness to contribute will be considered a criterion for demand-drivenness. A different indicator is elaborated on by Auraujo et al (2006 p. 6). They assume the demand can be biased by the elite by steering the proposals towards public goods, like education which also benefits them, instead of private goods, like latrines, that only benefits the poor. A high proportion of proposed public goods indicate elite capture and therefore distortion of the demand-drivenness of the intended beneficiaries, i.e. the poor.

The second set of indicators is about biases in the decision process of requests, approvals and what follows that indicate that demand cannot equally and freely drive the instrument decisions. These indicators are summarized in the criteria awareness, accessibility and influence. They can be found in the second and third column of table 2. Accessibility and influence can be measured in the request and approval phase. A first biases occurs when not every potential beneficiary is invited to file project records (Schou, et al., 2010 p. 544) or heard of the possibility and is aware of the demand-led provision (Veron, et al., 2003 pp. 10,11; Goldberg, et al., 2008 p. 7; Ng'ong'ola, et al., 2001 p. 36). A second bias is indicated by the percentage of the eligibly beneficiaries that make a request and which part of that is approved. (Schou, et al., 2010 p. 544; Ibanez, et al., 2009 p. 433; Mukhija, 2010; Veron, et al., 2003 pp. 10,11,13) This is based on assumptions on the distribution of the demand. When the actual supply does not match with the assumed distribution of the demand, the instrument is not considered to be demand-driven. Some authors assume that the demand is equally distributed among potential areas or beneficiary group or that at least every area or sector has some demand. So, when potential beneficiaries did not file request or when one geographical area or sector gets fewer projects approved than others, probably the demand is biased by e.g. elite or decision makers. This bias can be originated in differences in wealth, access to information and political capital. (Baird, et al., 2011) Another assumption is that demand differs per area so variation in size and composition of the aid indicates that an instrument was driven by demand. (Schroeder, 2000 pp. 431,433) Schou (2009) combines the indicator of community priorities with an indicator of elite demand i.e. project proposal per theme and area, and supply i.e. approval rate of projects per theme and area. By comparing these data it can be estimated whether an instrument decision is influenced by demand. Instead of comparing to the community preferences (i.e. the intended beneficiary) some authors use the receivers' thematic priorities in the indicator (Araujo, et al., 2006 p. 5; Mansuri, et al., 2004 p. 13) Theme is referring to what kind of aid is supplied, e.g. in the theme finance, education or health.

4.2.1 Classification

The two conceptual models presented in the section about business intelligence systems are combined in figure 6 in order to construct a classification model for indicators of demand-drivenness. On the vertical axis the scale from means to ends is displayed. On the horizontal axis the four dimensions of the (adapted) balanced

scorecard are displayed. Business strategy overlaps with the first phase of a common (private sector) development instrument, in which the strategy of the instrument is determined. The second dimension about the intended beneficiaries overlaps partly with the phase in which the intended beneficiary decides whether he makes a request for the instrument. The third dimension about the internal business process overlaps with the phase in which the executive organization of the instrument decides whether a request will be approved. This is the primary process of most development instruments. The dimension about learning & growth can basically be measured by every indicator, if the indicator is measured on different points in time. An improvement on indicators of demand-drivenness points to learning and growth.

The criteria about demand-drivenness are classified in the model, based on the findings presented above. Willingness to pay is about the (business) strategy, it measures whether the intended beneficiaries were willing to contribute to the chosen strategy. When it comes to the means-ends dimension, willingness to contribute can be classified more as an end than a mean. Awareness is not an end in itself, but a mean that is necessary for the demander to reach the instrument.

Within brackets the amount of selected indicators per criterion is displayed. The selection will be discussed in the next section. Accessibility can be seen to some extent as an end in itself, although it is also a mean to reach the intended beneficiaries in order to give them the opportunity to influence. Influence can be considered the closest to the ends of demand-drivenness, i.e. the intended beneficiary's preferences that determine key-decisions.

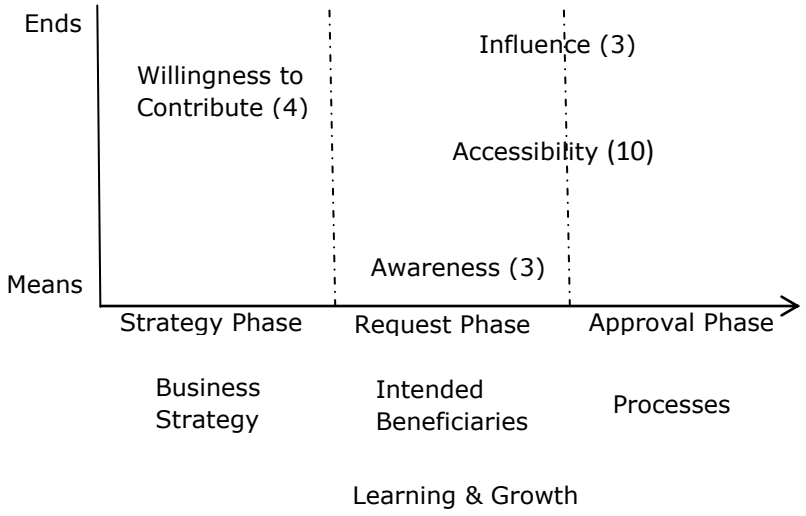

Figure 6. Classification of criteria for demand-drivenness.

4.2.2 Conclusion

There is not one generally accepted set of indicators to measure the extent to which an instrument is demand driven. The found indicators can be found in table 2. Most indicators are assumed to correlate positively with demand-drivenness, with exception of indicator 16 which correlates negatively and indicator 24-27 about variation, which can be subject of arguments. The indicators can be classified according to the three earlier mentioned phases and according to four assumptions about demand-drivenness: 1. an instrument is demand-driven when receivers are willing to contribute. 2. An instrument cannot be demand-driven when there is low awareness among the intended beneficiaries. 3. A demand-driven instrument is accessible for the intended beneficiaries. 4. Intended beneficiary can influence a

demand-driven instrument. Based on these four assumptions, in this research, four criteria for demand-drivenness are distinguished, i.e. willingness to contribute, awareness, accessibility and influence. Additionally the four dimensions of the (adapted) balance scorecard and the means-ends dimension can be used to classify the indicators.

Table 2. Indicators for demand-drivenness according to literature.

Strategy	**Request**	**Approval/implementation**
(Willingness to) contribute 1. Willingness to pay/willingness to contribute/implicit price of the receivers for the aid 2. Contribution percentage of the receivers in money, labor etc. 3. Percentage of the receivers that co-finance their project. 4. Percentage of the receivers that are supposed to contribute that actually contributes 5. Pressure from interest groups in the form of petitions or strikes when IX has been discontinued 6. Whether IBs are contesting with implementers and among themselves, for the right to get approved 7. Percentage of receivers that drop out in case of voluntary linkage compared to compulsory linkage of different elements of IX **Other** 8. Percentage of the receivers that wants to keep the current situation as opposed to the situation before project 9. Whether projects were requested by IBs before knowing IX 10. Percentage of the applications about which the IX representatives and the receivers agree that the receiver initiated the application 11. Extent to which IX design is linked to the relevant development plan 12. Percentage of applications about private goods compared to public goods	**Awareness** 13. Percentage of IBs that are actively invited to apply 14. Percentage of IBs aware of existence of IX 15. Percentage of IBs, that are aware of the existence of IX, are aware of the demand-driven nature of IX **Accessibility** 16. Percentage of IBs that do not want to apply 17. Percentage of IBs that applied **Influence** 18. Congruence per group between IBs thematic priorities and thematic distribution of applications	**Accessibility** 19. Percentage of IBs that are being overtly excluded from the opportunity to become beneficiary 20. Percentage of applicants that gets an approval 21. Percentage of approved projects that is started 22. Percentage of started projects that is finished 23. Percentage of receivers that applied 24. Variation per group of approvals 25. Variation per group of the percentage of applications that gets approved 26. Variation in thematic distribution of projects 27. Variation in wealth, access to information, and political capital of receivers **Influence** 28. Congruence per group between IBs thematic priorities and thematic distribution of approvals 29. Congruence between receiver thematic priorities and thematic distribution of projects

4.3 Selection

The previous section reported a list of indicators that are used in literature to measure demand-drivenness. The indicators that are found in literature are not necessarily appropriate to incorporate information about demand-drivenness in the BI-systems of development organizations that manage PSD-instruments, which is an aim of this research. This section will make a selection out of the list of indicators based on a few criteria in order to answer the following research question: Which indicators (found in the previous section) are appropriate to incorporate in the business intelligence systems of PSD-instruments in order to provide information about the demand-drivenness of these instruments?

Four criteria are used to select appropriate indicators. The inclusion criterion is: used in the selected academic or professional literature to measure demand-drivenness. This is done in the previous section and led to 29 included indicators.

The first exclusion criterion is: not measurable in most other contexts than the original research context. Some indicators measure an effect (e.g. strikes in case of discontinuance) that is unlikely to be measureable in other cases. If an indicator is too context specific it is obviously not appropriate to measure demand-drivenness in other context. This is the case for the following indicators:

- Percentage of IBs that are being overtly excluded from the opportunity to become beneficiary.
- Pressure from interest groups in the form of petitions or strikes when IX has been discontinued.
- Whether IBs are contesting with implementers and among themselves, for the right to get approved.
- Percentage of the applications about which the IX representatives and the receivers agree that the receiver initiated the application.

The second exclusion criterion is: the indicator is about a specific characteristic of an instrument that is unlikely to be found in other contexts. This is the case for the two following indicators:

- Percentage of receivers that drop out in case of voluntary linkage compared to compulsory linkage of different elements of IX.
- Percentage of applications about private goods compared to public goods

The last exclusion criterion is based on the definition that is given before which defines the intended beneficiary as the stakeholder who matters to exercise demand in contrast to documents or actors that are supposed to represent the intended beneficiaries. Therefore the last exclusion criterion is: the indicator is not about the demand of the intended beneficiary. This is the case for one indicator:

- Extent to which IX design is linked to the relevant development plan.

In total 29 unique indicators were found in literature, 7 are excluded, so 22 indicators are selected. An overview of the indicators that are considered to be appropriate can be found in table 3.

Table 3. Appropriate indicators for demand-drivenness.

Strategy	Application	Approval/Implementation
(Willingness to) contribute 1. Willingness to pay/willingness to contribute/implicit price of the receivers for the aid 2. Contribution percentage of the receivers in money, labor etc. 3. Percentage of the receivers that co-finance their project. 4. Percentage of the receivers that are supposed to contribute that actually contributes **Other** 5. Percentage of the receivers that wants to keep the current situation as opposed to the situation before project 6. Whether projects were requested by IBs before knowing IX	**Awareness** 7. Percentage of IBs that are actively invited to apply 8. Percentage of IBs aware of existence of IX 9. Percentage of IBs aware of the demand-driven nature of IX **Accessibility** 10. Percentage of IBs that do not want to apply 11. Percentage of IBs that applied **Influence** 12. Congruence per group between IBs thematic priorities and thematic distribution of applications	**Accessibility** 13. Percentage of applicants that gets an approval 14. Percentage of approved projects that is started 15. Percentage of started projects that is finished 16. Percentage of receivers that applied 17. Variation per group of approvals 18. Variation per group of the percentage of applications that gets approved 19. Variation in thematic distribution of projects 20. Variation in wealth, access to information, and political capital of receivers **Influence** 21. Congruence per group between IBs thematic priorities and thematic distribution of approvals 22. Congruence between receiver thematic priorities and thematic distribution of projects

4.4 Scores

In this section scores of the Dutch PSD-instruments on the indicators that are selected in the previous section will be discussed per instrument. This section will answer the following question: How do the Dutch PSD-instruments score on the set of indicators of demand-drivenness formulated in the previous section? As stated in the methods section, all interviewees were asked to give the scores (or estimations) of their instruments on the indicators. The exact or estimated score can be found in appendix 4, included discussion on the remarks on validity and reliability by the interviewees. The transformation values of the real values to a 1-3 scale can be found in appendix 5. The scaled scores can be found in table 4. In table 5 the scores are summarized per phase and assumption.

4.4.1 CBI

Every client of CBI has to contribute a part of the costs and the vast majority also actually contributes. The percentage of the contribution compared to the costs is moderate compared to other instruments. The willingness to contribute is at least the size of this actual contribution[17]. Most receivers seem to prefer the current situation with the instrument above the situation before seeing the low drop-out rate and there are some examples of projects that were requested before the applicant knew the instrument. The scores on this set of indicators indicate that the strategic decisions of CBI were in line with the demand.

The awareness of CBI among the intended beneficiaries is estimated as relative high compared to other instruments that focus on businesses. This is caused by the well-spread market information. The percentage that is actively invited depends on the project and the partners. It seems plausible to assume that everyone that is aware of the instrument realize he must apply in order to get approved. The limited awareness makes it unlikely that the intended beneficiaries with the highest demand know CBI, which can be seen as a distortion of demand-drivenness.

The percent of the intended beneficiaries that actually get access to the application phase is estimated as low for CBI. This can be explained partly by the low awareness, but it is not excludable that other factors than demand determines who gets access.

When it comes to influence on what kind of request is made, it is hard to make a good estimation. CBI was not able to make an estimate.

The influence of the approval phase on which applications get approval is relative moderate. The influence of drop-outs after the approval is low. The approval phase is not influenced by approvals that were not based on a request. Given the assumption that demand is evenly spread among sectors, the variation indicates a relative small influence of the approval phase on which sector is approved. The total disturbing effect of the approval phase on the process of accessing the instrument by the intended beneficiaries with the highest demand is moderate.

Influence on the thematic distribution of approvals is impossible in the case of CBI, because CBI only offers interventions in one theme.

4.4.2 FMO

Similar to CBI, every client of FMO must contribute. The contribution percentage is the highest of all instruments. The contribution is almost always paid. The willingness to contribute is at least the size of this actual contribution. Also in the case of FMO there is some anecdotal evidence of projects that were requested before the applicant knew the instrument. The indicators indicate the strongest of all instruments that there is demand for the strategy that is chosen by FMO.

[17] This assumption that actual willingness to pay or actual contribution is comparable to the hypothetical willingness to pay is in line with Carlson & Martinsson (2001)

FMO hardly actively invites intended beneficiaries, because, according to the interviewee, they do not know the whole population and inviting a sub population can be seen as distortion of the demand-drivenness. The awareness of FMO within the private sector in developing countries is estimated as high. It seems plausible to assume that everyone that is aware of the instrument realize he must apply in order to get approved. The high awareness makes it likely that the intended beneficiaries with the highest demand know FMO, which therefore is unlikely to disturb demand-drivenness.

The percent of the intended beneficiaries that actually get access to the application phase is estimated as low for FMO. This can be explained partly by the application process in which an investment officer has to support an application before it becomes an actual application. It is likely that other factors than demand determine who gets access.

When it comes to influence on what kind of request is made, FMO estimates that there is a high congruence between the (thematic) preference of the intended beneficiaries for financial products and the actual applications. When this match lacks, there will be no willingness to contribute, which is mandatory.

The influence of the approval phase on which applications get approval is low, because only a small percentage of the applications is not approved. Also, the influence of drop-outs after the approval is low. The approval phase is not influenced by approvals that were not based on a request; it is impossible that a project gets approval without a formal application. Given the assumption that demand is evenly spread among areas and sectors, the variation indicates a relative small influence of the approval phase on which sector is approved and a moderate influence when it comes to areas. The approval phase seems to be influenced by the wealth and the access to information of the intended beneficiary. The total disturbing effect of the approval phase on the process of accessing the instrument by the intended beneficiaries with the highest demand is moderate compared to the other instruments.

Influence on the thematic distribution of approvals is impossible in the case of FMO, because FMO only offers interventions in one theme, i.e. financial products.

4.4.3 ORET

In the case of ORET all receiving governments have to contribute a moderate percentage, compared to the other instruments; almost all the time, this contribution is actually made. The willingness to contribute is at least the size of this actual contribution. According to the interviewee it is likely that the receiver is satisfied with the new situation, because they hardly drop out and because nobody dislikes a grant. Also in the case of ORET there is some anecdotal evidence of projects that were requested before the applicant knew the instrument. The scores on this set of indicators indicate that the strategic decisions of ORET were in line with the demand of the receiver.

ORET is not open for new applications; therefore no awareness raising activities are performed in the last years. The awareness of ORET among potential applicants is estimated as high. It seems plausible to assume that everyone that is aware of the instrument realize he must apply in order to get the grant. The high awareness makes it likely that the intended beneficiaries with the highest demand know ORET, which therefore is unlikely to disturb demand-drivenness.

The percent of the intended beneficiaries that actually get access to the application phase is low for ORET. It is likely that other factors than demand determines who gets access.

When it comes to influence on what kind of request is made, it is hard to make a good estimation. ORET was not able to make an estimate.

The influence of the approval phase on which applications get approval is moderate. The influence of drop-outs after the approval is low. The approval phase

is hardly influenced by approvals that were not based on a request, because almost every approval is based on a request. Given the assumption that demand is evenly spread among areas and sectors, the variation indicates a relative high influence of the approval phase on which area and sector is approved. It is noteworthy that, according to the interviewee, there was no intended policy to discriminate between sectors. Part of the variation can be traced back to differences in the applications that were made in the request phase. The total disturbing effect of the approval phase on the process of accessing the instrument by the intended beneficiaries with the highest demand is relative high.

Influence on the thematic distribution of approvals is impossible in the case of ORET, because ORET only offers interventions in one theme.

4.4.4 ORIO

Also, in the case of ORIO all receiving governments have to contribute a moderate percentage, compared to the other instruments; no default is known up to now. The willingness to contribute is at least the size of this actual contribution. The receiving governments decide which project they request and they receive a grant, this leads to the conjecture that they want to keep the current situation above a situation without the instrument. Also in the case of ORIO there is some anecdotal evidence of projects that were requested before the applicant knew the instrument. The scores on this set of indicators indicate that the strategic decisions of ORIO were in line with the demand of the receivers.

The group of intended beneficiaries of ORIO is limited to a list of governments. Almost all governments are actively invited by the Dutch embassies to apply and therefore the awareness is nearly hundred percent. It seems plausible to assume that everyone that is aware of the instrument realize he must apply in order to get the grant. The high awareness makes it likely that the intended beneficiaries with the highest demand know FMO, which therefore is unlikely to disturb demand-drivenness.

The percent of the intended beneficiaries that actually get access to the application phase is high for ORET. It is unlikely that it disturb demand-drivenness.

When it comes to influence on what kind of request is made, FMO estimates that there is a high congruence between the thematic preference of the intended beneficiaries and the actual applications. When this match lacks, there will be no willingness to contribute, which is mandatory.

The influence of the approval phase on which applications get approval is high. The influence of drop-outs after the approval is unknown yet. The approval phase is not influenced by approvals that were not based on a request. Given the assumption that demand is evenly spread among areas and sectors, the variation indicates a relative high influence of the approval phase on which area and sector is approved. The variation is in the case of areas even higher when there is corrected for the variation in the request phase. The total disturbing effect of the approval phase on the process of accessing the instrument by the intended beneficiaries with the highest demand is relative high. However it is possible that this distortion partly corrects the influence of the request phase.

Influence on the thematic distribution of approvals is impossible in the case of ORIO, because ORIO only offers interventions in one theme i.e. infrastructure. However, this theme nearly always matches with the priorities that are formulated in the PRSP's of the intended beneficiaries.

4.4.5 PSI

Every receiver of PSI has to contribute a moderate percentage, compared to the other instruments; most of the time this contribution is actually made. The willingness to contribute is at least the size of this actual contribution. Similar to

other instruments it is unlikely that receivers do not want the situation with the instrument, because they receive a grant. Also in the case of PSI there is some anecdotal evidence of projects that were requested before the applicant knew the instrument. The scores on this set of indicators indicate that the strategic decisions of PSI were in line with the demand of the receivers.

A limited group of intended beneficiaries is actively invited by Agency-NL to apply via a mailing list. The group intended beneficiaries is huge; only a low percentage is estimated to be aware of the existence of PSI. It seems plausible to assume that everyone that is aware of the instrument realize he must apply in order to get the grant. The low awareness makes it very unlikely that the intended beneficiaries with the highest demand know PSI, which can be seen as a distortion of demand-drivenness.

The percent of the intended beneficiaries that actually get access to the application phase is low for PSI. This can be explained partly by the low awareness, but it is not excludable that other factors than demand determines who gets access.

When it comes to influence on what kind of request is made, FMO estimates that there is a high congruence between the thematic preference of the intended beneficiaries and the actual applications. When this match lacks, there will be no willingness to contribute, which is mandatory.

The influence of the approval phase on which applications get approval is high. The influence of drop-outs after the approval is low. The approval phase is not influenced by approvals that were not based on a request. Given the assumption that demand is evenly spread among areas and sectors, the variation indicates a relative high influence of the approval phase on which area and sector is approved. However, part of the variation can be traced back to differences in the request phase. The approval phase seems to be influenced by the wealth and the access to information of the intended beneficiary. The total disturbing effect of the approval phase on the process of accessing the instrument by the intended beneficiaries with the highest demand is relative high.

Influence on the thematic distribution of approvals is impossible in the case of PSI, because PSI only offers interventions in one theme.

4.4.6 PUM

Every receiver of PUM has to contribute, although the percentage is lower than for the other instruments; most of the time this contribution is actually made. The willingness to contribute is at least the size of the contribution. The interviewee estimate that the willingness to contribute increases after the intervention. Also in the case of PUM there is some anecdotal evidence of projects that were requested before the applicant knew the instrument. The scores on this set of indicators indicate that the strategic decisions of PUM were in line with the demand of the receiver, although the indication is weaker compared to the other instruments.

A limited group of intended beneficiaries is actively invited by PUM's local representatives to apply. The group intended beneficiaries is very huge; only a moderate percentage is estimated to be aware of the existence of PUM. It seems plausible to assume that everyone that is aware of the instrument realize he must apply in order to get the grant. The moderate awareness makes it unlikely that all intended beneficiaries with the highest demand know PUM, which can be seen as a distortion of demand-drivenness.

The percent of the intended beneficiaries that actually get access to the application phase is low for PUM. This can be explained partly by the low awareness. Another reason is that many businesses do not want to apply because they do not see the worth of advice or they do not need an external advisor at this point in their cycle. However, it is not excludable that other factors than demand determines who gets access.

Influence on the thematic distribution of approvals is impossible in the case of PUM, because PUM mostly offers interventions in one theme.

The influence of the approval phase on which applications get approval is low. The influence of drop-outs after the approval is also low. The approval phase is not influenced by approvals that were not based on a request. Given the (debatable) assumption that demand is evenly spread among areas and sectors, the variation indicates a moderate influence of the approval phase on which area and sector is approved. Most of the variation can be traced back to differences in the request phase. The total disturbing effect of the approval phase on the process of accessing the instrument by the intended beneficiaries with the highest demand is relative limited.

Influence on the thematic distribution of approvals is impossible in the case of PUM, because PUM offers interventions mainly in one theme, i.e. knowledge.

Table 4. Scaled scores of the instruments on indicators for demand-drivenness.

Indicators	CBI	FMO	ORET	ORIO	PSI	PUM
1. Willingness to pay/willingness to contribute/implicit price of the receivers for the aid	2	3	2	2	2	1
2. Contribution percentage of the receivers in money, labor etc.	2	3	2	2	2	1
3. Percentage of the receivers that co-finance their project.	3	3	3	3	3	3
4. Percentage of the receivers that are supposed to contribute that actually contributes	3	3	3	3	3	3
5. Percentage of the receivers that wants to keep the current situation as opposed to the situation before project	3	3	3	3	3	3
6. Whether projects were requested by IBs before knowing IX	2	2	2	2	2	2
7. Percentage of IBs that are actively invited to apply	2	1	n/a	3	1	1
8. Percentage of IBs aware of existence of IX	2	3	3	3	1	2
9. Percentage of IBs aware of the demand-driven nature of IX	3	3	3	3	3	3
10. Percentage of IBs that do not want to apply	n/a	n/a	n/a	3	n/a	3
11. Percentage of IBs that applied	1	1	1	3	1	1
12. Congruence per group between IBs thematic priorities and thematic distribution of applications	n/a	3	n/a	3	3	n/a
13. Percentage of applicants that gets an approval	2	3	2	1	1	3
14. Percentage of approved projects that is started	3	3	3	1	3	3
15. Percentage of started projects that is finished	n/a	3	3	1	3	3
16. Percentage of receivers that applied	3	n/a	2	3	3	3
17. Variation per group of approvals	3	2	1	2	1	2
18. Variation per group of the percentage of applications that gets approved	3	2	2	1	2	3
19. Variation in thematic distribution of projects	n/a	n/a	n/a	n/a	n/a	n/a
20. Variation in wealth, access to information, and political capital of receivers	n/a	2	n/a	n/a	2	n/a
21. Congruence per group between IBs thematic priorities and thematic distribution of approvals	n/a	n/a	n/a	3	n/a	n/a
22. Congruence between receiver thematic priorities and thematic distribution of projects	n/a	n/a	n/a	3	n/a	n/a

4.4.7 Conclusion

The indicators indicate that the receivers of all instruments have demand for the instruments, because they are willing to contribute. In case of FMO this is clearer than in the case of PUM, the rest is in between. The strategic decisions are at least to a certain extent in line with the demand. The indicators indicate that the requests for ORIO are based on the demand of governments in developing countries. In the case of PUM, PSI and little bit less for CBI it is unlikely that the intended

beneficiaries with the highest demand made the request, because many intended beneficiaries are not aware of the possibility. In the case of FMO and ORET it is more ambiguous. The indicators about the approval phase show the least disturbing effect of the approval phase by PUM, followed by CBI, FMO and ORIO. ORET and PSI are indicated to have the most potential for disturbing the accessibility of the intended beneficiaries with the highest demand. In the case of ORIO it is possible that the 'disturbance' corrects some of the 'disturbance' of the request phase because it tries to select applications with sufficient demand.

Table 5. Demand-drivenness of the Dutch PSD-instruments.

	CBI	FMO	ORET	ORIO	PSI	PUM
Strategy - (Willingness to) contribute	mod	high	mod	mod	mod	low
Request – Awareness	mod	mod	high	high	low	mod
- Accessibility	low	low	low	high	low	mod
- Influence	n/a	high	n/a	high	high	n/a
Approval – Accessibility	high	mod	mod	low	mod	high
- Influence	n/a	n/a	n/a	high	n/a	n/a

5 Information on demand-drivenness by Dutch PSD-instruments

The previous chapter gave an estimation of extent to which the Dutch PSD-instruments are demand-driven. This chapter starts from the perspective of the organizations that execute the Dutch PSD-instruments by assessing their definition of demand-drivenness and to what extent they consider their different decisions e.g. approval decisions, demand-driven. The second part is about the indicators that are used by the executive organization to assess the demand-drivenness of their own instruments. The chapter finishes with the availability of these indicators and the indicators that are found in literature. At the end of this chapter there is dealt with the second part of the main research question: to what extent do executive organizations have information about their own demand-drivenness?

5.1 Definitions

In order to assess the information that is available at the executive organizations of the Dutch PSD-instruments it makes sense to start with the definition that is used by these instruments. As stated before, this is not necessarily unambiguous. The first section is about the definitions that are mentioned by the interviewees. The second section focus on one important aspect of the definitions: the intended beneficiaries. The following sections discuss different decisions that are made by the executive organizations. Per instrument it will describe what the role of the intended beneficiary is during this phase. When the demand of the intended beneficiary is an important influencing factor, it will be categorized as demand-driven. When the needs of the intended beneficiaries are an important influencing factor, it will be categorized as need-driven. When the supply-side, e.g. the available budget or expertise is seen as an important influencing factor, it will be categorized as supply-driven. The goal is to answer the question: Which definitions of demand-drivenness are used by the executive organizations of the Dutch PSD-instruments and how demand-driven do they estimated their own instruments?

5.1.1 Definitions

Section 4.1 describes the definitions that are found in literature. This section describes the definitions that are given by the interviewees of the executive organizations of the Dutch PSD-instruments.

Most executive organizations associate demand-driven with a fit or alignment of instruments with the wishes or priorities of the governments of developing countries. FMO explicates this by stating that demand-driven is about not doing things nobody wants, so Dutch ideology in itself is no basis for a demand-driven instrument. The executive organization of PSI is the only one that does not point to the governments in developing countries, but defines their instrument demand-driven because it follows the demand from Dutch businesses and the Dutch government. CBI adds to the demand of the receiving government, which can be seen as demand-drivenness on macro or meso level, the demand on the European market and of the receivers i.e. BSO's and businesses in developing countries. FMO and PUM also define demand-drivenness on the micro-level of the businesses in developing countries. ORIO and FMO consider the wishes or priorities of respectively the end-users and the poor as a factor that need to be considered in order to be demand-driven.

5.1.2 Intended beneficiaries

As stated before, it is important to define whose demand matters. All definitions in the literature point to the so-called intended beneficiary; however this can be a

different group, depending on the context. This section will describe the group that is referred to as the intended beneficiary by the Dutch PSD-policy and by the different executive organizations during the interviews.

Dutch ministers and secretaries of state are clear about the ultimate target group of the aid i.e. poor people in developing countries. The intended beneficiary is in some instances the local community in developing countries. In other policy documents it is the receiving government in a developing country, this is in line with Paris Declaration on aid effectiveness (OECD, 2005) that points to the receiving government as the intended beneficiary. Both the local communities and the receiving government are sometimes mentioned as the group that is supposed to influence the choice and design of the PSD-instruments. (Ardenne-van der Hoeven, 2002; Ardenne-van der Hoeven, et al., 2004; Tweede Kamer, 2012; Koenders, et al., 2008)

Most of the intended beneficiaries of the instruments can be divided in roughly two categories: businesses and government. FMO, PSI and PUM focus exclusively on businesses. According to the application criteria PUM accepts only small and medium private businesses with more than 50% ownership in local (developing) hands. (PUM, 2012 p. 1) FMO has a broader focus and targets on every investor or business that is (or wants to be) active in developing countries and that cannot find finance in the commercial sector. PSI also focuses on businesses, but the intended beneficiaries are mainly Dutch businesses that are willing to invest in developing countries, most of the time in the form of a joint venture with a local business.

The intended beneficiaries of CBI, ORET and ORIO are a combination of governments in developing countries and businesses. The group of intended beneficiaries of CBI exists of businesses both in developing countries and Europe, but also business support organizations (BSO) and governments of developing countries are potential receivers. ORET's main intended beneficiaries are the Dutch business community and the receiving governments. ORIO's main intended beneficiaries are the governments of developing countries that can apply for an ORIO-project[18]. However, more indirectly the end-users, i.e. the local communities, are the intended beneficiaries.

It is remarkable that the intended beneficiaries that are mentioned in the policy do not completely match with the intended beneficiaries of the individual instruments. A possible explanation is that by reaching the intended beneficiaries of the different instruments with their interventions, the total result is supposed to reach (indirectly) the intended beneficiaries mentioned in the policy.

As can be seen in table 6, most executive organizations define their instrument demand-driven when their intended beneficiary's priorities or wishes influence the instrument. ORET is the only one that mentions a stakeholder (i.e. Dutch businesses) that is supposed to influence the instrument, but that is not relevant for demand-drivenness in their view. ORET is also the only one that does not consider itself demand-driven. FMO, PSI and PUM mention actors that matter to influence the instrument in order to be demand-driven, but that are not intended beneficiaries. Probably by reaching the intended beneficiaries the demand of the other group will be satisfied.

[18] The country list of ORIO can be found via this link: http://www.agentschapnl.nl/en/onderwerp/countries-orio

Table 6. Intended beneficiaries ("|") and actors that matter in order to be demand-driven ("-") or a combination ("+") in the policy and per instrument.

	Policy	CBI	FMO	ORET	ORIO	PSI	PUM
Businesses in the Netherlands				|		+	
Businesses in developing countries		+	+				+
European Market		+					
Business Support Organisation (BSO)		+					
Government in the Netherlands						-	
Government in developing countries	-	+	-	+	+		-
Poor people/end users	+		-		+		

5.1.3 Strategy phase

Strategy decisions are decisions about the content and the design of an instrument. It can be the decision to stop or start a whole instrument, but also the decision to focus on a specific sector or other subgroup of the intended beneficiaries.

The Dutch government toke the decision to start CBI already in 1971. (CBI, 2012) Still, the strategy of CBI has to fit in the legal framework that is supplied by the Dutch ministry of Foreign Affairs. CBI experiences this as a broad framework that hardly limits strategic choices. An important strategic choice for CBI is the selection of sectors. This choice is made by CBI, based on a strategy conference with (representatives of) the intended beneficiaries and a value chain analysis to make an estimation of which products from developing countries are promising on the European market. The strategic conference can be seen as a form of demand-drivenness, because of the direct influence of intended beneficiaries. The value chain analysis can be categorized as need-driven because CBI performs an exogenous (with respect to the intended beneficiaries) analysis of the needs. In short, the strategy decision of CBI is mainly a combination of need- and demand-driven, although the supply-driven element seems to be increasing.

FMO is founded in 1970 as a public private partnership of a combination of the Dutch state, commercial banks, trade unions and other private sector representatives. (FMO, 2012) Current strategic decisions, like the decision to deploy certain FMO-instruments in a certain sector are based on a combination of factors. It is need-driven in the sense that an important input for the decision is a market analysis of the needs. It is supply-driven in the sense that the capabilities and strengths of FMO are important inputs for the decision. Demand of the private sector also drives the decision because existing instruments will be stopped when there is no effective demand.

Most strategic decisions of both ORET and ORIO are made by the Dutch ministry of Foreign Affairs. The ministry determines admissible sectors and countries. However, the executive organization of ORET is mandated by the minister to take strategic decisions that are within the borders of the policy framework. ORET has been focused on developmental relevant infrastructure projects in mainly the water and health sector, but also roads, street lightning, harbors, bridges and ships projects were executed. This strategy is linked with the priorities of the ministry. ORIO is not tied to a sector strategy from the ministry that is more specific than developmental relevant infrastructure. In the past a more specific sector strategy was create per country in cooperation with the receiving government, but nowadays every sector is admissible. From the perspective of ORET and ORIO the strategy is mainly driven by what is supplied by the ministry.

The decision to start with PSOM, the predecessor of PSI, toke the Dutch ministry of Foreign Affairs. It seems likely to the interviewee that this decision is based on a combination of need or demand that is signaled in developing countries and the availability of Dutch businesses that can supply it. At the moment the strategy is to

adapt to the demand of the Dutch businesses that apply. There seems to be a trend towards a more supply-driven attitude which favors Dutch top sectors.

The Dutch Christian Employers association (NCW) started PUM in order to bring together demand and need for advice from entrepreneurs in developing countries and the available supply of Dutch experts. The strategic choice to start and to continue is still based on this combination of demand, need and supply. The interviewee estimates that most countries will acknowledge their demand for a PUM-like instrument within their borders.

5.1.4 Request phase

The decision to request is about which actor took the initiative and the final decision to apply for the services of an instrument.

Most executive organizations declare during the interviews that all intended beneficiaries are free to apply for their instruments, which makes it demand-driven. However, in the case of CBI, the European market is no entity that can apply; there is no representative organization that could apply. Another side note is that, although every business that falls in the group of intended beneficiaries is free to apply, some business are more actively approached than others. Also in the case of ORIO a group of intended beneficiaries cannot directly file a request, i.e. the end users. The governments of developing countries are supposed to represent them. In the case of FMO every business that falls within the formal definition of the intended beneficiaries can apply when they prefer to do business with FMO, however a formal request is only made when an investment officer of FMO thinks it fits in the strategy profile and risk appetite of FMO. This last condition can be classified as supply-driven. Besides that, the local government and the poor people that are also marked as actors that are relevant demanders have no possibility to apply for FMO. In the case of PSI there are no formal blockages for entrepreneurs to apply, but entrepreneurs have the possibility to have an intake conversation with PSI. This can help entrepreneurs to find out that they are not in the group of intended beneficiaries. In the case of PUM, SMEs are free to apply but often SMEs have to discover their demand for consultancy. This happens often during a PUM-mission; afterwards a receiver is often more aware of his need for knowledge and more able to express demand for consultancy for example by hiring a commercial consultant.

The only exception is ORET. In the case of projects in countries on the country list A[19] Dutch companies have to apply although their demand is not considered to be relevant in order to be demand-driven. The government of the developing country plays a role because she has to sign a priority declaration which is a mandatory appendix of the application, but it is not allowed to make an independent request. From the perspective of the receiving government this seems to be supply-driven, because they are dependent on the supply that is offered. In practice the demand of the receiving government can have initiating influence e.g. a government can go the Dutch embassy with a request for financing for an infrastructure project. The embassy can introduce ORET. There are examples of projects that were on a list of necessary projects of a government that eventually found financing via ORET. In the case of project in the least developed countries (country list B) the governments are free to apply. There is no need for a Dutch company because the project will be internationally tendered. This can be classified as demand-driven.

5.1.5 Approval phase

The organizations that implement the different instruments must choose from the list of requests which will be approved and implemented. This section will discuss to

[19] The list with the countries on the A and the B list can be found in the ORET-regulation (Ardenne-van der Hoeven, 2006)

what extend demand, need and supply play a role in this decision by the different instruments according to the interviewees.

CBI bases approval of businesses in developing countries mainly on the assessment of CBI about the opportunities for that company on the European market. This decision is sometimes made in consultation with a local BSO. For CBI it is important that there is need for CBI support and that support can lead to successful import to the European market. There is no explicit role for the demand in this phase; it is an external need assessment. Supply plays a limited role. The budget of CBI is off course limited, so not every admissible application can be approved, but which projects will get preference is only based on the earlier mentioned need assessment.

FMO acts in the approval phase as a normal bank with regard to the credit risks. The decision is based on an assessment of the risks. An investment must be feasible and sustainable, which can be seen as an indication of an objective need for FMO financing. It does not make a difference for FMO what the strength of the (perceived) demand of the applicant is, as long as the defaulting risk is manageable. Furthermore, the development potential is taken into account. The combination of credit risk profile and development potential determines whether FMO will finance the project.

ORET has several requirements that have to safeguard the developmental relevance which can be seen as a check whether the application covers a relevant need. One requirement can be seen as a check whether there is demand for the project; the receiving government must have signed the priority declaration appendix of the application. The demand of the end-user does not play a role in this phase; it is assumed that only applications with sufficient demand will be made. The applications are checked on the requirement in order of arriving, when they score sufficient they are approved. There is no guarantee that unexamined projects have less demand or need, but there is also no intended bias in the distribution of approvals among sectors or areas.

An approval for an ORIO-project is partly based on the demand of the government in the developing country that is expressed by government by applying and signing the letter of intent[20]. When the formal requirements are fulfilled, the proposals will be judged based on the OECD/DAC criteria i.e. relevance, effectiveness, impact, efficiency and sustainability. (AgentschapNL, 2012 p. 14) Relevance and sustainability are relevant to demand-drivenness, because when demand among the end users is verified by e.g. participative research or when the need is verified by expert studies that assess the need, the project is supposed to be more likely relevant and sustainable. The supply of available budget only determines which percentage of the applications can be approved, but that will always be the applications that scores highest on need and demand.

The approval decision of PSI is base criteria about development impact. The criteria are set by the Dutch ministry of Foreign Affairs. A project must safeguard development impact for example by a good corporate social responsibility policy and arranging training for involved people in the developing country. This can be interpreted as criteria to safeguard that the local need for development will be fulfilled. The demand of the intended beneficiary (the Dutch entrepreneur) plays no role, because it is supposed to be safeguarded by the request phase. Similar to ORIO, the supply of available budget only determines which percentage of the applications can be approved, but that will always be the applications that scores highest on the criteria.

PUM's approval phase checks whether applicants are really an intended beneficiary e.g. whether the company has an admissible size. Besides that, there is no blockage

[20] In the letter of intent the government has to declare to arrange the financing of the part that is not covered by the ORIO-grant. This can be done by own means or other financing sources.

that disturbs requests to get approved. Similar to ORIO, PUM does not rank the applications, in practice every application that scores sufficient on admission criteria will be approved. PUM considers it as unfair to disapprove applications that score sufficient on every criterion. The role of supply is negligible. It can happen that there is no expert available, but the database is in almost all cases sufficient.

5.1.6 Conclusion

When it comes to the definition that is given by the executive organizations of demand-driven it can be said that most organizations associate demand-drivenness with a fit or alignment of instruments with the wishes or priorities of the governments of developing countries or just the intended beneficiaries. Most organizations define the decisions in their strategy as a combination of demand-, need- and supply-driven. The decision to request is in most cases made solely by the intended beneficiary and therefore seen as demand-driven. In case of FMO supply also plays a role and in case of ORET it is only supply-driven. The approval decision is mostly seen as need-driven. Only in case of ORIO demand also plays a role. In case of PUM the influence of the approval phase in negligible, which can be seen as demand-driven. In case of PSI supply plays a minor role. ORET's approval decision is completely supply driven. In the next section it will be discussed how the executive organizations assess their demand-drivenness e.g. whether the approval decision of ORIO is really based on the demand of the intended-beneficiaries.

5.2 Indicator

This section considers which indicators of demand-drivenness are incorporated in the business intelligence systems of the executive organizations of the Dutch PSD-instruments and how they fit in the classification of indicators that is used in section 4.2. Also, an estimate of the score by the interviewees is added.

The interviewees of all executive organizations acknowledge that no indicators are incorporated in their BI-systems with the purpose to measure the extent to which their instrument is demand-driven as such. In most cases demand-drivenness is assumed to be guaranteed by the (application) process. The interviewees came up with the following indicators that could be presented in reaction to a question of the minister to 'prove' the demand-drivenness of the Dutch PSD-instruments. They are categorized in the same way as the indicators that are found in the literature and are presented in section 4.2.

To measure whether the strategic decisions about an instrument were aligned with the demand of the intended beneficiaries the following indicators were mentioned. The first set of indicators is about the contribution of the receivers. CBI states that the fact that a commitment fee does not hold intended beneficiaries back to apply indicates demand, especially when there is no direct financial gain by getting approved. The total contribution during the project as a percentage is mentioned by CBI, FMO and PUM as an indicator. PSI mentions as indicator the willingness of potential receivers to hire an expensive consultant. The second set of indicators is about a form of agreement that is signed by the receiving government. This can be in the form of a MoU, i.e. Memorandum of Understanding (CBI), a letter of intent (ORIO) or a priority declaration (ORET). The indicator can be the percentage that signed or the level at which the signature is given. A third indicator is proposed by CBI, namely to compare the strategic choices that are made for certain sectors with the priority sectors of the governments in developing countries. A fourth indicator, proposed by FMO and PSI, is the fact that an instruments survives, although it is dependent on contribution of the receivers. When the dependency is stronger, the indicator is also stronger. The fifth indicator is based on the evaluation practice of ORET to visit projects afterwards and ask the locally identifiable involved actors whether the project fulfills a demand. When these actors indicate that the project fulfills a demand, this is an indication of the demand-

drivenness of the instrument. In the case of an application for a follow-up project from the same applicant, PUM propose to consider as an indicator how much is done with the previous intervention. When no progress is made, probably the receiver does not have priority and demand for this kind of intervention.

To measure the demand-drivenness of the request or approval phase CBI and PSI propose the amount of applications as an indicator. When there are more applications than can be approved there is demand among the intended beneficiaries. PSI also proposes to measure the match between the priorities formulated in the sector strategies of the governments in developing countries (e.g. in the MoU) and the actual applications or approvals. A last indicator that is proposed by PUM is the percentage of receivers that use the option to influence the intervention they are going to receive, in the case of PUM this can in the form of rejecting a proposed project-CV. However when there are many rejections it can also be indicator of bad preparation of the side of PUM. It is also possible to measure the intensity of the contact between the advisor and the receiver before the mission. High intensity of the contact indicates that the receivers demand is taken seriously.

In table 7, the indicators that were selected from literature in section 4.3 and the indicators that were mentioned by the interviewees are presented per phase. Indicators that are only mentioned in literature are colored yellow. Indicators that are only mentioned by the organizations are colored blue. Indicators that are mentioned by both are colored green. The table shows that there is hardly overlap between the sets of indicators from literature and from the organizations. Only the indicator about the own contribution of the receivers is found both in literature and by the organizations in different formulations. It is also noteworthy that most indicators are only mentioned by one organization (10 out of 13); there is no observable consensus about the way to measure demand-driven and there are just a few indicators per organization that are mentioned. A last observation is that most indicators measure whether it can be indicated that the strategic decisions were demand-driven. A few are about the request decision and no indicators are mentioned about the approval phase.

In the second column of appendix 7 an overview can be found of the indicators discussed in this section. The third column gives the estimate scores that are given by the interviewees. It is not surprising that most instruments score generally high on the indicators that are brought up by the executive organizations, because they were only asked for indicators that prove their demand-drivenness. Also, it is likely that the scores are high because of a self-report bias.

In short, it can be stated that all organizations are able to mention a few indicators of demand-driven. They hardly overlap with each other and with the indicators from the literature. Most indicators are about the strategy phase. The organizations score generally high on their own indicators, which can (at least partly) be explained by the gathering method of the indicators and a self-report bias.

Table 7. Comparison of indicators for demand-drivenness from literature and interviews.

From literature	**From instruments**	**From literature**	**From instruments**	**From literature**	**From instr.**
Strategy		Application		Approval/Implementation	
(Willingness to) contribute 1.Willingness to pay/willingness to contribute/implicit price of the	**(Willingness to) contribute** 2.Commitment fee (CBI) 2.Receivers contribution	**Awareness** 7.Percentage of IBs that are actively invited to apply 8.Percentage of	**Accessibility** -Amount of applications exceeds budget (CBI, PSI) **Influence**	**Accessibility** 13.Percentage of applicants that gets an approval 14.Percentage of approved projects	

receivers for the aid 2.Contribution percentage of the receivers in money, labor etc. 3.Percentage of the receivers that co-finance their project. 4.Percentage of the receivers that are supposed to contribute that actually contributes **Other** 5.Percentage of the receivers that wants to keep the current situation as opposed to the situation before project 6.Whether projects were requested by IBs before knowing IX	(CBI, FMO, PUM) 2.Receiver hires a consultant (PSI) -Instrument survival, given dependency on receiver contribution (FMO, PSI) **Influence** -Percentage of the sectors chosen by CBI that are priority sectors of the receiving government (CBI) **Other** -Letter of intent (ORIO)/ Priority Declaration (ORET)/ Percentage of the strategies that is supported by a MoU (CBI) - Level at which the MoU is signed (CBI) -Percentage stakeholders that declare afterwards project fulfils demand (ORET) -Progress between first and follow-up visit (PUM)	IBs aware of existence of IX 9.Percentage of IBs aware of the demand-driven nature of IX **Accessibility** 10.Percentage of IBs that do not want to apply 11.Percentage of IBs that applied **Influence** 12.Congruence per group between IBs thematic priorities and thematic distribution of applications	-Percentage applications that fit in the government sector strategy (PSI) -Percentage of receivers that use the option to influence the intervention they are going to receive (PUM)	that is started 15.Percentage of started projects that is finished 16.Percentage of receivers that applied 17.Variation per group of approvals 18.Variation per group of the percentage of applications that gets approved 19.Variation in thematic distribution of projects 20.Variation in wealth, access to information, and political capital of receivers **Influence** 21.Congruence per group between IBs thematic priorities and thematic distribution of approvals 22.Congruence between receiver thematic priorities and thematic distribution of projects	

5.3 Availability

This section is about to what extent data are available in the business intelligence system of the executive organizations of the Dutch PSD-instruments about the scores on the set of indicators of demand-drivenness in their own business intelligence systems.

As stated before, no executive organization has incorporated indicators in their BI-system with the specific purpose to measure demand-drivenness of their instrument. Every organization was able to mention a few indicators that are available which could indicate demand-drivenness. All these indicators are available at the organization that mentions the indicator. However, some indicators will always score at a maximum because it is a condition for successful application e.g. the commitment fee.

In 28 percent of the cases the data for the indicators from literature was available or could be calculated from existing data. A few indicators were not applicable to an instrument e.g. the thematic distribution of approvals is not applicable to an instrument that is only active on one theme. In appendix 8 an overview is given of the availability of the indicators.

In short, it can be said that demand-drivenness is not measured as such in the BI-systems of the executive organizations of the Dutch PSD-instruments. Indicators that could be used to measure demand-drivenness are only limited available.

6 Analysis: measuring the effect of demand-drivenness on impact

This chapter analyzes the value of previous mentioned results when it comes to impact assessments. Information about the demand-drivenness of PSD-instruments on itself is not very useful, because most policy makers are primarily interested in the development impact of PSD-instruments. Demand-drivenness is never a goal in itself, but it is supposed to be instrumental in order to reach a higher development impact. When the demand of the intended beneficiaries is taken into account, the quality of the aid and eventually the impact is supposed to increase. If this relation does not exist, demand-drivenness is irrelevant to most policy makers. However, as stated before, only marginal evidence on impact of the PSD-instruments is available yet. Two main reasons for this lacking evidence are mentioned in a reader on PSD by the international labour organization (ILO) (Tanburn, 2008 p. iii): 1. 'goals are very ambitious, and impacts costly to quantify – relative to the resources available; indeed, the cost of measuring impacts is often classified as an 'overhead', to be kept to a minimum; and' 2. 'systemic change in the private sector as a whole does not lend itself to the mechanistic model of inputs-outputs-outcomes-impacts in conventional thinking; attribution and timing issues are acute.' Because of this lacking information on impact, the effect of demand-drivenness on impact cannot be determined based on existing research. There is also a lack of studies that link demand-drivenness to impact. In the author's knowledge, there is one study that made an attempt to measure the effect of demand-drivenness on impact. It is the evaluation of the FIRST-initiative, which can be found in textbox 1. This study is limited because it only asks for the opinion of the receiving governments instead of all the intended beneficiaries. It is not surprising that receivers of money react positive to a survey. Therefore, other research is needed.

The chapter starts with a short introduction in the main issues of impact studies (6.1) and methods for impact studies (6.2). It continues with some statements about different factors that are mentioned in literature as relevant for making impact in the field of private sector development in order to place the influence of demand-drivenness in perspective (6.3). In paragraph 6.4, some suggestions will be made how indicators of demand-drivenness can be integrated in impact studies. At the end of this chapter the following question will be answered: *To what extent can the influence of demand-drivenness on the impact of PSD-instruments be determined?*

6.1 Main issues of impact studies

Impact studies try to measure the impact of a development instrument. The first step of an impact study is usually reconstructing the logical framework or causal model of the instrument. (Tanburn, 2008 p. 11) A typical causal model for PSD is presented in the third chapter in figure 1. Demand-drivenness can be added as a characteristic of the process. The impact study is, among others, about whether the demand-drivenness of the process makes a difference for the outputs, the outcomes and of course the impact.

A common definition of impact is given by the OECD-DAC: 'the positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.' (OECD, 2010).

This definition points to two central issues in impact studies, i.e. attribution and counterfactual (Leeuw, et al., 2009 p. ix). The ILO-Reader states about the counterfactual: 'The core task in measuring impacts is to 'establish the counter-factual': to discover what would have happened, if the intervention had not taken

Textbox 1. Example: FIRST-initiative.

'The Financial Sector Reform and Strengthening Initiative (FIRST) was launched in 2002 by a number of donors as a technical assistance (TA) facility whose primary objective is to support growth and poverty reduction in low- and middle-income countries by promoting stable, deep and diverse financial sectors.' (Effron, et al., 2011 p. i) The intended beneficiaries are the governments of developing countries and indirectly the poor. The program is managed by the World Bank and the IMF.

The study assesses among others the influence of demand-drivenness, as a characteristic of the process and part of the strategy, on the intermediate outcomes and the final outcomes. Although they recognize the relevance of the final step to impact, this is not assessed (Effron, et al., 2011 p. 33). Demand-drivenness is seen as a synonym of ownership, (Effron, et al., 2011 p. 9) which is operationalized as: 'evidence of government and specific agency ownership, typically through active participation or decisions during the course of project or at the conclusion of an early phase, or through follow up on recommendations or suggested actions.' (Effron, et al., 2011 p. 42)

Two kinds of data gathering methods are used. First, client surveys are held among the beneficiaries. Second, Project Completion Evaluation Reports (PCERs) and country case studies are executed by the evaluators. (Effron, et al., 2011 p. 9)

The results of the client surveys are as follows: '93 percent of respondents agreed that the objectives of the grant were a high priority for the government (five percent did not answer the question; only two percent disagreed). In addition, some three-quarters of respondents agreed that they would have sought funds elsewhere if FIRST funds had not been available.' (Effron, et al., 2011 p. 9) The PCERs and the country studies had the following result: 'The average rating on ownership for the completed grants was 1.59 (on a scale of 1 to 3, where 1 is strong and 3 is weak ownership), almost identical to the Phase I average. More than half of the 34 completed grants were rated as having strong ownership' (Effron, et al., 2011 p. 9)

The Conclusion is 'FIRST has financed grants that are, for the most part, demand-driven and aligned with the client country's priorities for financial sector development. A large majority was characterized by either strong or moderate ownership.' 'Ownership was strongly correlated to outcomes, but was not sufficient by itself to ensure success.' (Effron, et al., 2011 p. 30)

place at all.' (Tanburn, 2008 p. 10) There can thought of many alternative explanations of an effect, for example: displacement, i.e. 'one also has to demonstrate that those who did not benefit directly from the intervention did not suffer, at the expense of those who did benefit (the 'treatment group')' (Tanburn, 2008 p. 10) or the Hawthorne effect, i.e. people under investigation may change their behavior, just because they are being studied and are given attention' (Tanburn, 2008 p. 10; Shadish, et al., 2002 p. 79)

When it comes to attribution, Leeuw et al (2009 p. ix) state: 'The words "effects produced by" in the DAC definition imply an approach to impact evaluation that is about attributing impacts to interventions, rather than just assessing what happened.' The World Bank handbook on impact evaluation (World Bank, 2010 p. 4) states this as follows: 'The main question of impact evaluation is one of attribution - isolating the effect of the program from other factors and potential selection bias.'

The Nonie Guidance (Leeuw, et al., 2009 p. 3) also elaborates on what kind of impact studies are usually looking for in the context of development: 'Impact is often associated with progress at the level of the Millennium Development Goals, which primarily comprise indicators of welfare of these households and individuals.' In the context of this research, the first MDG, which concerns reducing the amount of people that living on less than a dollar a day, is most relevant. For more information on impact studies the mentioned literature can be reviewed.

6.2 Methods for impact studies

Typically, impact studies use quantitative methods in order to deal with the counterfactual and the attribution problem. It is advisable to add qualitative methods in order to correct for the weaknesses of a quantitative research design and to create a robust mixed method design.[21] (World Bank, 2010 p. 19; Leeuw, et al., 2009 pp. 21,35; Carlsson, et al., 2001 p. 15)

The first option is to use an experimental design with a randomized control trial. Typical characteristics are the random assignment of the potential beneficiary to the treatment or control group and the baseline and posttest. (Shadish, et al., 2002 p. 257) Although this method is the safest way to deal with the issues attribution and counterfactual (Leeuw, et al., 2009 p. 24), it seems unrealistic that this method is applicable in most impact studies of PSD-instruments, for example because of ethical problems with denying the instrument to part of the intended beneficiaries. However, it would presumably be even less ethical to provide assistance to businesses without being clear about the likely effects and impacts of that assistance (Carlsson, et al., 2001 p. 16). Another example of a problem with a randomized control trial, is that 'control groups are often 'contaminated' with treatment from other programmes and agencies' (Carlsson, et al., 2001 p. 15).

The alternative is to use quasi experimental designs, which try to approximate experimental designs by adjusting the design within the given circumstances. Some problems, like a missing control group can be partly fixed by statistical methods like propensity score matching, instrumental variable method or regression discontinuity approaches. (World Bank, 2010 pp. 118-216)

Another issue regarding the design of an impact study is the selection of programs. In the main research, a varied set of instruments was selected in terms of logical framework. If an international study would be performed with a set of comparable instruments when it comes to logical framework, but that differ on their demand-drivenness, some problems are avoided. In the selection of the main research. for example, it is possible that when a correlation is found between the impact and demand-drivenness of an instrument, that this relation is caused by other characteristics that happen to correlate with demand-drivenness and impact or the risk. By using comparable logical frameworks, this risk is reduced.

A last important issue for impact studies is which indicators are used to measure impact and other relevant concepts. For measuring impact of PSD-programs the indicators from the standard of the Donor Committee for Enterprise Development (DCED, 2010) can be used, i.e. scale or number of targeted enterprises that benefitted, net additional income and net additional jobs created. The NONIE-guidance (Leeuw, et al., 2009 p. xii) nuances absolute standards by pointing to the importance of bringing stakeholder's values to the surface. There can be stakeholders that value other forms of impact or that are affected in an unintended way beyond the scope of these indicators. They propose to use qualitative methods like values inquiries to assess this point.

6.3 Factors of PSD-impact

This section makes some statements about different factors that are mentioned in literature as relevant for making impact in the field of private sector development in order to place the influence of demand-drivennness in perspective. Demand-drivenness is never the only characteristic of a PSD-instrument. When an instrument has shortcomings on other fields, the presumed positive influence of demand-drivenness will probably disappear.

The first factor that can be mentioned which determines the impact of an instrument, is the context in which the PSD-intervention is demanded. Hitchins,

[21] Examples of impact studies in the field of PSD can be found at the website of the Donor Committee for Enterprise Development http://www.enterprise-development.org/page/stories

Elliott & Gibson (2004) distinguish a number of dimensions on which an area can be weak, i.e. remoteness, social capital, physical infrastructure, property ownership structures and dependency on a few economic activities. These weaknesses cannot be solved by more intensive interventions only, but innovative solutions are needed. The authors also state that the importance of local initiative (which can be seen as an element of demand-drivenness) increases in these contexts.

Also, within areas there can be difference between the impact of PSD-instruments. Biggs & Shah (2006) argue that "outsiders" of tight, ethnically-based, business networks underperform compared to "insiders" of these networks. Their demand for e.g. credit can only be treated by understanding and addressing the exclusionary effects.

An interesting (seemingly) trade-off is discussed by Mosley & Hulme (1998). They point an 'impact frontier'; the poorer the lender, the lower the impact on household income. Although the demand of the poorest people for credit is probably bigger, the impact seems to be lower. The authors state that this trade-off can be dealt with innovations in institutional design of the PSD-instrument. Therefore it can be argued that the income of the intended beneficiary must be considered in order to understand his demand and to be able to adjust the institutional design to optimize impact.

It has been widely acknowledged that gender is an important factor in development. Mayoux (1995) elaborates on the complications of reaching impact for women by PSD-instruments. She argues that the complexity of social structures makes it unlikely that existing instruments enable the demand of women to reach the PSD-instruments.

A last factor that is important to understand the demand in the field of PSD, is the role of the informal economy. Grosh & Somolekae (1996) notice that there is a huge gap between micro companies (mostly informal) and big companies in developing countries. Micro companies hardly succeed in growing to a small or medium size. It is unlikely that this problem will be solved entirely by increasing demand-drivenness. Therefore initiatives in this field must be evaluated carefully before a failure is attributed to the demand-drivenness of the instrument.

6.4 Indicators for demand-drivenness

In order to execute an impact study as described before that measures the influence of demand-drivenness on impact, indicators for demand-drivenness are needed. In chapter 4 a set of indicators is presented that can be used to measure demand-drivenness. In order to reduce costs and increase the simplicity, it is recommended to select a few indicators that cover the four criteria for demand-drivenness (willingness to contribute, awareness, accessibility and influence). An example of a set of indicators is: 1. Contribution percentage of the receivers in money or in kind (willingness to contribute), 2. Percentage of intended beneficiaries that are actively invited to apply (awareness), 3. Variation per group of the percentage of applications that gets approved (accessibility) and 4. Congruence per sector and area between intended beneficiaries' thematic priorities and thematic distribution of applications.

It is important to acknowledge that a direct correlation between demand-drivenness and impact is meaningless in itself. As stated in the previous paragraph, there are too many other factors that influence impact. However it is possible to measure demand-drivenness with the indicators stated in this research and to measure the impact of PSD-instruments with the earlier described methods. With qualitative methods it probably possible to establish a link between these two concepts.

7 Conclusion, discussion and recommendations

The main research question of this research is: *to what extent are the Dutch PSD-instruments demand-driven, to what extent do executive organizations have information about their own demand-drivenness and to what extent does demand-drivenness influence impact?*

Based on this research it can be said that the strategy of all instruments is to a certain extent in line with the demand. When governments are the intended beneficiaries it is considered likely that their demand is able to reach the instrument. When businesses are the intended beneficiary, it is unlikely that they are the intended beneficiaries with the highest demand for the intervention. It is likely that the approval phase reduces the influence of demand. However, essential data is missing to make a robust conclusion about the demand-drivenness.

The executive organizations of the Dutch PSD-instruments do not measure demand-drivenness in their BI-systems on purpose. The organizations do not have consensus on which indicators should be used to measure demand-drivenness. The availability of data on the indicators, that could be used to measure demand-drivenness, that are proposed in the literature, is limited.

The influence of demand-drivenness on impact can be investigated, although many other factors make a precise determination impossible.

Discussion

A first subject for discussion is the definition of demand-drivenness that is used in this research, i.e. the extent to which decisions in the different phases of a development-instrument are based on the preferences of the intended beneficiaries. It can be argued that the concept intended beneficiaries is too complex e.g. in the case of multiple kind of recipients. It is, for example, difficult to assess the combined influence of a government and SMEs on a strategy. It can also be argued that a development instrument should always be about the impact on poor people. The chosen definition makes it possible that for example the businesses of rich people are defined as intended beneficiaries. Besides that it can be argued that demand should be reserved to the economic definition in which it is coupled to expression in the form of price. Preference is probably too subjective and too easy to manipulate to use in practice.

The second subject for discussion is the value of the indicators that are used to estimate demand-drivenness. From the exercise that is done in this research, there can be thought of two different follow ups. The list with indicators can be used as a source of inspiration for researchers that want to measure demand-drivenness. Depending on the context they can pick and choose appropriate indicators that measure demand-drivenness. A disadvantage is that scores will be incomparable and there is potential for selection bias. The other option is to further develop the list into a model for demand-drivenness that calculates a universal score for demand-drivenness based on a balanced and standardized set of indicators. This improves comparability, but it is doubtful whether the indicators are robust enough to come to a reliable model. One risk that can be mentioned is the risk of perverting indicators i.e. that the organization that is measured, influences the score on the specific indicator without influencing the concept that is behind it. (Bruijn, 2001) An example is that an executive organization can improve the awareness score by decreasing the official group of intended beneficiaries. The actual awareness is not raised, but the score on the indicator is increased. Another reason against a model to measure demand-drivenness is mentioned by one of the interviewees, who points to the increasing monitoring costs.

A third point of discussion is whether it is a good idea to promote demand-drivenness as opposed to need-drivenness. It can be argued that experts can make accurate ex ante predictions of the future 'demand', maybe even more accurate than those who are the actual demanders who do not know what they are going to demand in the future. Also, combinations might be considered, e.g. when a basically need-driven instrument is sensitive for the demand and adapts the intervention to demand-tailored interventions. However, it can be argued that the balance between need- and demand-driven is no issue of accurate prediction, but an issue of willingness of the donor to allow the beneficiaries to influence the aid.

A related discussion is between supply- and demand-drivenness. It can be argued that aid is more effective when the supply, e.g. in the form of top-sectors of the Dutch economy, searches for a demand in developing countries instead of using a fully demand-driven system. The risk of a fully demand-driven system is that developing countries ask the Netherlands for aid that cannot be delivered in an efficient and effective way by the Netherlands compared to other donors, because of lacking knowledge about what the available supply in the Netherlands. It can therefore be argued that the supply-side should drive decisions in order to improve coordination and eventually allocation efficiency. From the perspective of the receiver it makes no difference who supplies as long as it does not limit the choices. When the role of supply is too large, it is likely to limit choices. It is evident that, in that case, the possibility exists that aid will be delivered without a substantive demand.

Another discussion point is whether the phases that are mentioned in the report, i.e. strategy, request, and approval and implementation phases, are sufficient. It can be argued that the evaluation phase should be added. Are the evaluation criteria based on the demand of the intended beneficiaries?

The final discussion point is whether demand-drivenness can be used as proxy for impact. There is no empirical evidence that a more demand-driven program leads to more impact. However, as argued in chapter 7, there can be thought of designs in which a link between these concepts can be established. If this relation exists, demand-drivenness has potential to be a (partial) proxy of impact. It cannot predict impact completely, but during evaluations it can help to understand the process which leads to the impact.

Recommendations

- In order to value the worth of assessing the demand-drivenness, it is useful to do research about the extent to which the demand-drivenness of decisions in different phases of an instrument influences the (development) impact. This can be done as proposed in chapter 7.
- Before the relation with impact is clarified, demand-drivenness should not be presented as inherently positive, but in a more neutral way.
- In order to improve the discrimination value and the clearness of the concept demand-driven, it is useful to use one definition of demand-drivenness, for example the definition that is presented in this report. In the least, it should be made explicit which definition is used. Besides that, it is important to acknowledge that demand-drivenness can vary in different phases of an instrument. It is too simple just to call an instrument demand-driven; it should be made explicit which decision is demand-driven.
- In order to measure demand-drivenness, it is useful to use some indicators that are mentioned in this report. The selection should depend on context of the research, similar to the selection used for this research, which is based on the PSD-context. It can be tried to develop a model to measure demand-drivenness with a standardized balanced set of indicators.

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WRR Minder pretentie, meer ambitie: ontwikkelingshulp die verschil maakt [Rapport]. - Amsterdam : University Press, 2010.
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Appendix 1: Interview list

Organization	Name	Position
CBI:	Koos van Eyk	Manager Export Promotion
DDE:	Johan Veul	Policy Officer
FMO:	Stan Stavenuiter	Evaluation Officer
	Jeroen Horsten	Evaluation Officer
ORIO:	Tim van Galen	Project Adviser
	Lars Kramer	Project Adviser
ORET:	Friso Wiegman	Fund Manager
PSOM/PSI:	Sylvia van Buchem	Unit Manager
	Miriam Valstar	Private Sector Investment Officer
PUM:	Alex Meerkerk	Analysis & Monitoring Manager

Appendix 2: Interview protocol

Introduction
Report can be confirmed, no names, no literal citations
Context: Master thesis PA public management, BA information management
PSD-policy review (samenwerkingsruimte)
Demand-driven, according to literature: definition, indicators, scores. According to instrument: definition, indicators, score. Research delivers appropriate indicators.
Interview about: your definition, your indicators, score on these and score on literature indicators.

Definition
Which definition of demand-drivenness is currently in use in your PSD-instrument?
Whose demand was the basis to start your PSD-instrument? Which definition of demand-drivenness is used during the decision to start your PSD-instrument?

Indicators
What is/are the indicators(s) used to determine the demand for your PSD-instrument in general?
What is/are the indicator(s) used to determine demand-drivenness in proposals of the applicants of your PSD-instruments?
Who is the intended beneficiary?

Business Intelligence
How is your BI-system roughly designed? Which indicators form the input for the system? (possible categories of indicators: business strategy (incl. financial goals), stakeholders, processes, and training and education)
Are indicators about demand(-drivenness) incorporated in the business intelligence systems of your PSD-instruments?

Scores
How does your instrument score on your own indicators?
How does your instrument you score on the literature indicators below?

Strategy	Application	Approval/Implementation
(Willingness to) contribute 1. Willingness to pay/willingness to contribute/implicit price of the receivers for the aid 2. Contributionpercentage of the receivers in money, labor etc. 3. Percentage of the receivers that co-finance their project 4. Percentage of the receivers that are supposed to contribute that actually contributes **Other** 5. Percentage of the receivers that wants to keep the current situation as opposed to the situation before project 6. Whether projects were requested by IBs before knowing IX	**Awareness** 7. Percentage of IBs that are actively invited to apply 8. Percentage of IBs aware of existence of IX 9. Percentage of IBs, that are aware of the existence of IX, are aware of the demand-driven nature of IX **Accessibility** 10. Percentage of IBs that do not want to apply 11. Percentage of IBs that applied **Influence** 12. Congruence per group between IBs thematic priorities and thematic distribution of applications	**Accessibility** 13. Percentage of IBs that get approved 14. Percentage of IBs of which the project is started 15. Percentage of IBs of which the project is finished 16. Percentage of receivers that applied 17. Variation per group of approvals 18. Variation per group of the percentage of applications that gets approved 19. Variation in thematic distribution of projects 20. Variation in wealth, access to information, and political capital of receivers **Influence** 21. Congruence per group between IBs thematic priorities and thematic distribution of approvals 22. Congruence between receiver thematic priorities and thematic distribution of projects

Dutch version

Introductie
Verslag kan goedgekeurd worden, geen namen, geen letterlijke citaten.
Context: afstudeeronderzoek BSK-public management en BK inf. Man.
PSD-beleidsdoorlichting (samenwerkingsruimte)
Vraagsturing, volgens de literatuur: definitie, indicatoren en scores. Volgens het instrument: definitie, indicatoren en score. Onderzoek levert bruikbare indicatoren op.
Interview over: uw definitie, uw indicatoren, de score daarop en score op literatuur indicatoren.

Definitie
Welke definitie van vraagsturing wordt gebruikt door uw instrument?
Wiens vraag was de basis om het instrument te starten? Welke definitie van vraagsturing is daarbij gebruikt?

Indicatoren
Welke indicator(en) is/zijn gebruikt om de vraag in het algemeen voor het instrument vast te stellen?
Welke indicator(en) is/zijn gebruikt om vraagsturing in aanvragen voor het instrument vast te stellen?
Wie is de beoogde doelgroep van het instrument?

Business Intelligence/Monitoringssysteem
Hoe is uw BI-systeem opgezet/vorm gegeven? Welke indicatoren vormen de input?
Mogelijke categorieën: strategie (incl. financiële doelen), stakeholders, processen en training en leren.
Zijn er indicatoren voor vraagsturing aanwezig?

Scores
Hoe scoort uw instrument op uw eigen indicatoren?
Hoe scoort uw instrument op de onderstaande indicatoren uit de literatuur?

Strategie	Aanvraag	Goedkeuring/uitvoering
(bereidheid voor) bijdrage 1. Bereidheid om te betalen/bij te dragen 2. Percentage bijdrage van de ontvanger in geld, arbeid etc. 3. Percentage van de ontvangers dat bijdraagt 4. Percentage van de ontvangers die bij zouden moeten dragen die het daadwerkelijk doen. **Overig** 5. Percentage van de ontvangers die de huidige situatie met instrument beter vinden dan ervoor. 6. Of er projecten aangevraagd zijn door IBs voordat ze IX kende.	**Bewustheid** 7. Percentage IBs die actief uitgenodigd zijn om aan te vragen 8. Percentage IBs die bewust zijn van het bestaan van IX 9. Percentage IBs, die IX kennen, die zich bewust zijn dat IX vraaggestuurd is. **Toegankelijkheid** 10. Percentage IBs die niet willen aanvragen 11. Percentage IBs die een aanvraag indienen **Invloed** 12. Overeenkomst per groep tussen IBs thematische voorkeur en de verdeling van aanvragen	**Toegankelijkheid** 13. Percentage IBs die goedkeuring krijgen 14. Percentage IBs van wie een project start 15. Percentage IBs van wie het project is afgerond 16. Percentage van de ontvangers die ook een aanvraag hebben ingediend 17. Variatie per groep in goedkeuringen 18. Variatie per groep in het percentage dat goedgekeurd wordt 19. Variatie in de thematische verdeling van projecten 20. Variatie in welvaart, toegang tot informatie en politieke invloed van ontvangers **Invloed** 21. Overeenkomst per groep tussen IBs thematische voorkeuren en thematische verdeling van goedkeuringen 22. Overeenkomst tussen thematische voorkeur van ontvangers en thematische verdeling van projecten.

Appendix 3: Translation and weighting of indicators

IB = intended beneficiary
IX = instrument X

Author	Journal	Citation score	Original indicator	Translated indicator	Weight
(Roessler, et al., 2008 p. 187)	Ecological Economics	2.713	Willingness to pay/Willingness to contribute/Implicit price	Willingness to pay/Willingness to contribute/Implicit price of the receivers for the aid	10
(Davis, 2004)	World Development	6.04			
(Whittington, et al., 2000)	Journal of Planning Education and Research	1.464			
(Keynan, et al., 1997 p. 245)	The World Bank Research Observer	1.409	The returns for supplying a service, in the form of payment	Contribution percentage of the receivers in money, labor etc.	17
(Madrigal, et al., 2011 p. 1672)	World Development	6.04	Community members pay water charges		
(Madrigal, et al., 2011 p. 1672)	World Development	6.04	Community contribution (e.g. labor)		
(Prokopy, et al., 2008 p. 300)	Journal of Planning Education and Research	1.464	Mean amount of household labor expended per village (consumer demand)		
(Schroeder, 2000 p. 435)	Public Administration and Development	1.21	Local cost sharing: estimated monetary value of the labor and non-labor contributions to be made towards each project/ the per capita local contributions		
(Madrigal, et al., 2011 p. 1672)	World Development	6.04	Delinquency rate	Percentage of the receivers that are supposed to contribute that actually contribute	6
(Goldberg, et al., 2008 p. 25)		1.409	Co-financing	Percentage of the receivers that co-finance their project.	1
(Keynan, et al., 1997 p.	The World Bank	1.409	Pressure from interest groups in	Pressure from interest groups in	1

226)	Research Observer		the form of petitions or strikes when the service has been discontinued	the form of petitions or strikes when IX has been discontinued	
(Mukhija, 2010 p. 803)	Housing Studies	0.633	Whether mumbai's slum dwellers are contesting with private developers and among themselves, for the right to redevelop their settlements	Whether IBs are contesting with implementers and among themselves, for the right to get approved	1
(Sievers, et al., 2007 p. 1353)	World Development	6.04	Percentage attendance drop in case of voluntary linkage compared to compulsory linkage	Percentage of receivers that drop out in case of voluntary linkage compared to compulsory linkage of different elements of IX	6
(Madrigal, et al., 2011 p. 1671)	World Development	6.04	Whether the local community wants to keep the current local institutional arrangement as opposed to government administration	Percentage of the receivers that wants to keep the current situation as opposed to the situation before project	6
(Madrigal, et al., 2011)	World Development	6.04	A local initiative to request a change	Whether the projects were requested by a IBs before knowing IX	6
(Bontenbal, 2009 p. 103)	Habitat International	1.434	Key persons and participants alike agree that the input and initiative to develop projects generally originated in VES	Percentage of the applications about which the IX representatives and the receivers agree that the receiver initiated the application	1
(Bontenbal, 2009 p. 105)	Habitat International	1.434	Linked to municipal development plan	Extent to which IX design is linked to the relevant development plan	1
(Araujo, et al., 2006 p. 6)		1.409	Proportion public and private goods requested	Percentage of applications about private goods compared to public goods	1

(Schou, et al., 2010 p. 544)	Journal of International Development	4.90	Percentage of sections of the community that are invited to file project requests	Percentage of IBs that are actively invited to apply	5
(Veron, et al., 2003 pp. 10,11)	Journal of Development Studies	4.90	Heard of the EAS	Percentage of IBs aware of existence of IX	6
(Goldberg, et al., 2008 p. 7)		1.409	Awareness of existence policy		
(Veron, et al., 2003 pp. 10,11)	Journal of Development Studies	4.90	Aware of Demand-Led Provisions of the EAS.	Percentage of IBs, that are aware of the existence of IX, are aware of the demand-driven nature of IX	6
(Ng'ong'ola, et al., 2001 p. 36)		1.409	knowledge on options and demand driven nature		
(Ibanez, et al., 2009 p. 433)	Journal of Peace Research	2.468	Percentage not registering voluntarily	Percentage of IBs that do not want to apply	2
(Ibanez, et al., 2009 p. 433)	Journal of Peace Research	2.468	Percentage displaced households registered (compared to total amount of displaced individuals)	Percentage of IBs that apply	3
(Mukhija, 2010)	Housing Studies	0.633	Proposals received as percentage of nominally eligible beneficiaries		
(Schou, et al., 2010 p. 544)	Journal of International Development	4.90	Congruence per council between community thematic priorities and elite demand i.e. project proposals and supply i.e. approvals.	Congruence per group between IBs thematic priorities and thematic distribution of applications	5
(Ibanez, et al., 2009 p. 433)	Journal of Peace Research	2.468	Percentage being overtly excluded	Percentage of IBs that are being overtly excluded from the opportunity to become beneficiary	2
(Mukhija, 2010)	Housing Studies	0.633	proposals approved/ under construction/ with occupation certificate, in projects or units as percentage of nominally eligible beneficiaries	Percentage of applicants that gets an approval	1
	Housing Studies	0.633		Percentage of started projects that is finished	1
	Housing Studies	0.633		Percentage of approved projects that is started	5
(Veron, et al., 2003 pp. 10,11,13)	Journal of Development Studies	4.90	Received work under the EAS (percentage of inhabitants)		

(Veron, et al., 2003 pp. 10,11,13)	Journal of Development Studies	4.90	Percentage households that received EAS work that had initiated the labour contracts themselves	Percentage of receivers that applied	5
(Schroeder, 2000 pp. 431,433)	Public Administration and Development	1.21	Variation in allocation of funding per sector and district	Variation per group of approvals	1
(Schroeder, 2000 pp. 431,433)	Public Administration and Development	1.21	The coefficient of variation (CV) of per capita district wise allocations	Variation per group of the percentage of IBs that gets approval	1
(Schou, et al., 2010 p. 544)	Journal of International Development	4.90	Thematic (e.g. education) distribution of projects	Variation in thematic distribution of projects	5
(Baird, et al., 2011)		1.409	wealth, access to information, and political capital	Variation in wealth, access to information, and political capital of receivers	1
(Schou, et al., 2010 p. 544)	Journal of International Development	4.90	Congruence per council between community thematic priorities and elite demand i.e. project proposals and supply i.e. approvals.	Congruence per group between IBs thematic priorities and thematic distribution of approvals	5
(Araujo, et al., 2006 p. 5)		1.409	Beneficiary community priority compared to projects	Congruence between receiver thematic priorities and thematic distribution of projects	3
(Mansuri, et al., 2004 p. 13)	The World Bank Research Observer	1.409	Communities assessment of major problems in the community before the social fund had been introduced compared to projects		

Appendix 4: Exact or estimated scores on the indicators

Anec = anecdotal
Mod = moderate
n/a = not available or not applicable
IX = instrument X
IB = intended beneficiary[22]

Indicators	CBI	FMO	ORET	ORIO	PSI	PUM
1. Willingness to pay/willingness to contribute/implicit price of the receivers for the aid	> 40	100	> 50-65	> 60	> 40-50	mod
2. Contribution percentage of the receivers in money, labor etc.	> 40	100	50-65	60	40-50	5-25
3. Percentage of the receivers that co-finance their project.	100	100	100	100	100	100
4. Percentage of the receivers that are supposed to contribute that actually contributes	100	100	95-100	100	100	100
5. Percentage of the receivers that wants to keep the current situation as opposed to the situation before project	3,7	100	90-100	100	100	92
6. Whether projects were requested by IBs before knowing IX	anec	anec	20-30	anec	n/a	low
7. Percentage of IBs that are actively invited to apply	mod	low	n/a	100	low	low
8. Percentage of IBs aware of existence of IX	mod	high	50-75	100	low	mod
9. Percentage of IBs aware of the demand-driven nature of IX	high	high	85-90	100	high	high
10. Percentage of IBs that do not want to apply	n/a	n/a	n/a	low	n/a	high
11. Percentage of IBs that applied	low	low	low	< 73	low	low
12. Congruence per group between IBs thematic priorities and thematic distribution of applications	n/a	high	n/a	high	high	n/a
13. Percentage of applicants that gets an approval	65	high	< 54	39	49	83
14. Percentage of approved projects that is started	high	high	98	low	98	83
15. Percentage of started projects that is finished	n/a	high	95-100	0	<82	83
16. Percentage of receivers that applied	100	n/a	98-100	n/a	n/a	100
17. Variation per group of approvals	n/a, 37	low, mod	292, high	76, 133	124, 139	82, 73
18. Variation per group of the percentage of applications that gets approved	n/a, 31	low, mod	81, n/a	152, 123	92, 52	23, 9
19. Variation in thematic distribution of projects	n/a	n/a	n/a	n/a	n/a	n/a
20. Variation in wealth, access to information, and political capital of receivers	n/a	high, mod, low	n/a	low, n/a, n/a	mod, mod, n/a	n/a
21. Congruence per group between IBs thematic priorities and thematic distribution of approvals	n/a	n/a	n/a	high	n/a	n/a
22. Congruence between receiver thematic priorities and thematic distribution of projects	n/a	n/a	n/a	high	n/a	n/a

[22] In paragraph 5.1.2 the intended beneficiaries are discussed. In the case of CBI, businesses in developing countries are used in the calculation, because that is the largest group of receivers. The scores for BSOs are often significant lower, e.g. for own contribution. For FMO the calculations are based on the financial institutions in developing countries. In the case of ORIO and ORET the governments in developing countries are used in the calculations. When the poor people in developing countries are seen as the intended beneficiaries most indicators will drop significantly.

Remarks of the interviewees on the validity and reliability of the scores.

Strategy
(Willingness to) contribute
1 Willingness to pay/willingness to contribute/implicit price of the receivers for the aid: Most scores are based on the actual contribution. When a beneficiary is willing to actually contribute a percentage of the costs, it shows that the willingness to pay is at least that percentage. It is a conservative approximation, because the actual willingness can be higher. A problem of willingness to pay is that it is hard to compare the score when heterogeneous target groups and products are involved. It also assumes a rational mindset of intended beneficiaries, it is not sure that they will always choose the product to which they are most willing contribute. Another risk is that the scores can differ over time. In the case of advice for example it is possible that afterwards the willingness to pay is much higher than before.

2 Contribution percentage of the receivers in money, labor etc.: The score highly depends on which costs of the receivers are counted as contribution to the project or just as regular investments and how in kind contributions, like labor time are evaluated.

Other
5 Percentage of the receivers that wants to keep the current situation as opposed to the situation before project: In the case of direct money transfers like grants or subsidies it seems straightforward that receivers like the current situation better than a situation without the instrument. In the case of advice it is suggested to use the drop-out rate or the satisfaction score as proxy of this indicator. However, drop-out can also be caused by other reasons than a lack of demand. Satisfaction is also often hard to measure because the scores can be biased by politeness (Ecorys, 2011 p. 59).

6 Whether projects were requested by intended beneficiaries (IBs) before knowing instrument X (IX): For instruments that exist for a long time it is hard to determine whether projects were requested before the instrument existed. Nowadays, especially when the instrument is well-known, it is unlikely that a potential beneficiary comes, to for example the embassy, without knowing the instrument. In some cases it is hard to determine whose initiative it is, e.g. when a chamber of commerce meeting about possibilities for entrepreneurs is organized with a presentation of an instrument. The attendees toke the initiative to attend the meeting, but the instrument or the chamber of commerce toke the initiative to present this particular instrument.

Application
Awareness
7 Percentage of IBs that are actively invited to apply: It can be argued that actively inviting a small percentage of the intended beneficiaries does not contribute to demand-drivenness compared to no active invitations, because it is unlikely that the group that is reached is the group with the highest demand or an unbiased subgroup of the population. Also for indicators it is relevant to state that the size of the group

of intended beneficiaries is unknown for many instruments. When governments are the intended beneficiary the invitations are often made by the embassies.

8 Percentage of IBs aware of existence of IX: the estimations are mostly based on the amount of or variation in requests.

9 Percentage of IBs, that is aware of the existence of IX, is aware of the demand-driven nature of IX: Although it is not explicitly measured, it is unlikely that there are intended beneficiaries that heard about an instrument who are not aware of the fact that they have to apply in order to become a beneficiary. It is mentioned on various places that it is possible to apply. In case of governments it can be assumed that they have experience with instruments that work in this way. There is probably less awareness of the demand-drivenness of other phases than the request phase, this is not processed in the calculations or estimations.

Accessibility

10 Percentage of IBs that do not want to apply: it is impossible to know this when many intended beneficiaries are not even aware of the existence of an instrument. Without further research the only thing that can be said is that the percentage that actually made a request, want to apply.

11 Percentage of IBs that applied: For FMO this percentage is influenced by the application procedure. A FMO-financial officer must support the application, which leads to fewer proposals that are more often approved.

Influence

12 Congruence per group between IBs thematic priorities and thematic distribution of applications: most instruments are only open for one theme, for example finance or advice. In that case only request with one theme will be applied.

Approval/Implementation

Accessibility

14 Percentage of IBs of which the project is started: In the case of ORIO it is too earlier to calculate reliable percentages because it only started in 2009 and the long time between application, start and finish.

15 Percentage of approved projects that is started: In the case of a loan (FMO) the default rate can be used as a proxy, because when a project is not finished it is unlikely that the borrower can pay back the loan.

16 Percentage of started projects that is finished: In most cases it is procedurally impossible to become a receiver without an application. In the ORET-program there are a few examples when a firm continues a project when the original receiver went bankrupt.

Appendix 5: Transformation value in order to transform real scores to 1-3 scale

Indicator	**1**	**2**	**3**
1	< 40%	40-80 %	> 80%
2	< 40%	40-80 %	> 80%
3	< 40%	> 50%	compulsory
4	< 40%	40-80 %	> 80%
5	< 40%	40-80 %	> 80%
6	none	anecdotal	often
7	Low	moderate	high
8	< 20%	20-50%	> 50%
9	< 50%	50-80 %	> 80%
10[23]	Low/high	moderate	High/low
11	< 20%	20-50%	> 50%
12	< 50%	50-80 %	> 80%
13	< 50%	50-80 %	> 80%
14	< 50%	50-80 %	> 80%
15	< 50%	50-80 %	> 80%
16	often	few exceptions	compulsory
17	> 100	50-100	< 50
18	> 100	50-100	< 50
19[24]			
20	low	moderate	high
21	low	moderate	high
22	low	moderate	high

[23] Depending on the score of indicator eleven, a high or a low score is supposed to correlate positive with demand-drivenness.

[24] No scores are available on this indicator, therefore no transformation is chosen.

Appendix 6: Calculation of summarized score on demand-drivenness

	CBI	FMO	ORET	ORIO	PSI	PUM
Strategy - (Willingness to) contribute	(2 x10)+ (2 x17)+ (3 x6)+ (3 x1)+ (3 x6)+ (2 x6) /46 = **2.3**	(3 x10)+ (3 x17)+ (3 x6)+ (3 x1)+ (3 x6)+ (2 x6) /46 = **2.9**	(2 x10)+ (2 x17)+ (3 x6)+ (3 x1)+ (3 x6)+ (2 x6) /46 = **2.3**	(2 x10)+ (2 x17)+ (3 x6)+ (3 x1)+ (3 x6)+ (2 x6) /46 = **2.3**	(2 x10)+ (2 x17)+ (3 x6)+ (3 x1)+ (3 x6)+ (2 x6) /46 = **2.3**	(1 x10)+ (1 x17)+ (3 x6)+ (3 x1)+ (3 x6)+ (2 x6) /46 = **1.7**
Request – Awareness	(2 x5)+ (2 x6)+ (3 x6) /17 = **2.4**	(1 x5)+ (3 x6)+ (3 x6) /17 = **2.4**	- (3 x6)+ (3 x6) /12 = **3**	(3 x5)+ (3 x6)+ (3 x6) /17 = **3**	(2 x5)+ (1 x6)+ (3 x6) /17 = **2**	(2 x5)+ (2 x6)+ (3 x6) /17 = **2.4**
- Accessibility	- 1 x3 /3 = **1**	- 1 x3 /3 = **1**	- 1 x3 /3 = **1**	(3 x2)+ (3 x3) /5 = **3**	- 1 x3 /3 = **1**	(3 x2)+ (1 x3) /5 = **1.8**
- Influence	-	3 x5 /5 = **3**	-	3 x5 /5 = **3**	3 x5 /5 = **3**	-
Approval – Accessibility	(2 x1)+ (3 x5)+ - (3 x5)+ (3 x1)+ (3 x1) - - /13 = **2.9**	(3 x1)+ (3 x5)+ (3 x1)+ - (2 x1)+ (2 x1)+ - (2 x1) /10= **2.5**	(2 x1)+ (3 x5)+ (3 x1)+ (2 x5)+ (1 x1)+ (2 x1)+ - - /14 = **2.4**	(1 x1)+ (1 x5)+ (1 x1)+ (3 x5)+ (2 x1)+ (1 x1)+ - - /14 = **1.8**	(1 x1)+ (3 x5)+ (3 x1)+ (3 x5)+ (1 x1)+ (2 x1)+ - (2 x1) /15 = **2.6**	(3 x1)+ (3 x5)+ (3 x1)+ (3 x5)+ (2 x1)+ (3 x1)+ - - /14 = **2.9**
- Influence	- -	- -	- -	(3 x5)+ (3 x3) /8 = **3**	- -	- -

Appendix 7: Indicators mentioned by interviewees to measure demand-drivenness

Instrument	**Indicator**	**Score**
Strategy *- Contribution*		
CBI	Commitment fee	Always
CBI, FMO & PUM	Receivers contribution	Always
PSI	Receiver hires a consultant	Often
FMO & PSI	Instrument survival, given dependency on receiver contribution	Yes
- Government signature		
ORIO	Letter of intent	Always
ORET	Priority declaration	Always
CBI	Percentage of the strategies that is supported by a MoU	Always
CBI	Level at which the MoU is signed	Varying up to ministerial level
- Influence		
CBI	Percentage of the sectors chosen by CBI that are priority sectors of the receiving government	High
- Other		
ORET	Percentage stakeholders that declare afterwards project fulfils demand	Moderate
PUM	Progress between first and follow-up visit	Moderate-high
Request *- Accessibility*		
CBI & PSI	Amount of applications exceeds budget	Yes
- Influence		
PSI	Percentage applications that fit in the government sector strategy	High
PUM	Percentage of receivers that use the option to influence the intervention they are going to receive	N/a

Appendix 8: Availability of indicators

	CBI	FMO	ORET	ORIO	PSI	PUM	amount Yes
1	No	No	No	Yes	No	No	1
2	Yes	Yes	Yes	Yes	Yes	Yes	6
3	Yes	Yes	Yes	Yes	Yes	Yes	6
4	Yes	Yes	Yes	Yes	Yes	Yes	6
5	alt	No	No	No	No	alt	0
6	No	No	No	No	No	No	0
7	No	No	No	No	No	No	0
8	No	No	No	No	No	No	0
9	No	No	No	No	No	No	0
10	No	No	No	No	No	No	0
11	No	No	No	No	No	No	0
12	No	No	No	No	No	No	0
13	Yes	Yes	Yes	Yes	Yes	Yes	6
14	No	No	Yes	Yes	Yes	No	3
15	No	No	No	Yes	No	No	1
16	No	n/a	No	n/a	n/a	No	0
17	Part	Yes	Part	Yes	Yes	Yes	4
18	Part	Yes	Part	Yes	Yes	Yes	4
19	No	No	No	n/a	n/a	Yes	1
20	No	No	No	No	No	No	0
21	No	No	No	No	No	No	0
22	No	No	No	No	No	No	0
amount Yes	4	6	5	9	7	7	**38**
% Yes	18	27	23	41	32	32	**29**