

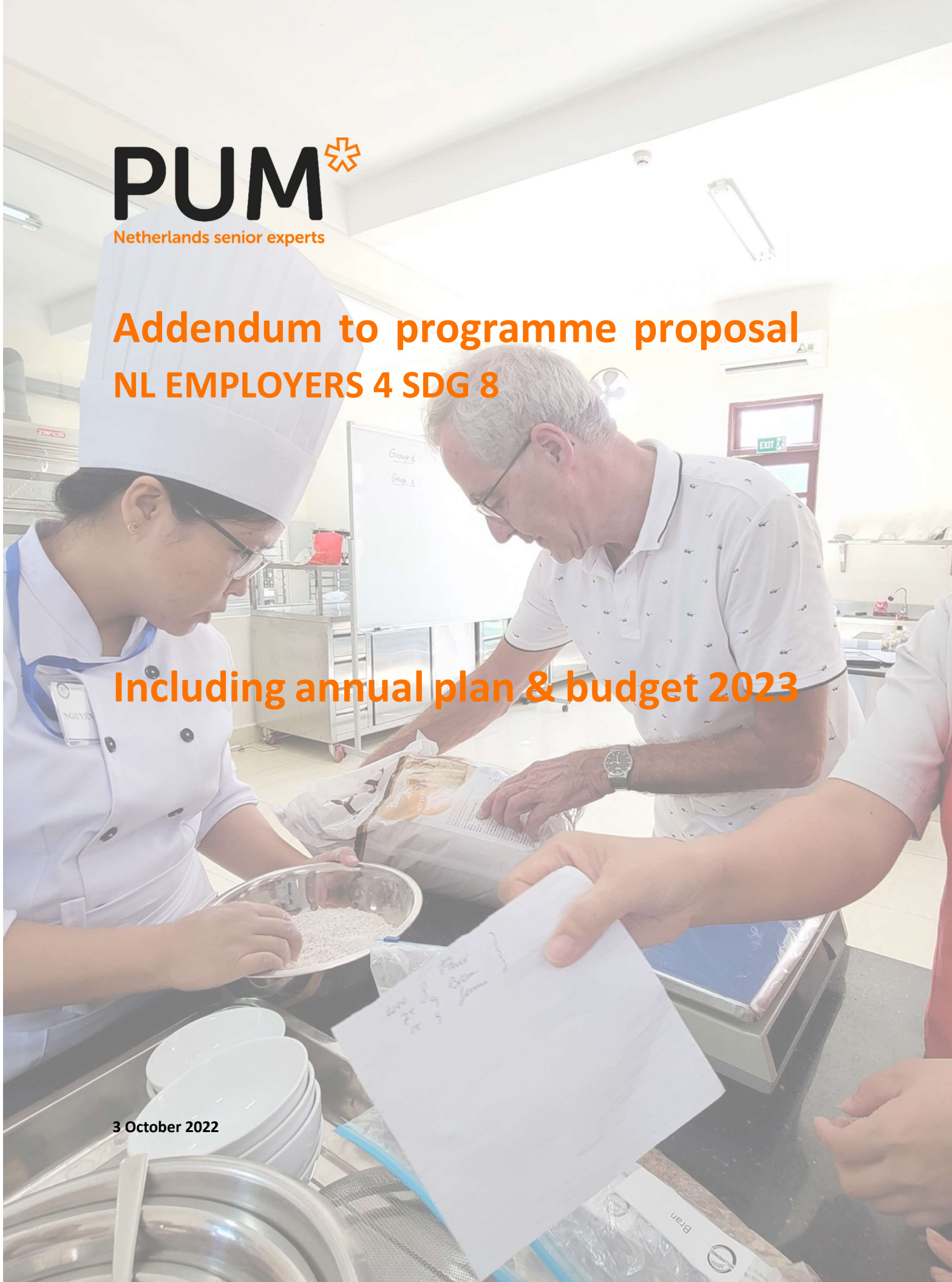
PUM*

Netherlands senior experts

Addendum to programme proposal NL EMPLOYERS 4 SDG 8

Including annual plan & budget 2023

3 October 2022



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ADDENDUM TO THE SUBSIDY PROPOSAL 2023-2030 OF THE MERGED PUM ORGANISATION

TRANSFORMING TOWARDS A NEW BUSINESS MODEL

Introduction

On May 19th, PUM and DECP submitted a subsidy application NL Employers 4 SDG8 to the Ministry of Foreign Affairs. The main line of this subsidy application stands. However, we feel the need to zoom in further in this addendum to the application on the transformation of PUM that we envision. In addition to the application, we want to make clear that PUM is not adding to what already exists. PUM renews, changes and takes a future-proof approach.

In addition, after the subsidy application, the Dutch development cooperation policy for the coming years was presented. With this addendum we want to clarify the connection between the NL Employers 4 SDG8 program and the Dutch development cooperation policy.

As such, the addendum is a valuable addition to the grant application. It not only contains some errata and additions, but above all it shows how PUM is adapting to a strongly changing environment.

1. PUM transforms

PUM was founded to support SMEs in developing countries to grow with knowledge and experience from Dutch experts. In almost 45 years we have supported more than 45,000 SMEs to develop and grow their business. “Expert supports entrepreneur”, with this simple formula we as a volunteer organisation have been able to effectively help SMEs in developing countries over the years.

But the world around us is changing rapidly. Globalisation with more connected businesses in value chains, societal challenges such as migration and climate, inequality between and within societies, the need for gender equality and diversity and last but not least the corona pandemic and current geopolitical tensions... The world has become a lot more complex and there is need for impactful solutions that lead to sustainable systemic change.

In this rapidly changing world, we see SME entrepreneurs as important change agents. Individual entrepreneurs, and in particular clustered groups of entrepreneurs together with organisations that represent these entrepreneurs, can contribute to solving these societal issues and make people's lives better.

2. Importance of entrepreneurial organisations

This requires a scalable, system-oriented approach. An approach that supports those SMEs that contribute most to socio-economic change. An approach that does not stop with just supporting entrepreneurs, but aims for a structural improvement of the business climate. This will enable other companies in the value chain, in the region and in the country to develop and contribute to broadening economic welfare.

In order to achieve this systemic approach, the merger of PUM and DECP is an important step forward. Entrepreneurial organisations - whether these are employers' organisations, chambers of

commerce, sector organisations or business clubs – that are strong and representative, play a key role in this:

- Entrepreneurial organisations have insight into the most important socio-economic developments in a country and know which SME clusters need to be strengthened in order to achieve sustainable and inclusive growth.
- Entrepreneurial organisations represent the voice of business of SME entrepreneurs who individually are not able to influence structural changes in the business environment, but collectively have the power to encourage improvements.
- Entrepreneurial organisations, together with trade unions, provide checks and balances in the socio-economic environment in countries where the government is mostly in charge.
- Entrepreneurial organisations provide services to the SME business community so that entrepreneurs can accelerate, learn from each other, and enlarge the cake together.

3. Increased role of employers' organisations in PUM's work

PUM already addressed Business Support Organisations in recent years and recognized their role in making a difference in systemic approaches. The merger with DECP implies that this will be given further and strong focus in the coming years:

- The intelligence of business organisations will play an increasingly important role in the selection of SME clusters that we are going to support on a multi-annual basis. For example, next year in Burundi and Ivory Coast. Here the employers' organisations with which DECP has developed a cooperative relationship over the years are the basis for selecting sectors on which PUM will focus SME support.
- But also in other countries that DECP and PUM have in common, the employers' organisations we work with provide important guidance on which SME clusters to focus on. Not exclusively, because we also want to rely on the knowledge of embassies and on knowledge of our own local representatives. But it is evident that entrepreneurs' organisations have a good understanding of the direction in which an economy or sector can develop successfully and in a socially desirable direction. Therefore entrepreneurs' organisations will be partly decisive for the SME cluster support that PUM will focus on in the coming years.
- SME clusters that are already supported by PUM and that are not yet united in a entrepreneurs' organisation can count on our efforts to strengthen the organisational capacity of these clusters. Ultimately, this will result in an entrepreneurs' organisation (at sector or national level) that provides services and represents the interests of these SMEs.
- Weak entrepreneurial organisations will not make the difference. Therefore, we are committed to strengthen entrepreneurial organisations, as DECP has done over the past 15 years and with the lessons of the DECP evaluation in mind. Section 3.5.3 of the grant application, among others, addresses this. We are committed to increasing the level of representation of entrepreneurial organisations so that they speak on behalf of a substantial proportion of the SME business community in a country. And we are increasing the skills of business organisations to be influential, so that they can advocate change on behalf of the business community. With capacity building (peer-to-peer from the Netherlands) but also by stimulating south-south exchanges between entrepreneurial organisations we will build on this.
- The COVID pandemic has learned us that business organisations are an important partner for governments in shaping socio-economic policy. Together with trade unions this is much more effective. Jointly, business organisations and unions represent an important part of society. By joining forces, employers and workers are on board to initiate, together with governments, the changes needed to create sustainable growth and decent jobs. Therefore, continuing to engage

with trade unions and promote social dialogue is a key commitment in the coming years. In paragraph 9 of this addendum, the specific risk of continuity of social dialogue activities with Mondiaal FNV and CNV Internationaal is addressed.

- Improving the quality of entrepreneurship has always been central to PUM. Entrepreneurs' organisations are giving an impulse to this on a larger scale. Entrepreneurs' organisations that offer a service package in areas such as occupational safety and health, digitalisation, ESG, etc. are a driving force for sustainable growth of SMEs. Through entrepreneurs' organisations, we expect to reach SME clusters more efficiently in order to further increase the quality of entrepreneurship.

4. Cluster-focused impactful work

In addition to the increased role for entrepreneurs' organisations, we will be focusing more strongly in the coming years on working programmatically in clusters. This is the second major transformation that PUM is going into. Sections 3.3.2 and 3.3.3 of the subsidy application describe how PUM is moving away from stand-alone missions in different locations, towards selection of strong economic clusters that we will support for several years.

5. Transformation is a process

The transformation from stand-alone missions to a programmatic approach in economic clusters will not be achieved overnight. The selection of clusters must be made carefully with, as described above, an increasing role for the entrepreneurs' organisations in the country. In the 2023 annual plan, we will take further steps in this direction to implement the programmatic cluster approach organisation wide.

At the same time, we are integrating DECP's work, which until now has taken place on a small scale with a small organisation, into the professional PUM-organisation with the aim of gradually scaling up the entrepreneurs' organisation activities.

Both transformations take time and require realism. For example, the DECP work requires building a volunteer pool (rather than paid consultants) in the Netherlands and further development of relationships with entrepreneurs' organisations in the countries. Realising a high-quality expert-pool, building trust and creating a track record takes time.

That is why the first steps we want to take in the coming years are central in the grant application. But the aim is to make the transformation during the subsidy period into ultimately a broad vibrant business system approach: programmatically supporting clusters of SMEs with a central role for the entrepreneurial organisations involved.

6. A gradual shift in our business model.

The shift we foresee in our business model consists of a different selection methodology of clusters and groups of SME's, *and* of the promotion of closer collaboration between employers/ entrepreneurs organisations and SME's.

Before this shift will take place, PUM's client base will be expanded with about 20 employer organisations (EBMO's). The transition of being a partner of DECP (with all costs including expert salaries paid by DECP) to become a long-term client of PUM (contributing to volunteer expert costs), will require substantial promotional and acquisition efforts by our country teams in 2023.

Today, PUM-clients include BSO's like employers branch organisations, Chambers of Commerce and business associations, between them a growing number of associations of female entrepreneurs. Our support to BSO's includes knowledge sharing with SME's that are members or associates of these BSO's, but this is not yet visible in our data-systems. A good example of this type of support can be found on page 27 of the subsidy application.

We intend to substantially increase this knowledge sharing with (M)SME's that are members of EBMO's and BSO's, and also foresee a leading role for EBMO's in economic cluster selection.

We will involve EBMO's in the adjustment of the selection of 3 priority economic clusters in each of the 26 focus countries; also in case these EBMO's are not clients of PUM, but of our Nordic partners.

The (M)SME networks of our representatives will not be the only source of newly acquired client-assignments; they will be complementary to SME- selection with EBMO's and BSO's. The selection and acquisition by our representatives of BSO's, EBMO's and business incubators we work with will become more important, as well as the selection by EBMO's and BSO's of groups of (M)SME's for PUM support.

In order to realize this shift in our business model, we will implement a phased approach. Our plans for the coming years are:

2023	<ul style="list-style-type: none"> a. In 2023 the shift in our business model will first be visible in <i>Ivory Coast and Burundi</i>, where DECP has an established relationship with EBMO's, but PUM is not yet present. End 2022, we will have explored opportunities in these countries to expand our services to (groups of) SME's that are members of EBMO's, supported so far by DECP. Our assumption is that there are members of these EBMO's (or of associated sectoral organisations) that comply with the definition of SME's. Otherwise, we would start with the provision of support to EBMO's to grow their SME-membership in 2024. The EBMO's in Ivory Coast and Burundi will also be involved in the choice of priority economic clusters to focus on in these countries. b. In 5 other focus countries, at least one EBMO or BSO per country will be leading the selection of groups of (M)SME's, members or associates of the EBMO or BSO in one economic cluster. c. Also, in 5 PUM focus countries, we will involve <i>EBMO's in the adjustment of the selection of economic clusters</i>, prioritised for our support from 2024 onwards. Policy choices by Netherlands Embassies and PSO partners will be taken into account in the selection of priority clusters. d. We will select <i>groups</i> of SME's with impact potential for our support in all priority economic clusters. e. We will <i>adapt our results measurement</i> methodology and our data information systems, our KPI's and targets, to include (M)SME's supported indirectly (through EBMO- and BSO-clients). f. We will strengthen <i>the relationship</i> between groups of SME's and employers organisations, in 4 pilot programme countries. By strengthening this relationship, we aim at the development of vibrant business systems, resulting in a more enabling environment for SME's.
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	g. Consolidation of social dialogue capabilities and interventions in Uganda, Peru and South Asia in collaboration with FNV, and in Indonesia and Vietnam with CNV.
2024	<ul style="list-style-type: none"> a. We will further develop our portfolio in Burundi and Ivory Coast in collaboration with Employers organisations and other stakeholders. b. In all PUM focus countries, at least one EBMO or BSO per country will be leading the selection of (M)SME's in 2024. c. In all PUM focus countries, EBMO's (also non-clients of PUM) will be involved in adjustments of priority cluster selection. d. We will continue to work with groups of SME's with impact potential in economic clusters. e. We will provide support to EBMO's and BSO's, clients of PUM, to grow their membership of SME's, including cooperatives. For formalization of small holders in cooperatives we will team up with PSD organisations like Agriterro. f. For each priority economic cluster not selected by an EBMO, we will select and acquire employers organisations (like branch organisations, chambers of commerce, business associations) as clients. g. We will expand our client base of EBMO's, BSO's and business incubators at national and subregional level; organisations with potential to accelerate vibrant business systems. h. We will strengthen <i>the relationship</i> between groups of SME's and employers organisations, in 4 new pilot programme countries. By strengthening this relationship, we aim at the development of vibrant business systems, resulting in a more enabling environment for SME's.
2025	<ul style="list-style-type: none"> a. We will have phased out in 10 country programmes, and put all our efforts in the continuation of above mentioned activities in 26 focus countries. b. We will strengthen <i>the relationship</i> between groups of SME's and employers organisations, in 2 new pilot programme countries. By strengthening this relationship, and by involving other stakeholders, we aim at the development of vibrant business systems, resulting in a more enabling environment for SME's. c. Renew, phase out from some countries like Peru, Nepal, Pakistan and expand social dialogue support to focus countries in collaboration with FNV and CNV, both at national and at sectoral/branch level.
2026	<ul style="list-style-type: none"> a. Over 25% of our clients will be EBMO's and BSO's in 2026. Over 50% of the (M)SME's supported will be members of EBMO- and BSO'- clients of PUM. b. 10 pilot programmes will be in implementation. In a midterm review, successes will be built on to prepare upscaling in all country programmes from 2027 onwards.
2027 – 2030	<ul style="list-style-type: none"> a. Based on lessons learned, we will scale up successes achieved in the 10 pilot programmes to all focus countries, aiming at vibrant business systems in all 26 focus countries. b. Expand social dialogue support at sectoral/branch level in all countries where this is feasible.

7. Zooming in on the 10 pilot programmes for vibrant business systems.

We intend to implement 10 pilot programmes mainly in countries in which both PUM and DECP have a track record. These countries are: Benin, Uganda, Colombia, Indonesia (fact finding/feasibility study in these 4 countries planned in 2023); and Ghana (fact finding underway), Vietnam, Bangladesh, Kenya, Mali and Burkina Faso.

Six of these countries are MoFa combi-countries for foreign trade and development cooperation; 4 of them are MoFa development cooperation countries. At least in 2 of them, PADEO programme development is underway. It seems likely that new PADEO programmes will be implemented in some other countries we have selected for implementation of pilot programmes.

The choice of the cluster to focus the pilot programme on, will be attuned especially with the national employers organisations, but also with the Netherlands Embassy (PADEO), and other important stakeholders.

The feasibility studies may result in the conclusion that a pilot programme is not feasible in particular countries. Therefore, we intend to include 3 countries in which only one of the organisations PUM or DECP has a track record. These countries are Jordan, where PUM is supporting SME's and employers branch organisations in the value chains of dates and olives, and Burundi and Ivory Coast, where DECP is supporting the national employers' organisation. Our intention in these countries is to expand support to SME's that are members of these EBMO's.

8. When are the 10 pilot programmes successful?

We consider the pilot programmes successful, once at least 3 of the following results are achieved in the programme in 2026, and the combined achievement of these results has an added value over achievement of each of the parts:

- The employers organisation's capabilities have improved, with more representativeness (membership growth) and increased influence to improve the business climate; and this is largely attributed to our efforts.
- Business performance of the SME's in the selected clusters has improved with increased sales, profits and jobs, largely attributed to us.
- Collaboration with at least one local stakeholder has improved, with positive results for SME's (see page 33)
- The business environment has improved in at least one of the 13 aspects mentioned on page 24.

9. Risk: discontinuity of joint social dialogue activities with Mondiaal FNV and CNV Internationaal

What's the risk?

As described in chapter 7 of the subsidy proposal, the main risk of the PUM-DECP merger is the risk of losing significant expertise in the transition from DECP from a paid-expert to a volunteer-expert organisation. In this addendum, we want to take a closer look at the specific risk of losing *social dialogue expertise*, which is essential for the continuation of social dialogue activities from previous years with the VMP Programme (Mondiaal FNV and CNV Internationaal).

With the support of paid DECP-experts, the DECP and VMP programmes have been able to set up various social dialogue programmes in present years, varying from social dialogue training in Indonesia on national and sectoral (palm oil, textile) level to future of work social dialogue in the Ugandans flower sector, and from establishment of a labour foundation in Peru and cross-border social dialogue on labour migration in South-Asia to a trainers pool in negotiation skills in Vietnam.

How high is the risk?

The merged PUM-DECP organisation will continue as a volunteer expert organisation, meaning that new experts with social dialogue expertise from an employers' perspective must be recruited to continue this work on a voluntary basis. However, the group of professionals with social dialogue expertise is scarce in the Netherlands. The number of people from employers' side active in collective bargaining processes and negotiations with trade unions, or active in the Social Economic Council or Labour Foundation is limited. If we are unable to find enough volunteers with sufficient social dialogue expertise and skills, this may be a considerable risk for the continuity of the joint social dialogue activities with Mondiaal FNV and CNV Internationaal.

Risk Mitigation measures

The merged PUM-DECP organisation considers social dialogue as an essential element of improving the business environment. Employers' organisations and trade unions showing leadership in social dialogue on national and sectoral level are the change agents that are needed to make improvements in the social-economic system in developing countries. Therefore, we are making serious efforts to mitigate the risk of losing social dialogue expertise:

- A dedicated sector coordinator has been hired to build up a pool of employers' organisations experts. Special attention has been paid and will be paid to attract volunteers with social dialogue expertise. A targeted and individual approach of social dialogue experts, with the help of VNO-NCW and AWWN who have opened up their networks for PUM-DECP, should lead to a group of volunteer social dialogue experts to start with.
- We look at innovative forms of engaging social dialogue experts, including involvement of experts from the trade union side (our experience is that Dutch social dialogue experts from the trade union side can very well train employers' organisations – and the other way around). Also experts in particular multi-stakeholder dialogues (e.g. NGOs) may be well-equipped to share experiences on negotiations and dialogue on ESG-issues and share the philosophy of the consensus economy.
- The ambition in the first two years of the subsidy period is to continue the current activities with Mondiaal FNV and CNV Internationaal. Deliberately no extra growth ambition has been chosen in 2023 and 2024 for social dialogue activities. This allows us to build up a quantitative and qualitative social dialogue volunteer pool while continuing present activities. From 2025 on, the social dialogue volunteer pool must be able to absorb broader social dialogue demand.

We are confident that these mitigating measures will result in continuity of the social dialogue activities with Mondiaal FNV and CNV Internationaal in the new subsidy period.

Budget reservation

However, because it is of the highest importance to guarantee continuity, we have included a fallback reservation of 50.000 euro in our budget for 2023 and 2024 to hire paid social dialogue experts and manage the transition period until the volunteer expert pool is adequately staffed.

10. Implications of the new Foreign Trade and Development policy

The PUM subsidy proposal *NL Employers 4 SDG 8* was submitted in May 2022. One month later, the policy document *Doing what the Netherlands is good at* was published by the Minister for Foreign Trade and Development Cooperation. This document outlines the development policy for the years ahead.

We see it as highly supportive that the new private sector development policy focuses on SME development in developing countries, with a strong emphasis on improving the business climate. It is the experience of both PUM and DECP that this approach contributes to self-reliance, employment and sustainable economic growth.

A significant change in the new policy is the focus on less countries. We anticipated to a large extent on this policy change in our initial subsidy proposal. However, we were not able to include changes in the final version of the policy paper. Surinam was included, and Myanmar was excluded.

Therefore, the final list of the countries we will focus on is:

- **West Africa:** Benin, Burkina Faso, Ghana, Ivory Coast, Mali, Senegal;
- **East Africa:** Burundi, Ethiopia, Kenya, Rwanda, Tanzania, Uganda;
- **Southern Africa:** South Africa, Zimbabwe;
- **North Africa:** Algeria, Morocco, Tunisia;
- **Middle-East:** Jordan, Lebanon, Palestinian territories;
- **Latin America:** Colombia, Surinam
- **Asia:** India, Indonesia, Vietnam, Bangladesh.

NL Employers 4 SDG 8's core programme will not focus on 25 countries as stated in the initial proposal, but on 26 countries.

This means that in 2023 and 2024, PUM and DECP will implement phase out and hand-over activities in the following 12 countries:

- **West Africa:** Gambia, Togo;
- **Southern Africa:** Zambia, Malawi;
- **Eastern Europe:** Armenia;
- **Latin America:** Peru, Bolivia;
- **Asia:** Pakistan, Nepal, Sri Lanka, Philippines.

The activities in Cambodia, Myanmar and Mongolia will already end in 2022.

11. The informal economy

The transformation we have described above, largely concerns the formal economy. In the countries we are active in however, the informal economy is large compared to the formal economy. We have already taken initiatives to involve, include and support the informal economy and help its participants enter the formal economy. With our program in 2023 – 2030 we want to achieve impact for the informal economy as well.

The impact we aim at for the informal sector of the economy is two-fold.

1. Formalisation of informal businesses

- In collaboration with partners like Agriterra, we promote the constitution of formal cooperatives, and their membership of employers organisations and federations of businesses.
- Entrepreneurs starting a business are accompanied by business incubators in the process of registering their business. In their turn, these business incubators are provided with tools and methods to support and train starting entrepreneurs to formalize their business.

2. *An enabling environment to formalise businesses, and to make doing business easier.*

- Employers organisations are supported in their capacity to lobby for rules and regulations, and supporting institutions (like mobile wallets, proper licensing systems) that make it more attractive to formalise businesses, and makes doing business easier for all businesses; informal businesses included.
- Employers organisations are also supported, in a joint effort with trade unions, to address specific needs of informal workers of the economy, like skills development.

Closing remark

As stated in the introduction, the main line of the subsidy application stands. With this addendum we have provided extra clarity on key elements of the application, in particular with respect to the increased role of employers' organisations in the transformation of PUM and the associated gradual shift of the business model. By addressing the specific risk of the continuity of the social dialogue activities with Mondiaal FNV and CNV Internationaal, the risk paragraph of the subsidy application is more elaborated. Together with the final list of focus countries and a deepening of our approach to involve the informal economy in our work, a broader picture is given on how we will transfer towards a new business model. We are ready to take up the challenge!

ANNUAL PLAN 2023

For PUM, 2023 will be an exciting year in various respects. First, it will be the inaugural year as fully merged organisation and the roll-out of the new, integrated proposition aimed at Vibrant Business Systems. Second, it heralds the new, long-term subsidy agreement with the Ministry of Foreign Affairs, with the horizon set on 2030. This end date does not coincidentally coincide with the deadline for the Agenda for Sustainable Development; like many others among the international development community, PUM's efforts are targeted at achieving the Sustainable Development Goals (SDGs) by 2030. Third, the year 2023 means the start of a significant transformation of our geographical portfolio; the phasing out in 12 countries and a reshaped engagement in a substantial number of other countries because either PUM or DECP was without presence before the merger. Hopefully, 2023 will also be a year with no (travel) interruptions from COVID which allows us to go full speed ahead in the fulfillment of our mission.

Our excitement, however, contrasts with our concern for the day-to-day reality around the world, with multiple crises vying for the world's attention. According to the UN Sustainable Development Goals report 2022 "cascading and interlinked crises are putting the 2030 Agenda for Sustainable Development in grave danger, along with humanity's very own survival." In the case of SDG 8 'Decent work and Economic Growth', PUM's focal point, the report indicates that in this context "[m]any small firms, particularly those in low- and lower-middle-income countries, are especially disadvantaged, with limited capacity to remain viable." It also stresses that "[y]outh training, education and employment have suffered massive disruptions, with women facing the biggest challenges." This underscores, more than ever, the urgency and relevance of PUM's mission. We look forward to a year in which we are determined to help build the vibrant business systems needed for businesses worldwide to be a great force for sustainable and inclusive recovery & growth!

Activity Plan 2023

Our activities in 2023 can be largely categorised in three broad types. First, a common thread of our activities in 2023 will be the transformation of the proposition of PUM and DECP into the new, integrated proposition Vibrant Business Systems and the shift to a new business model. An important part lies in the design and integration of various aspects of what was once part of the separate organisations into the integrated approach of the unified organisation. A key example are the vibrant business programme pilots we have planned for the next years. Second, our activities in 2023 will be characterised by ongoing activities and doing what we are good at, namely providing peer-to-peer support to SMEs and other key stakeholders in the business ecosystem. In 2023, we will also invest in further strengthening aspects of the direction embarked upon by PUM in the last couple of years; aspects such as the programme approach, cluster focus, hybrid use of support at distance and at location, and working in partnerships. For 2023, lastly, we have the ambition to innovate and to develop ourselves in new directions for the sake of achieving (more) sustainable impact. A key area are ways to promote South-South exchange.

PUM's activities for 2023 largely revolve around the following key areas:

Integration of DECP

In 2022, PUM and DECP already have made significant steps towards becoming a merged organisation. Next year, our objective is to further work towards the fully integrated proposition Vibrant Business Systems. This calls for optimally capitalising on the added value and additionality of DECP. DECP's clients and partners play a key role in achieving this objective. In 2023, we plan to continue our support to the employers' organisations in the 20 countries where DECP was already active. This excludes the two countries, Cambodia and Mongolia, where DECP will phase out the activities during 2022.

Furthermore, we plan to use DECP's existing network of employers' organisations as focal point in Burundi and Ivory Coast – countries with no recent PUM engagement – to establish ourselves as unified organisation in these countries and to roll out our new proposition, for example in terms of getting access to key stakeholders in the business ecosystem, identifying clusters with the highest impact potential and recruiting local capacity (representatives).

Moreover, in countries where PUM is already active and DECP not yet (e.g. Ethiopia, Senegal, Rwanda, Zimbabwe and Jordan), we aim to introduce and to use the leverage of employers' organisations to further shape our engagement; not for the whole group of PUM countries at once, but progressively.

The integration of other key aspects of DECP's proposition (e.g. partners, cross-cutting themes) are discussed below.

Geographical focus

In the next years PUM's geographical portfolio will be significantly reshaped. In the longer term, PUM will remain active in 26 countries. Our objective in this area is twofold. In the 12 phase-out countries, on the one hand, we plan to close any outstanding activities in a sustainable manner and to transfer our commitments to partners by following an exit trajectory of two years that starts in 2023. This exit trajectory will be carefully implemented by phasing out policy that will guide our country teams and enable them to learn from each other when implementing this trajectory. On the other hand, for the group of 10 countries where either PUM or DECP was not present before the merger, over time we aim to fully benefit from the presence of the unified organisation rolling

out our new, integrated proposition across our geographical portfolio. In 2023, we plan to start gradually introducing our integrated approach across our portfolio. The shift will first be visible in Ivory Coast and Burundi, where DECP has already an established relationship with EBMO's, but PUM is not yet present.

See the Annex for an overview of the PUM countries in 2023, that also indicates the group of countries where PUM will phase out during 2023-2024.

Programmatic approach

PUM will continue using the programmatic approach whenever and wherever possible to deliver support to our clients. Implementing our activities in a programmatic manner will also be an essential aspect of our systemic approach aimed at Vibrant Business Systems of the merged organisation. A specific, dedicated initiative in this respect that will require a significant effort from the organisation is PUM's plan to implement 10 so-called Vibrant Business Systems programme pilots in the course of the next years. These pilots will be specifically designed to tap into and demonstrate the added value of the new, integrated proposition. In 2023, our objective is to prepare and start the implementation of four of such pilots in in Colombia, Benin, Indonesia and Uganda. Although the concrete details need to be further worked out, it is in any case clear that these pilots will be preceded by a proper fact finding and feasibility analysis, based on key criteria such as the potential role of an employers' organisation, the impact potential of the cluster, the added value of PUM's expertise, and alignment with Private Sector Development (PSD) partners and the Ministry of Foreign Affairs/ the Dutch Embassies.

Partnerships

Partnerships have always been important for PUM and will be in the roll-out of the new proposition. We consider partnerships as key requirement to create systemic change aimed at business systems. In 2023, our objective is to mobilise sufficient and complementary resources and capacities that are needed for such systemic change in collaboration with others. We aim to achieve this objective in particular by structurally aligning our engagement with our PSD partners. A key entry point for this objective are the Vibrant Business Systems pilots that PUM plans to implement, four of which are planned to start in 2023. Hereby PUM strives to build on existing ties we already have with several of these partner organisations. Another key entry point for collaboration with PSD partners in 2023 are the PADEO programmes initiated by the Ministry of Foreign Affairs in Ethiopia, Ghana, Kenya and Tunisia. Furthermore, the merger and the new proposition function as key incentives for PUM in 2023 to start exploring and developing relationships across the geographic portfolio with partner organisations that were hitherto less opportune for the separate organisations. Key examples are employers' organisations and trade unions at local level and partners such as Mondiaal FNV and CNV Internationaal at international level.

Another key type of partnerships concerns our collaboration with the Dutch business community. In 2023, we continue our participation in the Africa Strategy, together with key strategic partners that represent or are linked to Dutch businesses such as VNO/NCW, the Netherlands African Business Council and NLinBusiness. Furthermore, in 2023, we aim to fully re-engage in the facilitation of trade promotion between our clients and Dutch businesses, both online and offline. Here we hope to benefit from the prospect that in 2023 international travel will be possible all-year round and across all PUM countries.

South-South exchange

This is an area with significant potential for innovation, for which we have budgeted separately in 2023. Here the objective is to strengthen the impact and sustainability of PUM's engagement by developing (new) ways to empower and tap into local capacities and resources. This is unexplored territory for PUM to a large extent; for PUM more than for DECP. The merged organisation can build on the track record of DECP in terms of facilitating regional collaboration between employers' organisations. Concrete examples are East Africa (Kenya, Tanzania and Uganda), West Africa (Ivory Coast, Benin, Burkina Faso, Niger and Senegal) and Southeast Asia (Indonesia and Vietnam). In 2023, we plan to continue our engagement in these regions and to explore the launch of regional collaboration between employers' organisations in one or two other regions.

Another entry point for South-South collaboration is cross-border exchange of knowledge and experiences between businesses. The fact that we increasingly deliver our support through online means (remote advice, webinars) not only provides opportunities to allow businesses from across countries to benefit from our support but also to enable them to share knowledge and experiences amongst themselves. In 2023, we hope to build on the few, but promising of such examples in the recent past such as the webinar series that PUM organised in 2022 around the topic of solar energy for businesses in both South Africa and Zimbabwe.

Cross-cutting themes

PUM focuses on six cross-cutting themes as key vehicles for our contribution to sustainable and inclusive economic development: gender equality & women empowerment, youth entrepreneurship & employment, climate change mitigation & adaptation, digitalisation, social dialogue and the informal economy. In 2023, we plan to further integrate our engagement on these themes across our expertise and geographical portfolio.

This particularly applies to social dialogue. This is the specific contribution by DECP to the new proposition of the merged organisation. However, a key limiting factor for our engagement on this theme will be the availability of the expertise and experience, particular in relation to the support of employers' organisations. That is why we plan to focus on the ongoing longer-term social dialogue initiatives that DECP is implementing in Bénin, Indonesia, Ivory Coast, Malawi, Peru, Togo, Vietnam and Uganda. In 2023, PUM strives to safeguard sufficient capacity to fulfill our ambitions in this area.

Another key theme for PUM in 2023 is gender equality & women empowerment. The socio-economic situation of women, challenged by the COVID pandemic and other crises, requires our dedicated attention. We plan to pursue our high ambitions for this theme, by aiming to increase our support for female entrepreneurs and the promotion of gender equality within the businesses that we support. Furthermore, we aim to increasingly use the potential for gender economic empowerment as criterium for our cluster selection across countries and build upon the lobby role of employers' organisations.

Fundraising

PUM's ambition to mobilise additional funding requires our continued attention. In 2023, we seize PUM's new proposition as an opportunity to recalibrate our fundraising strategy. It is already clear that we continue to focus on a selected number of most promising funds/ financiers and plan to intensify our raising fundraising efforts in collaboration with partner organisations.

Planning, Monitoring, Evaluation & Learning (PMEL)

The merger of PUM and DECP is one of the factors that requires us to reshape our PMEL approach. In 2023, we will develop and adapt our monitoring, evaluation and learning approach in line with our Theory of Change. In the third quarter of 2023 we will define our KPIs and set targets for the next years. Furthermore, we are determined to further improve our operations and achieve better results. Based on recommendations from the evaluations of PUM and DECP and on lessons learned from our practice in 2022, we are particularly keen to learn about the following key issues in 2023:

- How to improve our work processes and management system in such a way that we
 - Optimize the sequence of remote advice and advice in location for our clients?
 - Reduce the preparation time of activities, and the time between activities and (mandatory) follow-up?
 - Improve efficiency and sustainability of our activities?
- Introduce a systematic approach to women empowerment in both our support to employers' organisations and to (their member) SME's?
- Improve coordination and collaboration with PSD partners and other third party programme partners to further develop a programmatic approach?
- How to achieve PUM – (former) DECP synergy in pilot programmes in 4 countries, targeting employer organisations, their SME membership and clusters of SMEs, with the aim of creating vibrant business systems and an enabling environment for doing business in a sustainable and inclusive way?
- What works and what doesn't work in the development of approaches for social dialogue at national and at sectoral/branche level?
- How to integrate DECP's and PUMs result measurement systems into common indicators on which we conduct zero measurement and set targets in 2023?

The developments in this learning process around these issues will be monitored and reported upon in our annual report 2022. In 2023, we plan to contract an external organisation with the required expertise and experience to guide PUM along this process.

Budget 2023

The table below presents PUM's budget for 2023, with the indicative budget for 2023 included in the 2023-2030 subsidy proposal added for comparison reasons.

TABLE – BUDGET 2023 IN COMPARISON WITH INDICATIVE BUDGET SUBSIDY PROPOSAL

REVENUES	INDICATIVE BUDGET PROPOSAL	%	BUDGET 2023	%
Contribution DGIS/DDE	€ 10,425,000	93%	€ 10,695,000	93%
Contribution DGIS/DDE E&L	€ 80,000	1%	€ 80,000	1%
Contribution VNO-NCW	€ 400,000	3%	€ 380,000	3%
Other revenues	€ 350,000	3%	€ 350,000	3%
Total revenues	€ 11,255,000	100%	€ 11,455,000	100%
EXPENSES				
Management and Support Staff	€ 2,120,000	19%	€ 2,111,732	18%
Programme staff	€ 1,919,500	17%	€ 2,138,268	19%
Total staff costs	€ 4,039,500	36%	€ 4,250,000	37%
Focus countries	€ 3,730,000	33%	€ 3,800,000	33%
Phase-out countries	€ 1,353,600	12%	€ 1,350,000	12%
Phase-in countries	€ 110,400	1%	€ 125,000	1%
Innovations South-South	€ 265,000	2%	€ 270,000	2%
Programme support costs	€ 595,000	5%	€ 560,000	5%
Total Country programme costs	€ 6,054,000	53%	€ 6,105,000	53%
Monitoring & Evaluation costs	€ 75,000	1%	€ 75,000	1%
Subcontracted Evaluation & Learning	€ 80,000	1%	€ 80,000	1%
Rent, facilities & office costs	€ 604,000	5%	€ 600,000	5%
Communication costs	€ 120,000	1%	€ 120,000	1%
ICT costs	€ 65,000	1%	€ 55,000	0%
Audit & consultancy costs	€ 140,000	1%	€ 95,000	1%
Depreciation costs	€ 38,000	0%	€ 55,000	1%
General costs	€ 39,500	0%	€ 70,000	1%
Total Indirect & fixed costs	€ 1,006,500	8%	€ 995,000	9%
Total expenses	€ 11,255,000	100%	€ 11,505,000	100%

It is key to mention is that, as of 2023, we no longer use the number of cases as a financial indicator for our budget, since costs and impact can vary significantly depending on the nature of each case.

The budget for 2023 is higher than the indicative budget for 2023 included in the 2023-2030 subsidy proposal. This is mainly the result of higher staff costs. In view of recent wage developments and in comparison at the time of the subsidy proposal, we have decided to raise the expected percentage by which wages will increase. The budget for 2023 of the merged organisation is, however, significantly lower than the 2022 budget of PUM and DECP combined.

Revenues 2023

For 2023 the total requested subsidy from DGIS/DDE is € 10,7 million. The contribution by DGIS/DDE for evaluation and learning is indicated separately (see also 'Monitoring & Evaluation').

With VNO-NCW we have signed a Memorandum of Understanding in which an indexed annual contribution of € 380,000 is agreed. This is a higher amount than PUM and DECP received as separate organisations combined in the past years.

The other additional revenues budgeted for 2023 are slightly lower than in the budget for 2022.

Expenses 2023

Staff costs

In the 2023 budget PUM distinguishes between Management & Support staff (Management, Administrative support, HR, Finance, ICT, Communications staff) and Programme staff (Project Officers, Knowledge Management, Programme & Business Development, Monitoring & Evaluation). PUM did not use this distinction previously. The reason for us to introduce this distinction is that it provides more insight in the way that we operate. Please note that PUM's staff costs are much lower in comparison with other organisations, given the fact that a significant share of our activities is carried out by volunteers. Our volunteers provide direct support to clients and coordinate to a large extent our operations at country and sector level. Their costs are included in the programme support costs.

Total staff costs budgeted for 2023 are higher than for 2022; € 4,250,000 in 2023, compared to € 4,045,000 in 2022 for PUM and DECP combined. This means an increase in staff costs of 5%; the result of wage inflation and a regular annual increase.

In 2023, we plan to invest in the capacity of staff, volunteers, and particularly local representatives to contribute to programme development and implementation compliance (results measurement and accountability), while also building up relationships with partners, including equity funds, Dutch corporate and institutional contributors/NGOs. Awareness will be raised among staff and volunteers about the importance of fundraising for the continuity of our work.

Country programme costs

The country portfolio will change significantly in the coming subsidy period. In that regard, 2023 is the first year of a transitional period. Of the 34 countries where PUM is currently active, from 2023 onwards we will phase out in 10 countries and phase in in two countries. For DECP this means that 11 of the 22 countries where DECP operates we will phase out. All in all, this means that in 2023 PUM will be active in 38 countries in total, of which 26 focus countries and 12 phase out countries. Of the 26 focus countries, there are 10 countries where the merged organisation as a whole will phase in; two countries from the perspective of PUM, eight countries from the perspective of DECP.

As agreed with the Ministry of Foreign Affairs, PUM will take two years for this exit trajectory, with associated costs. At the same time, we budget for investments associated with the entry trajectory initiated for the phase-in countries where new activities are undertaken to complement PUM's or DECP's existing presence. This particularly relates to Burundi and Ivory Coast – the two countries where PUM was previously not active.

The total country programme costs are derived from the country programme budgets and are based on an estimated number and mix of development and support activities (e.g. advice on location, remote advice, trade promotion). This also includes activities aimed at the promotion of social dialogue. Because of the importance to guarantee continuity in our engagement on social dialogue, we have included a fallback reservation of € 50,000 to hire paid social dialogue experts if needed in order to manage the transition period until the dedicated volunteer expert pool is adequately staffed.

Country programme costs consist of the remunerations for the local representatives, out-of-pocket costs, project management costs, travel costs, DSA, visa, vaccinations, insurances etc.

Innovations South-South

This budget line is introduced by PUM in the 2023 budget. It expresses the importance PUM attaches to the promotion of exchange of knowledge and experience among stakeholders within the South. It is aimed at various activities that help to promote south-south exchange like the strengthening of SMEs and EBMOs in international value chains, south-south exchange between EBMOs and (women's) business associations; business to business support of SMEs in different countries; support to local volunteer entrepreneur organisations; digital trade platforms of entrepreneurs, linking & learning events, regional capacity building and implementation of pilots that are facilitated by PUM. This budget line is quite flexible in composition and expected to grow annually as the number of such activities increase.

Programme Support Costs

This budget line consists of costs indirectly related to PUM's support activities. It includes, for example, the digitalisation costs for programme staff and local representatives, volunteer staff expenses, meeting costs and investment in business development.

Monitoring & Evaluation

PUM monitors and evaluates its activities in collaboration with Wageningen University & Research, for which a fixed amount per year is allocated. These costs were previously part of the programme support costs but are now budgeted separately.

The subcontracted evaluation & learning costs are the costs for hiring an external organisation that will be selected by PUM and DGIS/DDE and that will guide PUM in developing our evaluation & learning approach. It is not yet clear whether this will be a contribution or a direct settlement, hence the separate cost line. Typically, these costs will evolve over the four years; an investment for the first year, somewhat lower costs during the second and third year, and the bulk of the costs in 2026, when a (Mid Term) evaluation will be done.

Indirect & fixed costs

Under indirect and fixed costs, we distinguish the following categories:

- *Rent facilities and office costs:* PUM aims to conclude a covenant with VNO-NCW for at least eight years including an agreement about office space, the use of meeting rooms and other facilities. These are fixed costs which PUM aims to keep as low as possible.
- *Communication costs:* This budget for 2023 is kept at the level of 2022.
- *ICT costs:* the significant investment in ICT PUM has done in the past year(s) allows us to structurally reduce our (out-of-pocket) ICT costs for the next years, including for 2023.
- *Audit and consultancy costs:* These are the fees for PUM's auditors, legal and other consultancy fees. PUM expects the audit costs to increase in the coming years due to the integration of PUM's and DECP's finances and regular cost increase. PUM compensates for this by reducing other consultancy costs. The overall aim is to decrease total audit and consultancy costs.
- *Depreciation costs:* these are the depreciation costs of the investments made in hardware, fixtures and fittings over the past two years. PUM does not expect any major investments in the coming period, so costs will remain at the level of 2022.
- *General costs:* the general costs include insurance costs, bank charges and other general costs which PUM aims to keep as low as possible.

Annex – Overview of PUM countries 2023



Algeria	Ethiopia	Mali	Philippines*	Tunisia
Armenia*	Ghana	Malawi*	Rwanda	Togo*
Bangladesh	India	Morocco	Senegal	Uganda
Benin	Indonesia	Myanmar*	South Africa	Vietnam
Bolivia*	Ivory Coast	Nepal*	Sri Lanka*	Zambia*
Burkina Faso	Jordan	Pakistan*	Suriname	Zimbabwe
Burundi	Kenya	Palestine Territories	Tanzania	
Colombia	Lebanon	Peru*	The Gambia*	

* Phase-out country