



EVALUATION OF DANIDA BUSINESS-TO-BUSINESS PROGRAMME 2006-2011

Synthesis Report

EVALUATION

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**Evaluation of Danida
Business-to-Business Programme
2006-2011**

Synthesis Report



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Contents

Executive Summary	10
1 Introduction	20
1.1 Evaluation background	20
1.2 Evaluation purpose	20
1.3 Methodology	21
2 The B2B Programme and its Context	24
2.1 Danish development priorities and support to Private Sector Development	24
2.2 Key conclusions and recommendations from past evaluations and reviews	24
2.3 The B2B Programme objectives	26
2.4 Programme design	26
2.5 Eligible countries	27
2.6 Programme management	27
2.7 The information management system	28
2.8 International trends: Private sector and development	29
2.9 Similar Nordic partnership programmes to B2B	30
3 The B2B Programme Portfolio	32
3.1 The B2B Portfolio	32
3.2 The Contact phase	33
3.3 The Pilot and Project phases	33
3.4 The financial allocations	34
3.5 Approvals versus disbursement	34
3.6 Project phases of the total portfolio	35
3.7 Sector distribution	35
3.8 Size distribution	37
4 Country Contextual Analysis	38
4.1 Contextual factors	38
4.2 B2B in relation to the recipient countries' foreign direct investments	45
4.3 B2B in relation to Danish FDI and trade	46
5 Relevance	49
5.1 Relevance for Danish PSD policies and B2B objectives	49
5.2 Relevance for addressing country private sector constraints	51
5.3 Relevance for partnership creation	55
5.4 Relevance to Danish companies' competitiveness	55
5.5 Relevance for economic growth, social development and poverty reduction	56

6	Efficiency	57
6.1	Inputs: the cost structure of B2B	57
6.2	Efficiency in matchmaking	59
6.3	Efficiency in promoting initial partnerships	60
6.4	Efficiency in promoting longer-term partnerships	61
6.5	Efficiency beyond promoting collaborations	63
6.6	Factors determining success in partnerships	64
6.7	Efficiency in adapting to internal and external factors	67
6.8	Efficiency in embassy implementation	68
6.9	Accounting for results: Documentation and monitoring	69
7	Effectiveness	71
7.1	Target setting during implementation	71
7.2	Knowledge and technology transfer	71
7.3	Determinants for successful knowhow transfers	74
7.4	Effectiveness of knowhow transfer on company performance	75
7.5	Occupational health and safety for employees	76
7.6	Environmental standards	77
7.7	Corporate Social Responsibility	78
8	Impact	80
8.1	Impact on local partner companies' commercial performance	80
8.2	Employment creation	82
8.3	Creation of indirect employment	84
8.4	Competitiveness and market distortions	85
8.5	Gender	86
8.6	Impact on Danish partner firms	87
8.7	Direct investments	88
8.8	Developmental impact	89
8.9	Poverty reduction and economic growth	91
9	Sustainability	93
9.1	Sustainable partnerships	93
9.2	Factors determining sustainability of partnerships	94
9.3	Sustainable company development	94
9.4	Sustainable knowhow transfers	95
9.5	Transfers from B2B to IFU and other support forms	95
9.6	Sustainability of the Danish companies	96
10	Answering the Evaluation Questions and Lessons Learned	97
10.1	Answering the evaluation questions	97
10.2	Lessons learned from past evaluations and reviews	99
10.3	Main features of the Danida Business Partnerships facility	101
10.4	Lessons learned from the B2B Evaluation and perspectives	102
10.5	The Theory of Change	109

11 Conclusions and Recommendations	111
11.1 Overall conclusions	111
11.2 Conclusions and recommendations for the immediate term	111
11.3 Conclusions and recommendations for the medium term	115
Annex A: Terms of Reference (short version)	116
Annex B: The Methodology of the Evaluation	126
Annex B.1: Contextual Parameters and Assumptions	134
Annex B.2: Ratings and Criteria	137
Annex C: Evaluation Matrix	143
Annex D: Theory of Change for the B2B Programme	157

The following separate annexes to the Evaluation Report can be downloaded from <http://evaluation.um.dk>

Annex E: Analysis of the random sample of the B2B portfolio

Annex F: Terms of Reference (full version)

Annex G: Collaboration assessment sheet

Annex H: List of people interviewed and met

Annex I: List of references

Annex J: Case study from Uganda: Gulu Fashion

Annex K: Key points from the Focus Group Discussion

Annex L: Result of E-survey

Bangladesh country report

Uganda country report

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Abbreviations and Acronyms

<i>B2B</i>	Buseness-to-Business Programme (Danida)
<i>BLCF</i>	Business Linkage Challenge Fund (DFID)
<i>BSPS/BSSP</i>	Business Sector Programme Support/Business Sector Support Programme
<i>CIDA</i>	Canadian International Development Agency
<i>CMO</i>	Context Mechanism Outcome
<i>CSR</i>	Corporate Social Responsibility
<i>DAC</i>	Development Assistance Committee (of OECD)
<i>DB Finance</i>	Danida Business Finance (former Mixed Credit Programme)
<i>DBP</i>	Danida Business Partnerships
<i>DGG</i>	Department of Green Growth (Danida). In Danish: GRV/Grøn Vækst
<i>DFI</i>	Development Finance Institution
<i>DI</i>	Confederation of Danish Industry
<i>EQ</i>	Evaluation Question
<i>ERG</i>	Evaluation Reference Group
<i>ERH</i>	Danida's Business and Contracts Department
<i>EU</i>	European Union
<i>Eval</i>	Danida's Evaluation Department
<i>FDI</i>	Foreign Direct Investment
<i>GDP</i>	Gross Domestic Product
<i>HVR</i>	Danish Federation of Small and Medium-Sized Enterprises (Håndværksrådet)
<i>IDP</i>	Innovative Partnerships for Development (Danida Programme)
<i>IFU</i>	Industrialisation Fund for Developing Countries
<i>IMF</i>	International Monetary Fund
<i>JC</i>	Judgement Criterion
<i>JV</i>	Joint Venture
<i>LDC</i>	Least Developed Country
<i>OECD</i>	Organisation for Economic Cooperation and Development
<i>PDB</i>	Danida's Project Database
<i>PPP</i>	Public-Private Partnership
<i>PPP</i>	Purchasing Power Parity
<i>PS</i>	Private Sector
<i>PSD</i>	Private Sector Development
<i>PSDP</i>	Private Sector Development Programme
<i>PSI</i>	Private Sector Investment
<i>R&D</i>	Research & Development
<i>RBM</i>	Results Based Management
<i>SME</i>	Small and Medium-Sized Enterprises
<i>ToR</i>	Terms of Reference
<i>UN</i>	United Nations
<i>UNIDO</i>	United Nations Industrial Development Organisation
<i>WB</i>	World Bank

Executive Summary

The Business-to-Business Programme 2006-2011

This Evaluation concerns Danida's Business-to-Business Programme (B2B), which was implemented from 2006 to 2011. B2B replaced the Private Sector Development Programme (PSD) that was implemented from 1993 to 2006. B2B was in mid-2011 replaced by the Danida Business Partnership facility (DBP), which is still ongoing (August 2014). The B2B Programme provided grant support to Danish companies and their partners in eligible countries of up to DKK 5 million in three phases: *Contact phase* allowing companies to investigate and find a partner through a match-making grant covering travel costs; *Pilot phase* providing support to costs associated with initial collaborations such as feasibility studies and the formation of business models; and *Project phase* for deepening the partnership often in joint ventures.

The *overall objective* of the B2B Programme was to contribute to poverty reduction by promoting economic growth and social development in developing countries. The *immediate objective* was to promote the establishment of long-term, sustainable and commercially viable partnerships between companies in Danida's programme countries, including Egypt and South Africa, and Danish companies, with the aim of strengthening local business development.

The B2B Portfolio includes 445 partnerships involving about 420 Danish enterprises (Contact phase excluded). The portfolio comprises 205 collaborations, which only went through a Pilot phase, and 240 collaborations, which included Project phase support (in most cases preceded by the Pilot phase). It is estimated that about 1,300 Contact phase engagements were conducted. The distribution of Danish companies' engagement among the 19 eligible B2B countries varied from no collaborations in Mali and Benin to over 60 in Vietnam. In China and Indonesia the B2B Programme was only open for environmental projects. The B2B portfolio comprises a very wide distribution of business sectors. However, some sectors dominate such as Agro-industries & Food, Information & Communication Technologies (ICT); and Environmental Technologies. The total approved financial allocation for the B2B Programme from 2006 to 2011 for the 19 countries was DKK 1,088 million (Pilot and Project phases).

The Business and Contracts Department (in 2011 renamed the Department for Green Growth – DGG) in Danida was responsible for policy, coordination and guidelines for the B2B, whereas the implementation and administration of the various partnerships were delegated to the Danish embassies with assigned B2B coordinators in the focus countries. While B2B was a centralised programme with a design laid out in the programme guidelines, the embassies had flexibility in relation to sector focus of the programme, the interpretation of the guidelines, marketing of the programme, etc. The Confederation of Danish Industry (DI) and the Danish Federation of Small and Medium-Sized Enterprises (HVR) have both played essential roles in the B2B especially in the promotion of the B2B Programme to their members and by providing assistance for applications and implementation. Other organisations and consultants have likewise played an important role in promoting the programme to Danish companies.

Evaluation purpose and methodology

The Evaluation of the B2B Programme has the dual purpose of assessing and documenting the B2B Programme as well as providing lessons for future implementation of Danida Business Partnerships. The basic evaluation questions to be answered – as stated in the Terms of Reference (ToR) – are: 1) To what extent and how has the B2B Programme contributed to poverty reduction by creating growth and employment in Danida partner countries; and 2) What lessons can be learned for improved design, implementation monitoring and management of future Danish support to strengthen local business development through partnerships with Danish businesses? The Evaluation assesses the support provided with regard to its relevance, efficiency, effectiveness, impact and sustainability. Furthermore, the Evaluation identifies the most important factors in the programme context and in relation to the characteristics of beneficiary companies that affect the programme achievements, and assess their importance.

The ToR for the Evaluation specifies 20 evaluation questions under the headings of the OECD/DAC evaluation criteria. These questions were transformed into nine broad evaluation questions and a number of judgement criteria – ensuring that the intended scope of the Evaluation was maintained. An Evaluation Matrix was prepared combining evaluation questions, judgement criteria, indicators, and means and source of verification. In parallel and to ensure compatibility with the Evaluation Matrix, a diagram for the Theory of Change was developed with the point of departure in the ToR's Annex 1: "Tentative B2B Programme Theory of Change". A number of evaluation tools have been applied: i) a review of the relevant academic literature; ii) a Portfolio Analysis of the B2B Programme, covering all Pilot and Project phase partnerships; iii) Case Studies in Uganda and Bangladesh through field visits covering all Pilots and Projects (about 35 in each country); iv) a Desk Review of a random sample of 20% of the total B2B portfolio; v) an E-survey sent to all partner companies engaged in the B2B from 2006 to 2011; vi) a Focus Group Discussion with Danish enterprises engaged in selected 'success stories'; and vii) interviews with stakeholders including Danida's DGG, the embassies, DI and HVR. The evaluation tools were used in such way to ensure triangulation of collected information and the reliability of the evidence provided to the largest possible extent.

Theory of Change

The Theory of Change was reconstructed based on the B2B Programme's objectives, and presented the intended/warranted results of the B2B development interventions at the conceptual stage. However, given the level of investments in each of the B2B Programme countries, the macro-level impact on poverty reduction and in promoting economic growth and social development has been minimal and was thus left out of the analysis. The thrust of the Theory of Change as regards long-term outcomes and impacts is therefore on the local level.

The Evaluation concludes that B2B partnerships succeeded in transferring new technology and knowledge as a result of substantial interaction between partners during the Pilot and Project phases. In many cases this led to improved performance of the local company in terms of turnover and productivity, but only to a limited increase in employment. As the B2B supported local companies did not adequately generate employment and income, the process to raise the level of welfare significantly in the local communities was not stimulated to any great extent – except in a few cases. Correspondingly, the

contribution to poverty reduction in the local communities has not been as significant as warranted. Despite the significant amount of transfer of knowhow and technology to the local companies, it appears that the diffusion of technological achievements has only taken place to a limited extent. A higher rate of diffusion of technology, management systems, Corporate Social Responsibility (CSR) interventions, etc. would have added to the programme's overall impact.

Answering the evaluation questions

Relevance – consistency with partner countries' needs and Danida policies

The B2B has been partly consistent with the private sector development requirements in the partner countries and with Danida's private sector policies. B2B is relevant as a mechanism for transfer of knowhow in broad terms and in creating partnerships with Danish enterprises in selected countries. The B2B is only marginally relevant as a mechanism for stimulating economic growth and addressing poverty except in a few specific cases. As a means of addressing broader constraints in the business environment in the partner countries, the B2B is generally not a relevant instrument. B2B was in its design not relevant for countries in French-speaking West Africa due to its inability to attract Danish firms to engage, which may also be the case for DBP.

Efficiency of creating partnerships and delivery of services

B2B was an efficient programme in stimulating Danish companies to seek partnerships in some of the eligible countries and for the creation of partnerships, but less so in creating sustained and commercially viable partnerships beyond the B2B support period, as only about 27% of the partnerships continued, or are likely to continue, after the B2B support ceased. The reason for a high level of efficiency in the earlier stages is a combination of liberal subsidies and a proactive promotion of the programme by DGG, the embassies, HVR and DI, as well as consultants in most countries. The lower efficiency in creating sustained partnerships can mainly be ascribed to the high grant element in the Project phase in combination with a weak due diligence of proposals by the embassies. Determinants for how and where Danish companies engaged were factors such as the quality of the business environment, the overall flows of FDI and where Danish firms already are engaged in business. Contextual factors such as company size, international experience and financial robustness had a certain degree of relevance for the results, although results were also related to dimensions such as trust between the partners and the level of motivation.

The B2B was efficient in delivering matchmaking and stimulating initial partnerships and transfer of knowhow due to active work by the embassies, Danida, HVR and DI, combined with the liberal subsidies. Embassies were in most cases service-oriented and flexible. The overall resource utilisation has not been efficient in the view of the Evaluation primarily due to 'over-financing' of business alliances. The accounting for results was largely a failure due to an overly ambitious results-management system in design where the application and appraisal absorbed most of the resources by the companies and embassies, while the monitoring of projects had considerable weaknesses, especially in reporting on overall programme performance and results.

The partnerships have dealt with CSR quite differently. Some partners defined *internal* CSR as improving the working environment for the employees, which is an obligation according to most countries' labour laws. Other partnerships have provided socio-

economic benefits to their employees that are in addition to improved working environment. As regards the *external* CSR, some partnerships did not consider external CSR; other partnerships mainly focussed their CSR activities on the external environment resulting in better protection of natural resource; and some have conceived interventions that constitute a strategic element of their business vision and concept. For some Danish partners the main aim was the *business* perspective, whereas others also appreciated and accepted the *development* perspective of the B2B Programme and took great care to comply with this through CSR interventions.

Additionality has mainly been created in the following ways: 1) creation of partnerships, most of which would not have been established without the B2B support; 2) engagement in countries which generally were characterised by weak business environment and low competitiveness; 3) transfer of appropriate technology which generally increased the local companies' performance; and 4) emphasis on CSR, which in a number of cases provided socio-economic benefits that would not have been attained if the focus had been strictly on the short-term business perspective.

Effectiveness in transferring knowhow, generating employment and improving employment conditions

Knowhow transfer in a broad sense is one of the strengths of the B2B due to the engagement of over 400 Danish enterprises delivering hands-on and practical business knowhow. This transfer has led to some good results in company development and upgrading of skills in the local companies and hence their performance. There are some outstanding cases of market and technology development with spin-off effects beyond the companies. Technology transfer was mainly apparent in the Project phase, but not lacking in the Pilot only phase. For large Danish companies, companies with international experience and financial robust companies there was a higher share of successful technology transfer, but the correlation was overall not strong.

The B2B monitoring system did not provide reliable information on employment. Based on the portfolio analysis undertaken as part of the Evaluation, it is assessed that some 9,000-10,000 jobs have been created (subject to a measure of uncertainty) as well as a substantial number of indirect jobs upstream and downstream and as temporary employment. Overall, there has been an upgrading of the quality of occupational health and safety and working conditions in many local companies. Improvement of the external environment has been achieved through introduction of 'clean technology' and improved management systems of resource utilization and pollution control. The impact on the wider population has been limited, except for some successful projects with significant spread effects of new sources of income, especially in the agriculture sector.

Impact on local and Danish companies and contribution to poverty reduction

There is no impact of B2B on the national enabling environment, but in some countries and in some sectors, B2B has had a positive impact in the sense of systemic effects on addressing market constraints especially in agro-businesses. Overall, there is a good impact in strengthening some of the local companies in technology, management practices and international market knowhow. The commercial impact on the Danish partner firms in terms of increased turnover and/or profit is limited, and there are even cases of negative commercial outfall of the B2B engagements. Overall, a major benefit of the B2B Programme is broad learning in Danish SMEs in terms of operating on new markets and in new cultures. Danish companies generally report satisfaction of having participated in the B2B, even when the financial return was negative.

In macro terms the contribution to economic growth, employment and poverty reduction is negligible. Through knowhow transfers and through a selected number of successful projects there are pockets of impact on regional economies, rural communities and in selected sectors. These projects are not necessarily due to sustained partnerships, but successful local company development. The success stories identified by the Evaluation in terms of poverty impact are mainly in agro-businesses due to the fact that the majority of poor people in rural areas to a large extent derive their livelihood from such ventures.

***Sustainability* – continuation of attained benefits after project completion**

The Evaluation estimates that one of 12 Danish companies that engaged in the programme at the Contact phase, one of four in the Pilot phase, and about four out of ten in the Project phase will continue in a sustained partnership beyond the B2B. The commercial viability of the latter varies, but there a good number of successful partnerships based on joint ventures or other forms of business relationships. The knowhow transfer which has taken place with or without lasting partnerships is likely to have a high degree of sustainability due to the nature of this transfer in direct training by and exposure to Danish partner firms in the same industry.

Contextual factors and outcome

The Evaluation has tested a number of contextual factors related to country, company characteristics (size, age, international experience and financial robustness) and type of collaboration in order to assess how well these correlate with success in creating sustained partnerships, technology transfer, commercial performance of the local and Danish companies and broader development impact. Even though there is no apparent strong correlation between contextual factors and results, the Evaluation indicates some clear trends:

- Large Danish companies perform better in all result categories where the other size categories have a mixed/even performance;
- Medium-sized local partners perform slightly better in most categories but size of local company is not a determining factor;
- The more established Danish companies show slightly better results in most categories;
- Age of the local company has a clear positive impact on results – the more established the local company the better results;
- Previous international experience is a more important factor for local companies than for Danish companies;
- The more financial robust Danish and local companies perform slightly better;
- Market extension projects and buy/sell relationships are slightly more successful in most categories;
- ICT projects show the poorest results in most categories.

The Evaluation has looked into which contextual factors have had the strongest influence on results. The general picture is that Project phase partnerships have had better impact along the five results areas than pilot collaboration. While the pilot collaborations in general show fewer positive results than the project collaboration, most of the contextual factors do not play as significant a role in the pilots as in the projects. In some cases, the pilots follow the same line (though less significant) as the projects and in other cases the picture is very blurred. Three of the contextual factors do, however, seem to also play a role in the pilot collaborations which are all related to the Danish company, namely: size, financial robustness and previous international experience. Hence, these three contextual factors could be some of the most influential on results of the collaborations in general. However, these correlations are not strong enough to warrant a pre-selection of companies based on such parameters. For example, also Danish micro enterprises (with less than five employees) performed well in several respects.

Danish companies engaged in B2B follow to a large extent the global flows of FDI and in particular Danish FDI and trade. Significant from a development perspective (and possibly also as a means of promoting Danish SME globalisation), is the positive deviations, i.e. when B2B were able to attract Danish firms to engage in countries with low overall FDI inflow and trade, countries which generally are characterized by weak business environments, low competitiveness and so on.

Lessons learned

The B2B has demonstrated that it is possible and feasible to transfer knowhow and technology to the local companies – more so in some of the programme countries than in others depending on the contextual factors. While this transfer has resulted in significant improvement of local company performance, the B2B did not succeed to any large extent in delivering the wider development effects to the local communities at large. To achieve the wider societal impact, additional measures will need to be taken in the programme design and implementation.

Conclusions and recommendations

The B2B Programme facilitated transfer of knowledge and technology to the local companies through well-functioning partnerships, resulting in improved performance as regards company management, productivity, turnover, environmental management, and working environment. Generation of employment in the local companies – as well as upstream and downstream employment – was less than planned for. While the majority of B2B supported local companies achieved satisfactory results, the spill over effects to their surrounding local communities did not materialise to any significant extent – except in a very few cases – in consequence of less employment generated and limited diffusion of technology and knowhow. The socio-economic benefits to the local communities were thus less than anticipated and correspondingly the contribution to poverty reduction was less than warranted. The B2B projects performed equally well in constrained as in conducive business environments. This points to the potential for effective development impact of a programme such B2B if it strongly promoted towards countries where the collaborations make a difference, rather than towards countries where the market forces anyway create substantial FDI flows. With a view to improving the current DBP facility and a potential future facility the Evaluation recommends:

Overall recommendation:

1. *The strategic framework for the business partnerships should be broadened to: maximise employment generation and diffusion of technology and knowhow in order to enhance the dissemination of development effects; and incorporate potential positive and negative systemic impacts in the project design.*

Conclusions and recommendations for the immediate-term related to the DBP facility

Programme criteria requirements: Small companies – less than the DBP requirement of five employees – have the potential to contribute to significant development effects. They are also more vulnerable than large companies and may thus require a more tight screening process. The multiple partner approach, as introduced for DBP and being applied, could be a means of establishing more robust partnerships and may at the same time increase the diversity of the project design. The reduction of the grant level to 50% for the DBP project implementation phase will imply a higher degree of financial commitment compared to the 90% for B2B projects and also reduce the risk of not well-founded partnerships being approved. Mutual trust between the Danish and local partners appears to be a fundamental factor for well-functioning partnerships. The time-frame provided for the DBP identification and preparation phases appears to be too short to allow that mutual trust can evolve substantially. The Evaluation recommends:

2. *Future business alliances should not exclude companies due to size. Small companies with less than five employees could be engaged through the DBP multiple partner arrangement;*
3. *The grant level for the implementation phase should remain at 50%, but could be modified at a later stage to provide incentives for specific countries and sectors with higher subsidy levels;*
4. *The duration of identification and preparatory phases should be about one year each to enable adequate time for mutual trust to evolve.*

Project design requirements: The scope of the conceptualisation and design of projects have substantial bearing on the partnerships' wider outcomes and impacts. Positive systemic impacts could be attained by addressing problems related to value chains, logistic systems, technology deficiencies, etc. The focus of most previous B2B projects has been on the local company in a narrow sense. A wider apprehension of the external context could potentially stimulate positive impacts for the local company as well as for the local community through a wider dissemination of development effects. Market distortions have a risk of creating substantial negative development effects and should accordingly be avoided. Appropriately integrated external CSR interventions in the business case have the potential to contribute to the wider development effects in the local community and should accordingly be encouraged. The Evaluation recommends:

5. *Measures to enhance positive systemic impacts should be considered in connection with the conceptualisation of the business case and design of the project;*
6. *Specific attention should be paid to how technological advancements could be diffused to the business community in a way that doesn't erode the companies' competitive gains, for example through sharing of information in business associations, universities and NGOs;*

7. *The risk of market distortion should be made explicit in applications and measures taken to minimise resulting negative effects;*
8. *Increased attention should be paid to how external CSR could benefit the business case and contribute to local level development effects.*

Promotion and marketing of the DBP: The consequence of reducing the support to 50% for DBP Project phase has in the short-term implied that the number of applications has dropped significantly. There would thus be a need to promote and market the DBP Programme in order to ensure the warranted level of outcomes and utilise the funding set aside for the DBP Programme. Marketing plays a strong role of engaging Danish companies, and as projects perform equally well in constrained and conducive environments, the marketing should emphasise where DBP makes a difference, i.e. where there is limited FDI. The Evaluation recommends:

9. *DGG should launch a promotion campaign for engaging Danish companies in the DBP Programme, with a particular emphasis on countries with low overall inflow of FDI, which will increase the programme's additionality and effectiveness.*

Matchmaking and applications: The embassies have been quite resourceful in facilitating the matchmaking and setting-up of the partnerships, but have had lesser resources to assist with the conceptualisation and application processes. Only a few of the Danish companies had the capacity to apply for the partnership support without any advisory assistance and others were heavily dependent on such assistance throughout the whole process. DI, HVR and consultants have provided such assistance. Especially small companies with limited or no international experience are in need of such assistance. The key challenges for the partners are to build a business case that is feasible and design the project by taking the contextual factors into account and to decide on the most appropriate form of engagement. Networks for information and knowledge sharing between new and experienced partners – that help overcome unexpected problems – have been established with the assistance of the embassies in some countries. The Evaluation recommends:

10. *Danida (DGG and the embassies) should continue to encourage new partners to seek advice for preparation of applications and facilitate access to consultancy service providers (e.g. business associations or consultants with demonstrated experience) in order to enhance the realism of the business case and the quality of the project design;*
11. *Danida (DGG and the embassies) should consolidate/ formalise knowledge sharing networks and introduce a 'mentor' arrangement in which one experienced company could guide new partnerships.*

Appraisal and approval: Currently, the embassies have the appraisal and approval responsibility – most often it is the same programme officer conducting both functions. With hindsight, a number of the B2B partnerships should preferably not have been approved. A more in-depth appraisal would have singled out those business cases and projects of inadequate quality, which would either need more preparation, or which simply could not fly. An independent appraisal function would both augment the embassies' resources and at the same time provide a critical analysis of the business case and the project design, i.e. the commercial and market aspects. The Evaluation recommends:

12. *An independent appraisal function for partnership application should be established and operated by a professional and commercially oriented organisation – ideally with presence in the country.*

Implementation: Most B2B partnerships that reached the project stage were implemented with limited oversight from the embassies. The majority of projects were implemented without major problems, whereas some encountered serious problems. The anticipation was that once established the partners could manage on their own. The embassies' resource allocation for monitoring project implementation was limited both in terms of time, mobility and technical insight to the multitude of business sectors. A support function that could assist the embassies in reviewing complicated cases on request could thus be a solution. Regrettably, the management information system did not function well, as some information was incorrectly recorded and other information was hard to get by. The DBP operates with two key performance indicators: 1) new and maintained jobs for the local and Danish partners; and 2) CSR promotion in the local partner company. As development effects are centred on employment and CSR, these two performance indicators will remain essential. Especially employment and the wider effects of employment generation are essential to monitor. The financial management of the B2B Programme appeared to be satisfactory from the partners' viewpoint, although some complaints were heard. However, compared to the B2B financial management, the very rigorous DBP accounting and auditing requirements are subject to serious complaints from partners. DGG states that the outsourcing of financial audits to one audit firm has resulted in lower costs and more efficient auditing. The Evaluation recommends:

13. *The embassies' resources are complemented on an ad-hoc basis for review of critical business cases by a professional and commercial oriented organisation – ideally with presence in the country;*
14. *A review of employment data in completed and ongoing DBP projects to assess the quality of data recording and the magnitude of employment generated – and change of procedures if need be;*
15. *Review of the accounting and audit procedures with a view to simplifying these.*

Conclusions and recommendations for the medium-term in relation to next generation of Danida partnerships

The introduction of the 50% grant level and the rigorous screening process combined in DBP, have in all probability enhanced the quality and robustness of the partnerships. However, these measures have also implied that the number of partnerships has been significantly reduced – and consequently also the scale of the development effects in the DBP partner countries. This gives rise to considerations on the future strategic framework for Danida's support to strategic business alliances and how best to promote private sector and business development. Anticipating that the DBP will at least last for five years until 2016 – and possibly longer as the Growth and Employment Strategy may be extended beyond 2015 – it would be pertinent to consider how the DBP could be replaced. In Section 10.4, some other options were presented: a) creation of a middle facility that could bridge the gap between Danida's business alliance programme and commercial funding; b) introduction of new forms of engagement, which among others could include support to fully owned subsidiaries of Danish companies; and c) as earlier mentioned a stratified grant level dependent on country and priority sectors.

The Evaluation recommends:

16. *A mid-term review of the overall performance of the DBP facility including the country reviews that have been conducted since 2011;*
17. *Elaboration of the strategic framework for the next generation facility for Danish strategic business alliances – including considerations on harmonisation of the partnership facility with those of other EU member states.*

1 Introduction

1.1 Evaluation background

Danida has a long tradition of programmes supporting Danish enterprises for the purpose of transfer of knowhow and technology, and stimulating investments and business development more broadly in developing countries. These programmes have shifted orientation and design over the years. This Evaluation concerns one phase that was implemented from 2006 to 2011, called Danida's Business-to-Business Programme (B2B). B2B replaced the earlier programme Private Sector Development (PSD) implemented from 1993 to 2006, and B2B was in late 2011 replaced by the Danida Business Partnership (DBP), which is still ongoing (August 2014).

The B2B Programme provided grant support to Danish companies and their partners in eligible countries of up to DKK 5 million in three phases: *Contact phase* allowing companies to investigate and find a partner through a matchmaking grant covering travel costs; *Pilot phase* providing support to costs associated with initial collaborations such as feasibility studies and the formation of business models; and *Project phase* providing up to DKK 5 million (including previous phases) for deepening the partnership usually in joint ventures.

While there are many similar business alliance programmes carried out by donors, for example by all the Nordic countries, B2B stands out as the greatest in budget and reach. As such, the Evaluation and the learning from it should be of interest to many donor agencies.

1.2 Evaluation purpose

The Evaluation of the B2B Programme has the dual purposes of assessing and documenting the B2B Programme as well as providing lessons for future implementation of Danida Business Partnerships. The basic evaluation questions to be answered are:

1. To what extent and how has the B2B Programme contributed to poverty reduction by creating growth and employment in Danida partner countries?
2. What lessons can be learned for improved design, implementation monitoring and management of future Danish support to strengthen local business development through partnerships with Danish businesses?

The Terms of Reference (ToR) request that the Evaluation should “document what has worked well and less well in the achievement of the results using both quantitative and qualitative data. The Evaluation is expected to assess the support provided with regards to its relevance, effectiveness, efficiency, impact and sustainability. Furthermore, the Evaluation will identify the most important factors in the programme context and in relation to the characteristics of beneficiary companies that affect the programme achievements, and assess their importance.” For details of the ToR, see Annex A and F.

1.3 Methodology

The applied methodology for the Evaluation takes its point of departure in the ToR, especially Section 4 “Evaluation criteria and evaluation questions” and Section 5 “Approach and Methodology”. The ToR for the Evaluation specifies 20 evaluation questions under the headings of the OECD/DAC evaluation criteria. These questions were transformed into nine broad evaluation questions and a number of judgement criteria related to each evaluation question – ensuring that the intended scope of the Evaluation was maintained. A 10th evaluation question concerning value added (often used in EU evaluations to assess the synergy of member states’ interventions) was initially included. However, it was found in Uganda and Bangladesh that there is not much coordination among the development partners engaged in this kind of assistance and thus limited value added. Consequently, the 10th evaluation question was abandoned in the synthesis report. The resulting nine questions are shown in Table 1.

Table 1: B2B Evaluation questions by criteria

Criteria	Evaluation Question
Relevance	EQ1: To what extent has the B2B Programme been consistent with private sector development requirements in the partner countries and with Danida’s private sector policies?
Efficiency	EQ2: How efficiently were the B2B Programme instruments used in creating partnerships and how did external factors influence the results?
	EQ3: To what extent did the management of the B2B Programme provide an efficient framework for: delivery of services to companies, utilisation of resources, and accounting for results?
Effectiveness	EQ4: How has the B2B Programme led to knowledge and technology transfer in the local partner company and what were the resulting short-term outcomes?
	EQ5: How has the B2B Programme led to improved conditions for employees and the wider population and what were the resulting short-term outcomes?
Impact	EQ6: What long-term effects have the B2B Programme had on the local partner companies and specific business sectors, and how have these influenced local communities, and the national enabling environment?
	EQ7: What long-term effects have the B2B Programme had on the Danish partner companies?
	EQ8: To what extent and how has the B2B Programme contributed to poverty reduction by creating growth and employment in Danida partner countries?
Sustainability	EQ9: To what extent have the benefits derived from the B2B Programme continued after project completion?

An Evaluation Matrix has been prepared combining evaluation questions, judgement criteria, indicators, and means and source of verification. In parallel and to ensure compatibility with the Evaluation Matrix, a diagram for the Theory of Change was developed based on the B2B Programme’s objectives – indicating positive outcomes and impacts. The reality, however, pointed to that not all partnerships developed positively, and not all outcomes and impacts materialised to the extent anticipated. A number of evaluation tools have been applied in order to respond to the questions above. The key tools are:

- A review of the relevant academic literature as regards: International business partnerships; Foreign Direct Investment (FDI) and development; and Donor PSD programmes.
- A Portfolio Analysis of the B2B Programme, covering 445 Pilot and Project phase partnerships¹, using available information in Danida's B2B database.
- Case Studies in Uganda and Bangladesh through field visits, which attempted to cover all B2B Pilot and Project phase projects through site visits and interviews with the partners. The case study countries were preselected in the ToR. These case studies have been documented in separate country reports, which form an integral part of the Evaluation.
- A Desk Review of a random sample of 20% of the total B2B portfolio. This review has been based on available documentation for each collaboration, interviews by phone, Skype or in person with the Danish and local partners to the extent these were reachable. The summary of findings is presented in Annex E.
- An Issue Paper developed on the basis of issues that arose during the Ugandan and Bangladeshi country studies and the desk review of the random sample.
- An E-survey sent to all partner companies engaged in the B2B from 2006 to 2011 in the Pilot or Project phase. Over 750 survey requests were sent, of which 22% were responded to.
- A half day Focus Group Discussion with a dozen Danish enterprises engaged in selected 'success stories' as defined by various stakeholders.
- Interviews with stakeholders including Danida's Department of Green Growth (DGG) responsible for the B2B Programme, the embassies and the Confederation of Danish Industry (DI) and the Danish Federation of Small and Medium-Sized Enterprises (HVR).

The Uganda and Bangladesh case studies are available for download as separate files at <http://evaluation.um.dk>. Results from the E-Survey, the Focus Group discussions, the random sample analysis as well as tools used in the random sample, a list of references and a case study from Uganda can also be downloaded from the same website.

The methodology as elaborated by the Evaluation Team was first presented in the Inception Report, but has since been subject to a number of refinements as experience was gained in the process of conducting the Evaluation.² The Evaluation Team has had an intensive interaction with Danida (EVAL) and an Evaluation Reference Group (ERG)

1 The number of Pilot and Project partnerships under the B2B has been derived from Danida's database, cleaned from projects, which should be labelled as PSD or DBP and also projects under other programmes. If a Danish company has had a partnership in a Pilot phase followed by a Project phase, this is counted as one partnership or project.

2 The Evaluation Team comprised: Claes Lindahl from DevFin Advisers (Team Leader), Erlend Sigvaldsen from Nordic Consulting Group Norway, and Per Kirkemann and Marie-Louise Appelquist both from Nordic Consulting Group Denmark. For the Bangladesh and Uganda case studies, the team was supplemented by Reza Patwary and Birungi Korutaro respectively.

throughout the Evaluation both through reporting and meetings. Especially methodological issues have been subject to review by EVAL and the ERG. For further details on the methodology including the aforementioned Evaluation Matrix and Theory of Change, see Annex B, C and D.

The robustness of the findings varies. It is strongest in the case studies in Uganda and Bangladesh as these studies allowed visit at site for most collaborations and more in-depth interviews with stakeholders in person, especially the local partners. In the case studies, the triangulation was overall good. In the random sample analysis the robustness of the findings is weaker as it was based, in addition to the B2B project documentation, almost exclusively on telephone and Skype interviews with mainly the Danish partners, and without site visits.

2 The B2B Programme and its Context

2.1 Danish development priorities and support to Private Sector Development

The overall objective of Danish development cooperation is to fight poverty in the Danish priority cooperation countries through economic growth and social progress. Democracy and human rights are at the centre of Danish development strategies, and private sector initiatives have been placed within this context. In terms of Private Sector Development (PSD), Danida's *Action Programme for Business Growth and Development* issued in 2006 is an essential background document for the B2B Programme. The Action Programme focused on Danish support for improvements of the business environment in Danida partner countries, but also re-emphasised the role of Danish enterprises in transfer of business experience, leadership competence and technology to local partners.

The Action Programme reiterated the long tradition in Danish development cooperation in involving the Danish business sector, going back to the establishment of Denmark's Development Finance Institution (DFI), the Industrialisation Fund for Developing Countries (IFU) in 1967.

2.2 Key conclusions and recommendations from past evaluations and reviews

Over the years Danida has commissioned several evaluations and reviews of its business sector instruments, including country studies of the B2B Programme. These studies and evaluations have pointed to the relevance of the programmes, especially in relation to the access to technology and knowhow. The partnership programmes have been emphasised as playing an important complementary role to the sector programmes as they reach beneficiaries that are not directly targeted by the sector programmes. There are, however, also critical observations made by these evaluations. Examples of the latter relevant for the Evaluation are:³

Table 2: Key conclusions from past evaluations

Conclusion/observation	Mentioned in:
The link between the business partnership programmes and poverty reduction is unclear (with the formulation of the B2B Programme, poverty reduction became an explicit objective of the programme in line with Danida's overall policies) and Danida's cross-cutting issues do not have a central role in the programmes (maybe except environment).	Mozambique country evaluation (2008). Ghana country evaluation (2008). Analysis of a future PS Programme (2006).

3 Based on the ToR of the Evaluation and the relevance of specific issues, the Evaluation has particularly looked at the PSDP Evaluation from 2001, the analysis of a future PS Programme from 2006 and the country level evaluations of Ghana and Mozambique both from 2008.

<p>There is little synergy between Danida’s business partnership programmes and other sector programmes, even in countries that are implementing sector-wide business programme. This limits the possible long-term impact of the partnerships.</p>	<p>Mozambique country evaluation (2008).</p> <p>Analysis of a future PS Programme (2006).</p> <p>PSDP evaluation (2001).</p>
<p>The one-size-fits-all approach of the partnership programmes (non-country specific set of guidelines) makes the programme less relevant in the local context.</p>	<p>Mozambique country evaluation (2008).</p> <p>PSDP evaluation (2001).</p>
<p>There is limited sharing of experiences between companies both in partner countries and in Denmark, which hampers internal learning.</p>	<p>Mozambique country evaluation (2008).</p> <p>Ghana country evaluation (2008).</p> <p>Analysis of a future PS Programme (2006).</p> <p>PSDP evaluation (2001).</p>
<p>There is a narrow focus on individual business cases (matchmaking) and a lack of focus on the enabling environment in which the local businesses operate. This influences the prospects for sustainability of results and hence also broader impact of the programme.</p>	<p>Mozambique country evaluation (2008).</p> <p>Ghana country evaluation (2008).</p> <p>PSDP evaluation (2001).</p>
<p>Longer preparation period and more assistance in the first phase could yield better results.</p>	<p>Analysis of a future PS Programme (2006).</p> <p>PSDP evaluation (2001).</p>
<p>Technology transfer has been well perceived, but the tying of the aid to Danish companies might not have been the most appropriate way to offer this type of support as there are often cheaper options regionally and in competitive situations.</p>	<p>Mozambique country evaluation (2008)</p>
<p>Additionality is very difficult to assess and measure. Analysis and documentation of additionality needs more attention.</p>	<p>Analysis of a future PS Programme (2006).</p> <p>PSDP evaluation (2001).</p>
<p>Stronger result-orientation in the programmes and more relevant indicators in the monitoring system (follow up after the official partnership has ended). Results should be both quantifiable and qualitative (the latter has been addressed by organising reviews of the B2B Programme in individual countries across supported projects).</p>	<p>Analysis of a future PS Programme (2006).</p>
<p>Administration of the programmes should be simplified and less bureaucratic at the project level as well as the programme level.</p>	<p>Analysis of a future PS Programme (2006).</p> <p>PSDP evaluation (2001).</p>

The Evaluation has followed up on these points in order to identify whether the critical points are still valid. This is discussed in the final chapter of the report.

2.3 The B2B Programme objectives

The objective formulations for the B2B Programme as stated in the Company Guidelines from 2006 and 2010 are identical in substance, but with a slight difference in formulation. Box 1 below contains the formulation of the B2B Programme objective in its most recent version.

Box 1: B2B Programme Objective 2010

“Danida’s Business-to-Business (B2B) Programme is a part of Danish development cooperation. The overall objective of the B2B Programme is to contribute to poverty reduction by promoting economic growth and social development in developing countries. The immediate objective is to promote the establishment of long-term, sustainable and commercially viable partnerships between companies in Danida’s programme countries, including Egypt and South Africa, and Danish companies, with an aim of strengthening local business development. The focus of this support is to ensure a transfer of knowhow and technology from the Danish partner to the local partners thereby strengthening the competitiveness of the local partner and by that, their local and international market presence. In turn, by partnering with a local company, the Danish company may gain access to new markets, raw materials and reduced production costs.”

(B2B Guidelines 2010)

It should be noted that the overall objective and the immediate objective are not fully coherent. Thus, “promoting long-term, sustainable and commercially viable partnerships between companies in developing countries and Danish companies” does not necessarily contribute to poverty reduction. This might be the case with many programmes but the management and implementation of the programmes should ensure that the causal link between immediate and overall objective is ensured and specifically clarified, e.g. during the appraisal. Grants provided under B2B might even have *negative impact* in the sense of creating market distortions by favouring one enterprise over others, thus leading to economic inefficiency at the market place. Equally, B2B projects resulting in failed collaborations might nevertheless have had positive impact in terms of poverty reduction as a result of knowhow transfers. Due to this, the Evaluation is separating these two objectives in the further analysis.

2.4 Programme design

Danida’s B2B Programme comprised three phases of support as mentioned in Section 1.1.

In the *Contact phase*, both a Danish company and a company from one of the eligible countries could apply for support to investigate possibilities for collaboration. B2B could provide a grant of maximum DKK 100,000 to cover up to 90% of the costs for travel and related matchmaking costs. The Contact phase grants were open to individual companies both in Denmark and the B2B countries as long as they fulfilled the minimum criteria for support.

In the Pilot phase a partnership had to be formed between a Danish company and a local company in one of the targeted countries. The B2B Programme covered up to DKK 1 million for 75-90% of the initial costs of such collaborations. This might have entailed a feasibility study, training activities, study visits, pilot production, and so on.

The Project phase was a deepening of the partnership under which the B2B Programme providing up to DKK 5 million (including previous support) to cover up to 90% for relevant costs such as training and technical assistance, equipment, setting up or improving production facilities, further studies and so on. The programme paid particular attention to improvement of the external and working environment and to strengthen the Corporate Social Responsibility (CSR) in the local companies.

The intention with the B2B Programme was that companies would join the programme in the Contact phase to identify a suitable partner; these partners would then proceed to the Pilot phase to assess the feasibility of the partnership and their joint initial business idea; and, if proven feasible, the partners would deepen their collaboration in the Project phase, for example by setting up of a joint venture (JV). Overall, the programme has followed the model, even if there are partnerships established without a Contact or a Pilot phase. This is further elaborated below.

2.5 Eligible countries

The B2B Programme was open to 19 of Danida's partner countries listed in the table below.

Table 3: Countries eligible for B2B collaborations

Africa	Asia	Latin America
Benin	Bangladesh	Bolivia
Burkina Faso	Bhutan	Nicaragua
Egypt	Nepal	
Ghana	Vietnam	
Kenya	China	
Mali	Indonesia	
Mozambique		
South Africa		
Tanzania		
Uganda		
Zambia		

For China and Indonesia only environmental technology projects were accepted in the B2B Programme. These countries had their own guidelines.

2.6 Programme management

The Business and Contracts Department (in 2011 renamed the Department for Green Growth) in Danida was responsible for policy, coordination and guidelines for B2B, whereas the implementation and administration of the various partnerships were delegated to the Danish embassies with assigned B2B coordinators in the focus countries. While B2B was a centralised programme with a design laid out in the programme

guidelines, the embassies had flexibility in terms of management, for example in relation to sector focus of the programme and marketing of the programme in dialogue with Copenhagen. B2B has had an intensive management input. All together some 18 persons (full-time equivalent) were engaged in the programme.⁴

The Confederation of Danish Industry with its 10,000 member companies, and the Danish Federation of Small and Medium-Sized Enterprises with its 20,000 members have both played essential roles in the B2B especially in the promotion of the programme to their members in Denmark, arrangement of study tours and similar events and by providing assistance to their members in preparing applications to the programme. Other organisations and consultants have likewise played an important role in promoting the programme to Danish companies. The programme allowed applying companies to be reimbursed for consultancy costs associated with the preparation of applications, a service many companies utilised, especially those with limited international/project experience.⁵ HVR was contracted as a consultant to Danida in 2006 and 2007 for marketing activities.

2.7 The information management system

The B2B Programme had an elaborate reporting process for the purpose of appraising proposals for partnerships and monitor performance of the supported projects whether Pilot or Project grants. *The Application documents* for the Pilot and Project phases were essential in the sense of providing the basis for Danida's decision to award grants and also as baseline to monitor progress. The documents, often of considerable length, provided comprehensive information of the partner companies, their financial position and the idea behind the partnerships. They furthermore provided detailed budgets for the collaboration, the justification from a development perspective, and milestones of expected performance, and for the Project phase grants, five-year targets for six pre-defined Programme Indicators. (These indicators were turnover, investments, male and female employment, investments in environmental activities and number of personnel, which would be exposed to CSR activities). Signed by the partners and the embassy, they formed the partnership agreement for the support.

The embassies undertook *Appraisals* of both Pilot and Project applications against a number of criteria. A template existed for the embassies' due diligence of the proposed partnerships. Pilot and Project partners were expected to submit *Quarterly Progress Reports* until the B2B support ended. The last report of the year should provide information on the achievements against the milestones established and against the targets of the six Programme Indicators. Furthermore, after the B2B support had been disbursed, the partners should continue to report on the indicators for an additional three years. This, however, seems rarely to have happened and was not followed up by the embassies.

The progress reports for Project phase support submitted by the partners were used as a basis for the embassies to establish *Annual Indicator Reports* on the six Programme Indicators. Such reports were issued annually for all Project phase partnerships in a country and also aggregated for the whole programme. These annual reports were in

4 Data provided by Danida.

5 Reimbursement was only accepted if the application was approved.

theory B2B's basic monitoring system of performance and outcome. As discussed below, they never functioned this way.

Once a Pilot or Project phase grant had been disbursed, the embassy should issue a *Project Completion Report* (PCR) concerning the outcome according to a pre-designed template. The template also included the embassy's rating of the outcome of the collaboration.

Another element of the results based management system was *Annual Country Reports* prepared by the embassies for B2B Programme countries. These reports should include status of the country context and key developments; and the status of the partnerships and a qualitative assessment of their performance. In connection with the introduction of the B2B Programme in 2006, it was decided that periodic country specific reviews of the business partnership programmes should be conducted. *Country Reviews* were conducted by Danida's Technical Advisory Services.

As evident from the above, the B2B Programme had an ambitious set-up for results-based management. The documentation has been an essential information source for the Evaluation, especially in establishing *baselines* for the collaborations. In general, the system has strong and ambitious ex ante features (for the purpose of applying and approving of projects), but is overall weak in monitoring and the assessment of *outcome* and *impact*, further discussed in Chapter 5.

2.8 International trends: Private sector and development

The idea that the private sector can contribute to development outcomes has become conventional wisdom. To reduce poverty, economic growth is necessary, with a transition towards higher productivity activities and employment creation, which can be achieved through expanding the private sector.

The Busan document on Aid Effectiveness⁶ and the G20 Statement from 2011 all highlight the need for more private sector participation. There are different aspects of PSD though, and for donors it is useful to distinguish between "private sector development" and engaging the "private sector *for* development".⁷ While the first is mostly concerned about developing a country's domestic economy and getting the business and investment framework right, the second relates to donors direct engagement with international businesses to achieve development objectives. The B2B clearly belongs in the second category, where a donor tries to encourage more development impact by supporting a non-developing country company. Common for most of these programmes is that they are based on a partnership model. Firstly there is a partnership between enterprises, and secondly between the public and the private with regard to the sharing of costs and risks. The basic justification for subsidising the partnerships tends to be based on theories for market imperfections, like asymmetric information, knowledge and perceptions of risk. Support is targeted at reducing the risk level of a business, as this is assumed to constitute a barrier

6 4th High Level Forum on Aid Effectiveness, "*Busan Partnership for Effective Development Co-operation*", Busan, Republic of Korea, 29 Nov-1 Dec 2011.

7 "*Discussion Paper 131: Common or Conflicting Interests? Reflections on the Private Sector (for) Development Agenda*", Bruce Byiers and Anna Rosengren, European Centre for Development Policy Management, 2012.

to entry for foreign enterprises. Thus, donors try to encourage investments that would not otherwise have been carried out because of the high product/market/country risks.

Most bilateral donor agencies have one or several mechanisms that provide such “matching grants” to companies’ risky, but presumably developmentally beneficial, investments in developing countries. The Donor Committee for Enterprise Development (DCED) has identified at least 15 such partnership mechanisms.⁸

However, while these programmes have existed for a number of years – gaining increased popularity in the donor community– relatively little is known about the results. Indeed, the DCED says that *“Despite the high expectations on development outcomes usually associated with such approaches, the evidence on their effectiveness remains elusive, and little has been documented on lessons learnt from experience so far.”* According to DCED, there is relatively little knowledge about the results achieved, and in particular the development impacts of the supported partnerships. *“Most of the available information on project-level results is on anticipated impacts, or anecdotes of mainly qualitative results, without clarity on how these are measured or how they can be attributed to donor support.”* (p.2). There are virtually no widely available, credibly reported results of donor partnerships with businesses. The DCED sums the reporting status as follows: *“Doing partnerships’ and ‘honest inquiry’ often appear as opposing cultures; donors rely on businesses’ self-reported data, or even create adverse incentives by publicising the launch of partnerships. In addition, the justification of partnerships as “light touch” generally means that little funding is made available for results measurement”* (page 2).

Generally, the lack of good result data from partnership programmes should raise concerns as active promotion of international investment can raise conflicts of interest between development and commercial interests. Profit driven incentives may not converge with development objectives, for instance where low-income households are excluded due to their relatively lower buying power.⁹ In most cases, it is a question of balancing interests between the private and the public sector, accepting that not everybody’s objectives can be met at all times. However, to do that, decision makers need to have good information about consequences and potential results of the different trade-offs. After having consulted a large body of current literature about business partnership programmes, it seems that most donors, including Danida, would benefit from improving result measurements and the reliability of development impact data.

2.9 Similar Nordic partnership programmes to B2B

Other Nordic countries are implementing programmes of the same nature as Danida’s B2B. The Evaluation has used these as references and especially as benchmarks for the assessment of B2B’s efficiency and effectiveness. The programmes are described in brief below.

8 *“Donor Partnerships with Business for Private Sector Development: What can we Learn from Experience?”*; M. Heinrich, DCED, March 2013.

9 *“The Role of the Private Sector in the Context of Aid Effectiveness. Consultative Findings Document”*, P. Davies, DAC, Feb 2011.

Norway. Norad operates two programmes, which jointly have strong similarities to B2B. One is the Matchmaking Programme (MMP) which is or has been open to selected countries (Sri Lanka, Bangladesh, Vietnam, South Africa and India), and is providing grants for companies in Norway and in targeted countries to initiate partnerships by arranged visits. The MMP funds travels and contacts up to NOK 60,000 per company.¹⁰ Norad also has a grant programme, the Application-based Support (ABS) for funding of feasibility studies, training and environmental investments by Norwegian Small and Medium-Sized Enterprises (SMEs) in Norway's partner countries, which the Norwegian companies enrolled in the MMP can utilise. The Norwegian companies have to fund at least 50% of the cost themselves, and most grants are in the range of NOK 0.3-0.5 million under ABS. MMP is outsourced to Innovation Norway, a semi-public institution, while ABS is administered by Norad in Oslo.

Sweden. Sida has operated two business alliance programmes since the 1970s, initially called Start East and Start South to promote business alliances between Swedish SMEs and partners in East and developing countries in Africa, Asia and Latin America. In 2009, these programmes were shifted by the Government to Swedfund, Sweden's DFI, and the new programme was named Swedpartnership. Swedish SMEs can apply for loans of up to SEK 1.7 million (DKK 1.4 million) for competence transfers and equipment in business alliance in the DAC list of ODA recipients.¹¹ If the companies undertake the projects applied for, the loans are written off. The loan is for maximum 40% of the project cost.

Finland. The Finnpartnership programme provides grants to Finnish companies to explore partnerships in DAC list of ODA recipients for the purpose of achieving development effects. The programme covers 30-70% of costs for feasibility studies, training and establishment of joint ventures and other business alliances, and also for establishing subsidiaries. The grant ratio of the cost depends on the type of country (higher ratio for Least Development Countries (LDCs) and the size of the applying Finnish company (lower grant ratio for large companies). The maximum grant provided is EUR 200,000 (DKK 1.5 million). There is a matchmaking facility in the programme, which is a virtual meeting place, but consultants might also provide assistance companies to find partners. Finnpartnership is outsourced to Finland's DFI Finnfund.

10 In this report, NOK and DKK are treated as equivalent.

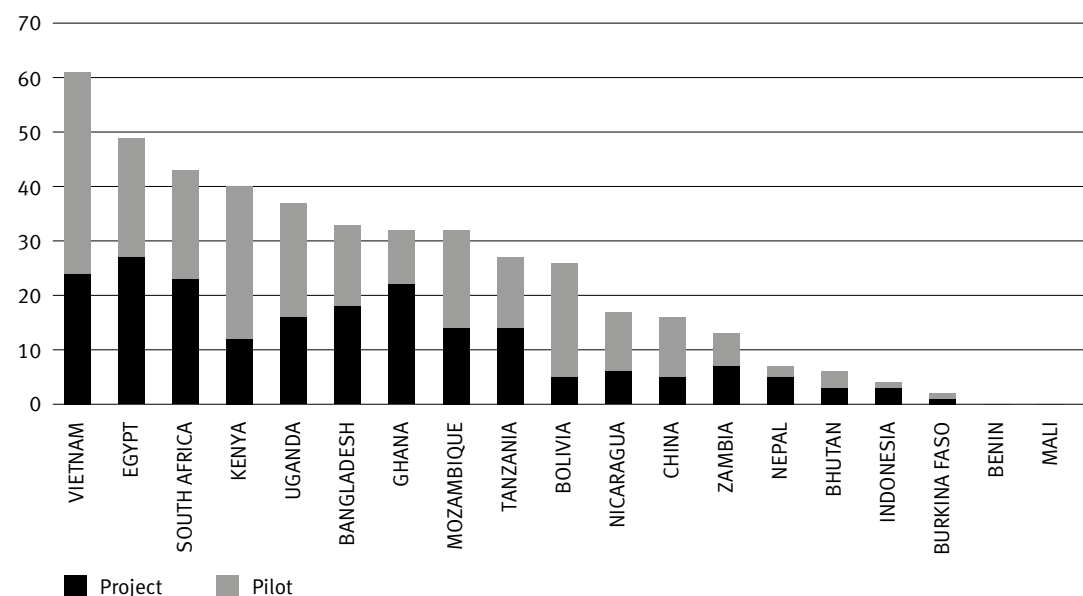
11 Before 2011, the upper limit was SEK 750,000.

3 The B2B Programme Portfolio

3.1 The B2B Portfolio

The B2B Portfolio includes 445 partnerships involving about 420 Danish enterprises (Contact phase excluded).¹² The portfolio comprises 205 collaborations, which only went through a Pilot phase, and 240 collaborations, which have included Project phase support (with or without earlier Pilot). The distribution of collaborations in the 19 eligible B2B countries is shown below:

Figure 1: Number of collaborations in the B2B portfolio 2006-2011



As evident from the figure, the distribution of Danish companies' engagement among the countries has varied from no collaborations in Mali and Benin to over 60 in Vietnam (As noted earlier, in China and Indonesia the B2B Programme was only open for environmental projects, which partly explains their low figures). The B2B was standardised, hence the same criteria and conditions applied whether in Vietnam or Mali.¹³ In line with the methodology outlined for the Evaluation of testing different contextual factors for determining results, the evaluation has pursued the issue of the extent to which the Danish interest in the selected countries could be related to different contextual country factors such as the quality of the business environment, the size and growth of the local market and the political risk. The result of this analysis is further discussed below.

12 This is due to the fact that some Danish companies apply and are provided grants for several Pilots or Projects with different partners in the same country or in different countries. The reason for this might be that the first partner in a Pilot or a Project did not work out, but the Danish company found a different partner. The embassies have accepted and often encouraged such multiple applications.

13 As mentioned above and discussed later, embassies could add certain restrictions, for example that the partners had to form a joint venture, or that certain sectors were not accepted. The embassies could also select sectors they wanted prioritize.

3.2 The Contact phase

The first phase of the B2B Programme, the Contact phase through which matchmaking was promoted, is not part of the B2B database as the embassies received block allocations for this. The Evaluation has from reviews of selected embassies estimated the number of Contact phase cases collaborations to about 1,300 in total for the 19 countries for the period from 2006 to 2011. From research in Uganda, Bangladesh and in the random Sample, the Evaluation has found that the majority or an estimated 90% of the Pilot/Project collaborations were preceded by a Contact phase grant (or a similar activity under the previous PSD Programme).

The Evaluation estimates that about half of the companies engaging in the Contact phase also applied for a Pilot phase (or in a few cases directly for a Project phase grant), while the other half did not pursue any further partnership. The reasons for companies not pursuing further engagement in the B2B Programme after the Contact phase varies, but is mainly explained by the fact that the companies did not find sufficiently attractive partners or that the business opportunities were not interesting enough to warrant a continuation. In some cases the partners submitted an application for Pilot support, but this was turned down by the embassy. According to embassy representatives interviewed, the number of turned down applications was overall low, possibly in the range of 10-20% of the submitted applications. Reasons for declined applications were generally that the projects did not fulfil the formal criteria of the B2B Programme and/or those criteria established by the embassies (such as sector focus).

3.3 The Pilot and Project phases

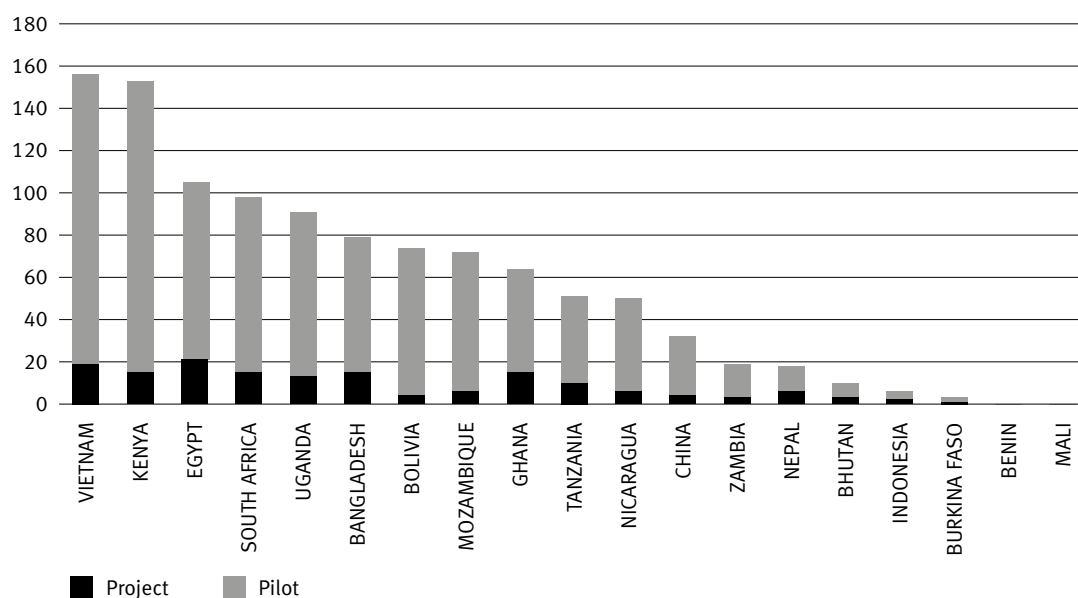
The Danida database is not fully transparent in terms of which Project phase collaborations were preceded by a Pilot phase. Studies in Uganda, Bangladesh and in the random sample indicate that about 90% of the Project phase partnerships in fact were preceded by a B2B Pilot phase. This indicates that the B2B Programme has financed about 420 Pilot projects, of which 215 continued to the Project phase and 205 ended.

A Pilot which was not followed by a Project phase grant neither means that the Pilot necessarily was a failure in terms of the B2B Programme objectives of knowhow transfer, nor an end to the collaboration between the Danish and the local firm. The Evaluation estimates, based on interviews with partners in the *Pilot only* phase, that 10% of all Pilot phase projects which were not followed by a Project grant phase still continued the partnership, for example as a trading arrangement.

3.4 The financial allocations

The total approved Danida financial allocation for the B2B Programme from 2006 to 2011 for the 19 countries was DKK 1,088 million (Pilot and Project phases). The allocations vary greatly between the countries as shown below:

Figure 2: Allocations for Pilots only and Project phase under B2B 2006-2011 (DKK million)



The distribution of B2B allocations largely follows the number of collaborations in the countries. However, there are differences. For example, Kenya has the second largest grant sum after Vietnam, while Egypt with second most collaborations declines in relative importance in total grants. Partly, the average grant size is related to the share of Pilots and Projects, but this is not the only reason. Some of the countries have smaller Projects grants on the average than in other countries.

3.5 Approvals versus disbursement

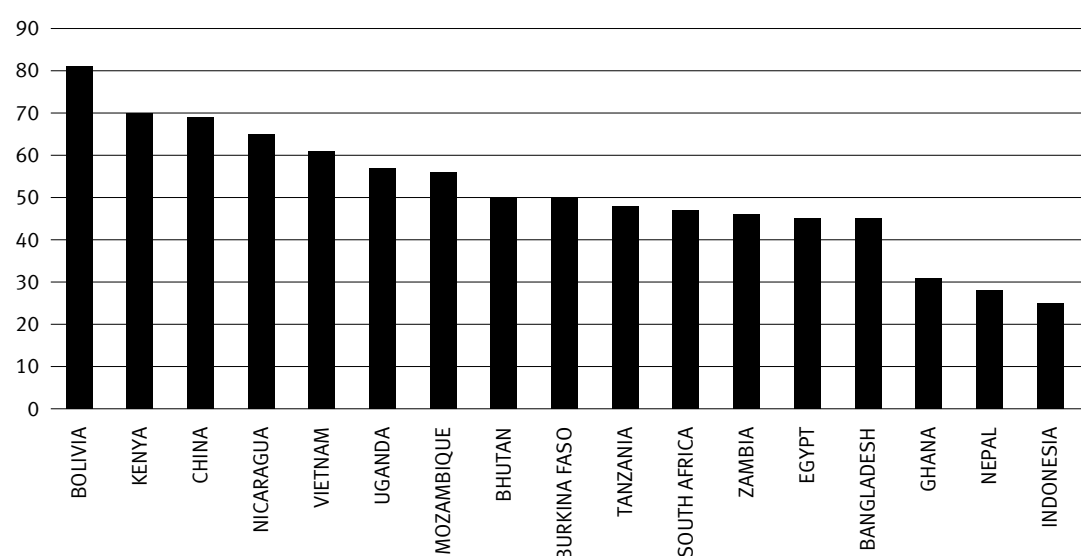
The disbursement under B2B has so far (April 2014) been DKK 855 million or 79% of the grants approved. The lower disbursement is explained by three factors. First, a number of collaborations are still under implementation, hence full disbursement has not yet taken place. Second, in many partnerships – both Pilots and Projects – disbursement was discontinued after the partners realized that there was no scope for further collaboration, or due to the fact that the Danish or the local company went bankrupt. In some cases the embassies interrupted the disbursement for different reasons such as the companies did not fulfil obligations under the B2B in forming a formal joint venture. Third, Project grants were based on budget estimates, while disbursements were based on actual costs.

The Evaluation estimates that the still outstanding amount of approved grants is limited; hence the final cost of the B2B is not likely to exceed DKK 880 million. The latter figure is used as an estimate of the final grant cost of the B2B.

3.6 Project phases of the total portfolio

There is a considerable difference between the B2B countries in the distribution of *Project phase* versus *Pilots only*. This ratio could be seen as a form of at least temporary ‘success’ of the programme on the assumption that ended Pilots indicate that the partnership did not work out.¹⁴ The figure below shows the distribution in the portfolio between the countries:

Figure 3: Number of Project phase collaborations of the total number (%)



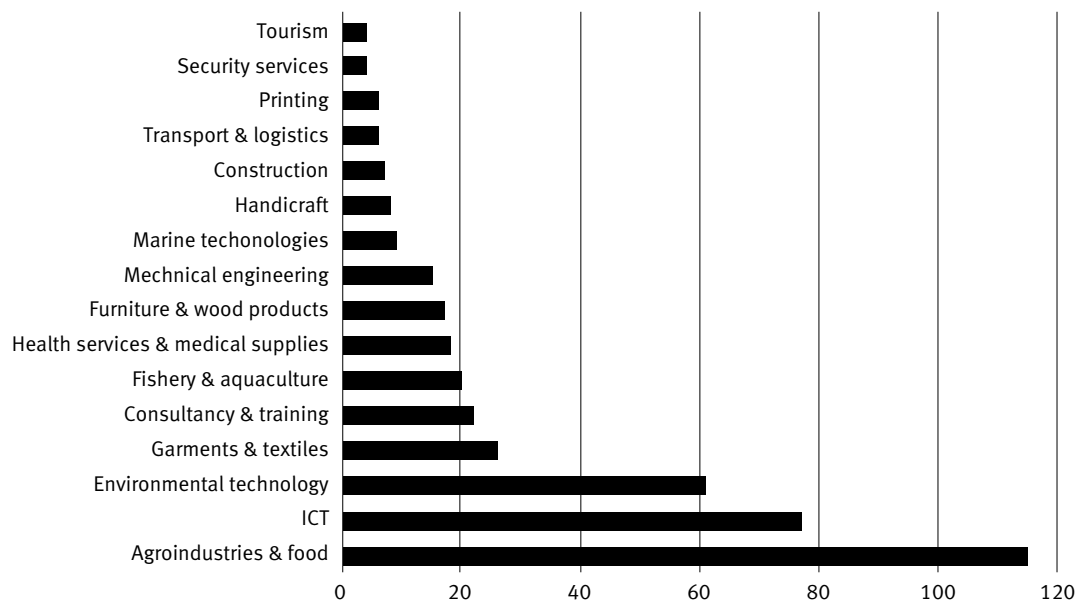
As indicated in the figure, in Bolivia four out of five collaborations were Project phase, as compared to less than a third in Ghana, Nepal and Indonesia. In the contextual analysis below, the different rates to what extent partnerships continue from Pilot to Project phases is analysed whether the country contextual parameters have any explanatory value.

3.7 Sector distribution

The B2B portfolio comprises a very wide distribution of business sectors. However, some sectors dominate. Below is an attempt to define the most common business sectors in the full portfolio and the distribution in terms of number of collaborations.¹⁵

¹⁴ As discussed elsewhere Pilots only do not always mean a failure as in about 10% of these collaboration continue.

¹⁵ The B2B database does not provide the sector orientation, and the figure above is established using an attempt by the B2B management to classify the projects for some countries, in combination with this evaluation. The typology is partly based on B2B’s own typology. Not all sectors are shown in the figure – only those with more than a token number of projects.

Figure 4: Sector distribution in the B2B portfolio (number of projects)

Agro-industries and food is by far the most common business sector in the B2B portfolio as indicated in the figure above. This category includes collaborations in primary production, processing and trading of commodities such as coffee, tea, cocoa, rice, cotton, fruits and vegetables, oilseeds, honey, animal feeds, flowers as well as projects in diary, piggery, poultry and other meat production. The category also includes food manufacturing, logistical support such as cold chain development in agriculture and food. The dominance of agro-businesses in the portfolio can be explained by three key factors: 1) Danish world-leading competence and strong export performance in many agro- and food-industries; 2) for many of the B2B countries primary production dominates the economy and the sector constitutes, at least in the short- and medium-term, these countries' competitive advantage in the global economy; and 3) agriculture had a Danish political aid priority related to food security.

Information and Communication Technologies (ICT) is the second largest business sector in the B2B portfolio. This includes a variety of different business models such as software production, mobile applications, animation and web-design. The strong prevalence of ICT in the B2B portfolio reflects the fact that ICT is a business which easily lends itself to partnerships with (certain) developing countries due to low investment costs and the utilization of the rapidly emerging IT skills amongst well-educated youth in many developing countries. There is a worldwide trend of outsourcing from industrialised countries to developing nations, starting with India, which over time has diversified to a number of countries mainly in Asia. ICT has also been prioritized by the B2B Programme through marketing efforts such as ICT delegations to Vietnam, Bangladesh, Nicaragua, Bolivia and Egypt. ICT in the B2B portfolio is almost exclusively driven by Danish enterprises seeking lower production costs through out-sourcing and off-shoring, and local ICT companies looking for new market outlets.

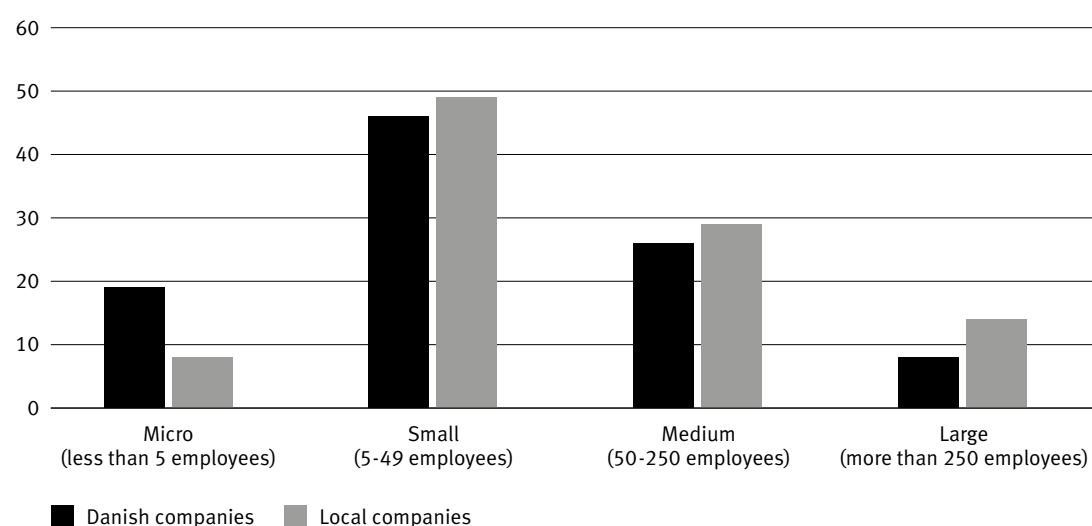
Environmental technologies, in the Evaluation's terminology, including renewable energy and energy efficiency services, water & sanitation, and waste management, constitute the third largest 'sector' (with China and Indonesia, jointly with 20 projects, somewhat distorting the relative importance of this sector). The environmental focus in the B2B has in general been strong. It has increasingly also become a thematic focus of Danida and the embassies, linked recent years to concepts such as 'green growth'.

Besides agro-industries, ICT and environment technologies, which account jointly for 60% of all the collaborations, there is a wide distribution of sectors as reflected in the figure above. For some sectors the embassies have been restrictive in grant support, for example in garments, which otherwise probably would have a stronger prevalence in countries such as Vietnam and Bangladesh. Overall, the sector distribution reflects on the one hand the interest by the Danish enterprises in exploring new markets, secure supply of raw materials and means to cut production costs through outsourcing and off-shoring, and on the other hand the embassies' active promotion of certain sectors based on local demands and needs. For example, in Bangladesh the embassy promoted the ICT industry on the basis that the embassy saw particular advantages in this industry for Bangladesh, while in Uganda the embassy especially promoted agro-businesses in line with its sector priorities.

3.8 Size distribution

The B2B database does not provide size of the participating companies. Based on the random sample, the size structure depicted in the figure below was derived. As the new programme Danida Business Partnership is using a cut-off point of five employees the definition applied in the evaluation for small enterprises was set at five employees rather the more common 10.

Figure 5: Company size in the random sample



As illustrated above, the B2B portfolio is dominated by smaller firms with less than 50 employees both in Denmark and in the partner countries. It is noteworthy that every fifth Danish company in B2B was a micro enterprise with less than five employees, i.e. companies that would not be eligible to participate in the DBP.

4 Country Contextual Analysis

4.1 Contextual factors

The 19 countries eligible for the B2B Programme (which mainly were Danida priority countries) are very diverse; from small West African LDCs to the economic giant China. The countries represent major differences in attractiveness as business destinations for outside investors, from fast-growing, low labour cost environments welcoming Foreign Direct Investment (FDI) such as Vietnam, to the economically closed Bhutan. The Evaluation has from general economic theory identified a series of country contextual parameters to capture country differences that might influence the attractiveness of the B2B programme and whether the Pilot partnerships continue to the Project phase. The parameters used are:

- The *business environment*, with the hypothesis that the better the business environment, the more attractive for Danish firms to engage in B2B and the greater the chance for successful collaborations. As a proxy for Business Environment, the Evaluation has used the World Bank Doing Business Index, which is the most commonly used measure of the quality of the business environment. The index is based on relative ranking of 180+ countries and is updated annually. The 2010 report (reflecting conditions 2009), which ranks 183 countries has been used.¹⁶
- The *degree of economic development*, with the hypothesis that the more economic developed a country is, the more attractive it is as a business destination due to a higher degree of economic diversity and better purchasing power in the population. Also the hypothesis was formulated that the higher the degree of economic development, the greater the willingness by the partners to apply for Project phase support due to more established institutions, lower degree of uncertainty and more sophisticated local partner companies. The World Bank's data on GNI per capita in 2010 has been used as indicator.¹⁷
- The *market size*, using the World Bank's data on country's GNI in USD 2010 as an indicator with the hypothesis that larger markets are more attractive than smaller as they would have greater business opportunities.¹⁸
- *Economic growth*, using the World Bank's data and calculating the average per annum GDP growth from 2006 to 2011 as indicator.¹⁹ The hypothesis is that fast growing economies are more attractive to Danish businesses than slow growing. Fast growth creates opportunities and expands markets.
- *Degree of corruption*, using Transparency International (TI) corruption index in 2010 as an indicator.²⁰ TI ranks some 180 countries based on the perception in

16 data.worldbank.org › Data Catalog.

17 data.worldbank.org/indicator

18 data.worldbank.org/indicator

19 data.worldbank.org/indicator

20 www.cpi.transparency.org

the business community of country corruption. The hypothesis is that the higher the degree of corruption, the less attractive the country would be for the Danish firms, and the greater the chance that collaboration does not move into a Project phase as corruption creates uncertainty in business.

- **Political risk**, using the Danish Export Credit Agency's (EKF) rating as an indicator. EKF, similar to other Export Credit Agencies, classify countries in terms of the political risk involved in doing business (exports or investments). EKF uses a scale of 1 to 7 with 7 as the highest risk which determines the risk premium a company has to pay for insurance cover.²¹ The hypothesis is that lower risk countries are more attractive to Danish firms and that chances for survival of collaborations would increase in low risk and less volatile environments.
- **Competitiveness**. The World Economic Forum (WEF) publishes since the early 2000s yearly a Global Competitiveness Index. The index is composed of over 100 indicators involving institutions essential for business such as property rights, infrastructure, the macroeconomic environment, market efficiency, labour market, financial market, technology, and so on. The Evaluation has used data for 2010 as a proxy in WEF's ranking of 141 countries.²² The hypothesis is that the better the competitiveness ranking, the higher the number of B2B collaborations due to overall better conditions for business, and also the hypothesis is that the better the competitiveness, the higher the share of project Phase collaborations. It should be noted that the World Bank's Doing Business index is quite different from WEF's competitiveness index. A reason why both are included in the analysis.
- **Foreign Direct Investment** in-flows for the programme period. The hypothesis is that Danish interest in the different B2B countries would reflect broader FDI flows to these countries. Also countries with higher volumes of FDI would have a higher share of Project phase collaborations, as larger inflows would be an indicator of success in foreign investments. The Evaluation used World Bank data, and calculated FDI as an annual average from 2006 to 2011.²³ FDI flows are of course also reflecting overall business environment dimensions.

21 The Evaluation used the rating for export credits of one to five years. See www.ekf.dk.

22 WEF (2010) *Global Competitiveness Report 2010-2011*.

23 data.worldbank.org/indicator

4 COUNTRY CONTEXTUAL ANALYSIS

The data for the 19 countries are provided in the table below:

Table 4: Selected data on business environments for the B2B countries

	Doing Business Rank of 183 (high rank poor business environment)	GNI/ capita USD	Market size US billion	Economic growth GDP Per cent/ annum 2006-2011	Corruption index Rank of 178 (high rank more corrupt)	Political risk Class 1-7 (higher number, higher risk)	Competi- tiveness Index 2010 rank of 141 countries	FDI inflow per annum USD million 2006-2011
Bangladesh	119	516	82.6	6.3	134	6	107	860
Benin	172	687	6.0	3.6	110	6	107	60
Bhutan	126	1,896	1.3	9.5	36	6	109 ²⁴	20
Bolivia	161	1,457	14.1	4.8	110	6	108	510
Burkina Faso	147	479	7.3	5.0	98	7	134	50
China	89	2,775	3,680.0	10.9	78	2	27	184,290
Egypt	106	1,801	146.8	5.4	98	6	81	7,290
Ghana	92	674	15.8	8.0	62	5	114	2,140
Indonesia	122	2,007	457.6	5.8	110	3	44	9,840
Kenya	95	767	29.9	6.0	154	6	106	250
Mali	156	579	7.4	5.2	116	7	132	130
Mozambique	135	373	8.2	6.8	116	6	131	1,030
Nepal	123	404	11.7	4.3	146	7	130	40
Nicaragua	117	1,079	6.2	3.3	127	7	112	530
South Africa	34	5,819	285.1	3.3	54	3	54	5,430
Tanzania	131	432	18.6	6.7	116	6	113	110
Uganda	112	419	13.4	8.0	127	6	118	740
Vietnam	93	892	76.7	6.3	116	5	59	6,950
Zambia	90	950	12.0	6.5	101	5	115	1,070

As some of the indicators have higher numbers the worse the quality, one can expect negative correlations. The correlation analysis below excludes China and Indonesia due to their special status. It should be noted in the following that the Evaluation uses correlation analysis as a practical statistical tool to show some trends and give indications, and not an exact science as the population for that is too small.

Business environment

The range in the quality of the business environment among the 17 countries is wide, with only South Africa having a reasonably good business environment according to the World Bank Doing Business Index. Fourteen of the 17 B2B countries are at the

²⁴ WEF 2013.

lower half among the 183 countries in the index, and some, such as Benin and Bolivia, are at the very bottom. The correlation between the business environment index and the number of B2B collaborations is -0.6,²⁵ indicating that business environment can be seen as a reasonably good explanatory factor for Danish company engagement in B2B.²⁶ However, the correlation is far from perfect. Some countries have a much higher share of collaborations than the quality of the business environment would indicate. For example, Bolivia has attracted a considerable number of Danish enterprises to engage in B2B with local partners in spite of its poor business environment. As elaborated below, a key reason for this is active promotion of B2B in Bolivia by the embassy and also by HVR.

In terms of the share of *Project phase* support, no correlation can be established with the quality of the business environment as measured by the Doing Business Index. Thus, the business environment seems not to be a factor determining whether partners continue to the Project phase or not, which is contrary to the Evaluation's hypothesis.

Economic development

Of the eligible countries, 13 of the 17 were low-income countries, and 10 of these classified as LDCs when the B2B Programme began in 2006, while the remaining six were lower middle or upper middle-income countries using World Bank and UN terminology.²⁷ The correlation between economic development and attractiveness to B2B as measured in number of partnerships is very low, hence it does not support the hypothesis. From a developmental point of view this is good news: Danish enterprises are seemingly prepared to enter and initiate collaborations even in the poorest nations. Neither is there a correlation between the level of economic development and share of *Project phase* partnerships.

Market size

The differences between the size of the economies among the 17 B2B countries vary tremendously, from Bhutan's USD 1 billion to South Africa's USD 285 billion (2010). The correlation between market size and Danish enterprises engagement in B2B is reasonably strong (+0.5), indicating a preference for larger economies rather than smaller; however, some of the smaller economies have attracted a substantial number of collaborations such as Mozambique, Nicaragua and Uganda. The correlation between the ratio of *Project phases* versus total number of collaborations against market size, on the other hand, is very weak.

Economic growth

During the period from 2006 to 2011 the 17 B2B countries showed overall good annual economic growth rates with an average of nearly 6% for all the countries, ranging from about 3% in Nicaragua and South Africa to 9% for Bhutan. This can be compared to Denmark's growth rate for the same period, which was 0.2% per annum. The B2B period covers the global financial crisis, which peaked in 2009 when, for example, the Danish GDP declined by nearly 6%. As further discussed later in this report, the downturn in 2009 in the Western economies, including Denmark, had a considerable impact on the collaborations under B2B. Many Danish companies ended their engagement

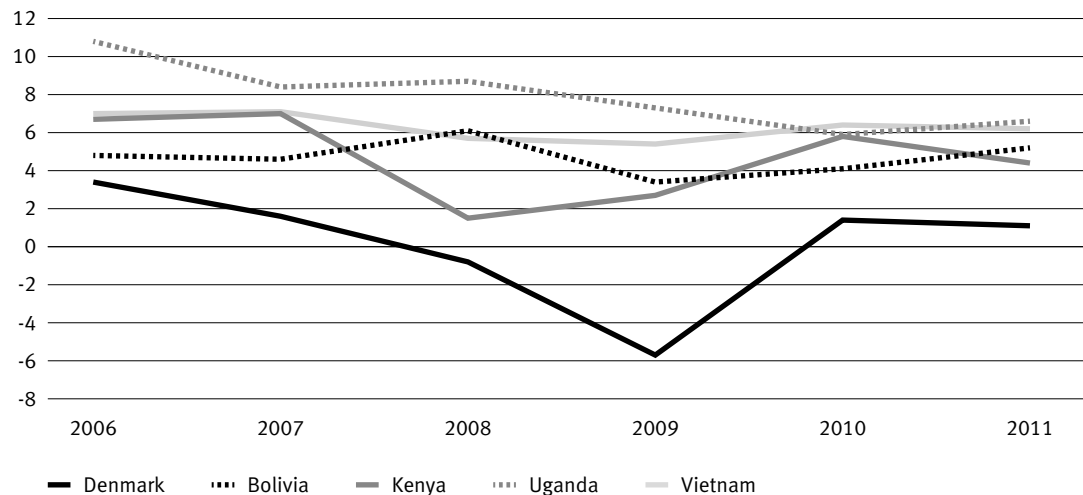
25 Correlations range from -1 to +1 with 0 as no correlation and minus or plus 1 as perfect correlation. Negative values can be expected for rankings as low number is high ranking.

26 There is a negative correlation for business environment index as good environment has lower numbers.

27 OECD data for 2008.

in B2B due to a need to focus on core markets and in some cases the partnership failed due to bankruptcies of the Danish firms. In contrast, the financial crisis had a marginal impact on the B2B Programme countries as reflected in their economic growth figures. The figure below shows the economic growth rates from 2006 to 2011 for four B2B countries compared to Denmark.

Figure 6: Economic growth rates for selected B2B countries and for Denmark 2006-2011



There is a very weak correlation (+0.2) between the economic growth rates and the attractiveness of various B2B countries to Danish enterprises. Danish enterprises seem not to have chosen the destination for their participation because of high growth rates. This is an interesting finding as the high growth rates in Sub-Saharan Africa over the last decade has in general triggered a great business interest in the continent with overall rapidly increasing inflow of FDI. Also in terms of performance (*Project phase* of total collaborations) there is no correlation with growth rates.

Corruption

General business and development theory claims that good governance is an essential ingredient in conducive business environments and low levels of corruption is an important element of good governance. 15 of the 17 B2B countries are placed at the bottom half of the ranking in TI's Corruption Perception Index. Only one country, Bhutan, can be considered having a low degree of corruption, while three countries are found among the bottom quartile on the list, namely Bangladesh, Kenya and Nepal. In spite of the above, the degree of corruption seems not to play any role in Danish enterprises' decision to engage in B2B in terms of choice of countries. There is no correlation between the corruption ranking and the number of collaborations (-0.1), nor is there a correlation between the ratio of *Project phases* to all collaborations. The hypothesis that the level of corruption affects the Danish company decision to engage in B2B appears incorrect. This finding is of great interest considering the programme's strong focus on CSR as a key element of the support. Danish enterprises do not shy away from corrupt business environments, nor does it seem to influence whether they move from Pilots to Project phase.

Political risk

In terms of political risk, 13 of the 17 B2B countries are in the two highest risk categories (6 and 7), while only and one country, South Africa, is considered as having moderate

political risk (2 or 3). There is a certain correlation between EKF's political risk classification and the number of B2B collaborations (-0.5), indicating that Danish enterprises took political risk into account to some extent when engaging in the B2B countries. For example, among the four Class 7 political risk countries – Burkina Faso, Mali, Nepal and Nicaragua – only Nicaragua attracted more than a token number of Danish firms. In terms of the ratio of transitions to B2B Project phase from Pilot, there is no correlation with political risk as measured by EKF. The lack of correlations is contrary to the hypotheses by the Evaluation.

Competitiveness

In the World Economic Forum's Index on Global Competitiveness in 2010, 14 of the 17 B2B countries were placed at the bottom quartile of the list of 141 countries. None of the countries was classified in the top quartile, while South Africa, Vietnam and Egypt were in the second quartile. The correlation factor between the competition ranking and number of collaborations in B2B is fairly high (-0.7), hence Danish companies engaging in B2B favoured countries that are judged as competitive. Some countries deviate considerably. For example, Mozambique, which has one of the lowest degrees of competitiveness according to WEF, attracted a fair share of Danish companies. In terms of transition to the B2B Project phase there is no correlation.

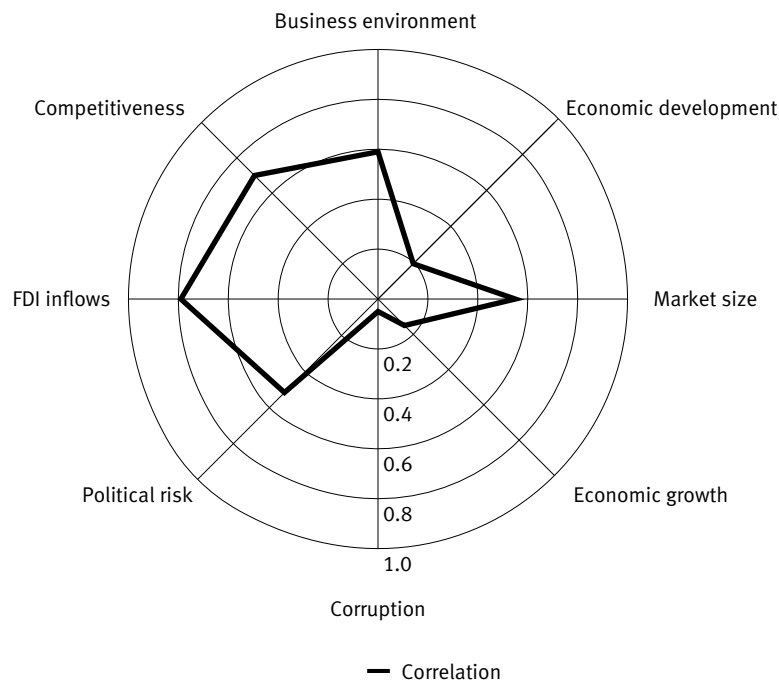
Foreign direct investments

The FDI inflows to the 17 B2B countries vary tremendously. From countries such as Bhutan, Burkina Faso and Nepal which have FDI inflows from 2006 to 2011 of less than USD 50 million per annum, to Vietnam with FDI inflows at a rate of 150 times of that. However, most of the B2B countries have moderate rates of FDI inflows. Thus, 13 countries had inflows of less than USD 200 million per annum in the period. There is a strong positive correlation (+0.8) between FDI inflows and the engagement by the Danish enterprises in the different countries in the B2B Programme. Hence, Danish companies have followed the general FDI trends. The top three countries in terms of number of collaborations, Vietnam, Egypt and South Africa, are by far the countries with the largest inflow of FDI from 2006 to 2011. Noteworthy is, however, that the fourth largest B2B country in terms of number of collaborations, Kenya, had a meagre inflow of FDI of about USD 250 million per annum. A possible explanation for this is that there is a 'positive influence' on the image of key Danish aid destination also on the business community. East African countries such as Kenya, Tanzania and Uganda have played leading roles in Danish development cooperation over decades and Danish SMEs might feel more familiar with these countries, seeing them more positively than for example French-speaking West or Central Africa and have a stronger willingness to engage in spite of rather low interest as investment destinations in global business in general.

Summing up

The Evaluation concludes that of the selected country contextual parameters, the strongest correlation with the number of collaborations was found with the *inflow of FDI* to the countries, followed by *competitiveness* as measured by the WEF Competitiveness index, the quality of the *business environment* as measured in the Doing Business index, the *political risk* as measured by EKF, and the *size of the local market*. There was no or very weak correlation with *economic growth rates*, the level of *corruption* and the level of *economic development*, as reflected in the figure below.

Figure 7: Correlations between different contextual factors and number of B2B projects



A hypothesis that can be derived from the analysis above is that improvements in countries' business environment, the competitiveness of the countries and a reduction of the political risk would attract more Danish companies, but less corruption would seemingly not have any impact. This is noteworthy, as corruption generally is placed high as a major business constraint in investment surveys. It is also noteworthy as Denmark in TI's corruption index 2010 was ranked as the least corrupt country in the world and the B2B had a zero tolerance for corruption.

It is noteworthy that for none of the country contextual factors, there is a correlation with the share of Project phase grants of the total Pilot and Project grants. Thus, none of these factors explain why some countries have a considerably higher ratio of Project grant support of the total.

Some of the B2B countries systematically deviate from what could be anticipated out of the contextual factors in terms of Danish company engagement. Bolivia is an example with both more collaborations and a higher share of Project phase collaborations. If cultural barriers play a role, such as language, it is further noteworthy that Spanish speaking Bolivia had such a relative attraction during the B2B Programme. Kenya also deviates significantly from what could be anticipated with more B2B engagements, which is also true for Uganda, while Zambia is the reverse. The conclusions for such deviations, based on the interviews with Danish firms and embassies, are that the degree of the engagement and proactive work of the Danish embassies, consultants and HVR played a significant role in determining where the Danish companies engaged. The importance of active promotion of a programme such as B2B must be stressed. Active promotion can clearly to a high degree influence where Danish firms chose to do business.

It might be argued that engagement by Danish companies in countries with poor business environments, low competitiveness and low inflow of FDI from a developmental point of view is more essential than engagement in counties with good business environ-

ments, good competitiveness and large inflows of FDI. In the former, B2B might at least in theory provide more value. As further discussed below, the Evaluation found no significant correlation with collaboration performance (such as the share of sustained partnerships, commercial performance of the local or Danish company, or development impact). The consequence of this is that the B2B projects are not performing worse in 'difficult' business environments, or environments otherwise attracting limited FDI. This points to potential effective development impact of a programme such B2B if it strongly promoted towards countries where the collaborations make a difference, rather than towards countries where the market forces anyway create substantial FDI flows.

4.2 B2B in relation to the recipient countries' foreign direct investments

As found in the contextual analysis above, the strongest correlation of engagement of the Danish firms in different countries was with the FDI inflows to the countries. In many ways, a B2B partnership delivers the same bundle of inputs as investments as a partnership driven by pure commercial market forces and it is therefore relevant to place B2B in the context of FDI flows. The additions of B2B to FDI were, however, a possibly stronger focus on CSR, environment and gender than what the market triggered.

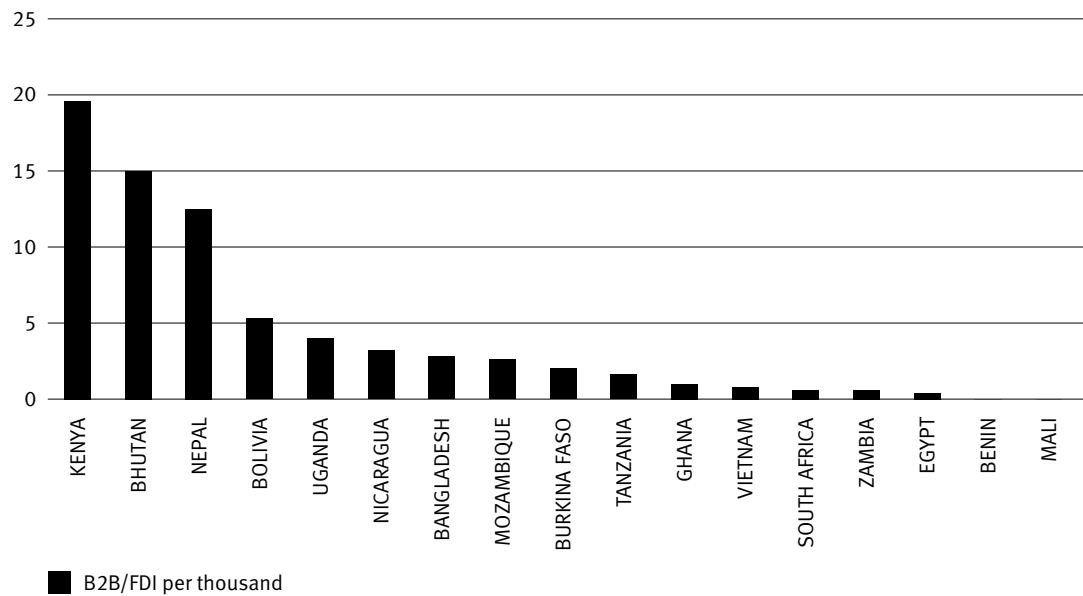
The aggregated flow of FDI per annum to the B2B countries (excluding China and Indonesia) amounts to about USD 28 billion per annum (2006-2011). This can be compared to the B2B Programme grant allocation annually of about USD 23 million.²⁸ The figure below compares the relative importance of the B2B as an investment programme versus the overall inflow of FDI to the countries. The figure is based on approved amounts in USD under the B2B, assuming a six-year period of disbursement as compared to the annual inflow of FDI in USD 2006-2011.²⁹

B2B has had the strongest relative importance for Kenya due to the fact that the inflow of FDI to Kenya is fairly small, USD 250 million per annum, and the B2B had a not insignificant allocation of about USD 5 million per annum, second highest of all the B2B countries. Calculated in this way, B2B represented 2% of the FDI inflow in Kenya, a fairly significant share, and as such clearly possible to have a certain macroeconomic impact. Also for the small, landlocked countries in the Himalayas, Nepal and Bhutan, the B2B had a considerable relative importance. While the B2B collaborations in both countries were limited, with less than USD 1 million per annum together, both Nepal and Bhutan had meagre inflow of FDI during the period. In the case of Bhutan, the country had an inflow only USD 20 million per annum on the average.

28 Calculated for a six year period and an exchange rate of USD 1 = DKK 5.5, and excluding China and Indonesia The disbursement period is in fact longer and still ongoing.

29 The B2B investment is including 100% addition to the grant sum to cover the companies' required co-financing as well as other investments.

Figure 8: B2B investments in relation to FDI inflows 2006-2011 in the B2B countries



At the other end of the scale, the relevance of B2B as a source of FDI was very limited for countries such as Vietnam, South Africa and Egypt in spite of the fact that all three belonged to the top in the B2B Programme in financial allocations. All three countries had inflows of FDI in the order of USD 5-7 billion per annum, completely dwarfing the B2B Programme. The relevance of B2B as a development programme for the latter countries can be questioned.

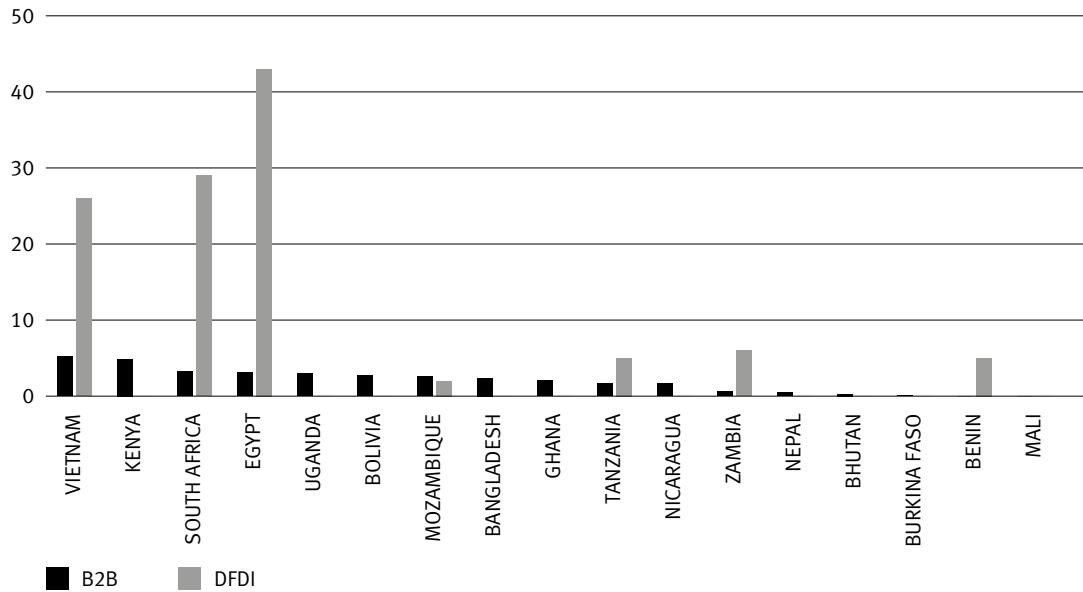
4.3 B2B in relation to Danish FDI and trade

The Evaluation has compared the B2B allocations with the Danish FDI flows to the 19 countries for the relevant period. Danish companies by far favoured China with FDIs in the order of USD 360 million per annum on the average for 2006 to 2011, while there was no recorded investment at all for 10 of the countries according to OECD data.³⁰ The figure below shows a comparison between the B2B yearly average country allocations from 2006 to 2011 in USD (excluding China and Indonesia) and the annual Danish FDI to these countries for the same period:³¹

30 OECD 2014. It should be noted that there are some confidential information not recorded in the database.

31 Statistics Denmark, Statbank.

**Figure 9: Relative importance of B2B investments to Danish FDI 2006-2011
(annual averages in USD million)**

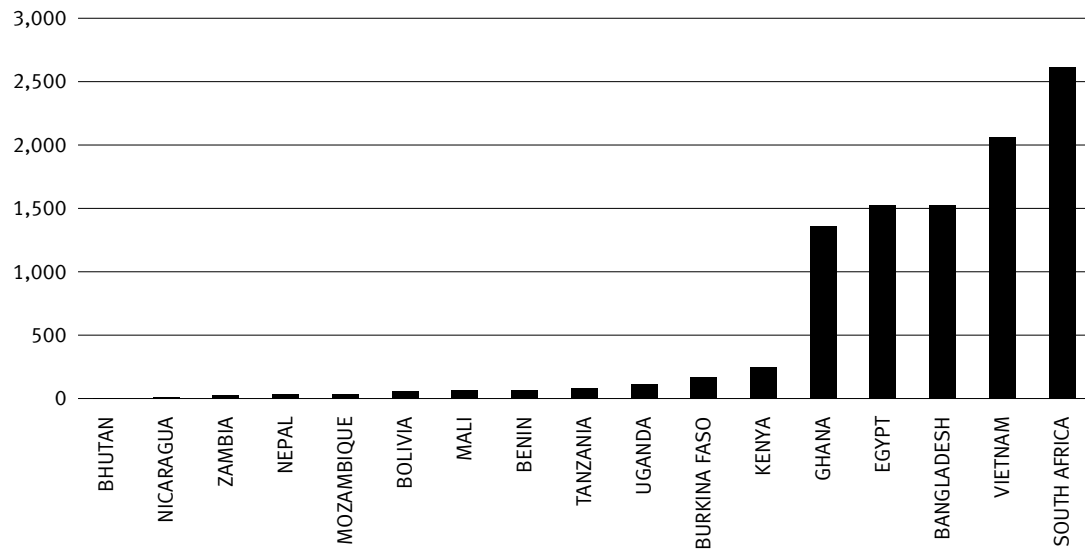


The conclusion is that the B2B Programme is of low relative importance for Danish business in Vietnam, South Africa and Egypt, the top three countries in terms of number of collaborations, while for Kenya, Uganda, Bolivia, Bangladesh, Ghana and Nicaragua the programme seemingly meant a substantial effort to introduce Danish enterprises to new investment opportunities. Noteworthy is that Benin attracted USD 5 million in Danish FDI per annum from 2006 to 2011, but no Danish company used the B2B Programme. It should also be taken into account that FDI might take place through offshore investments by Danish companies, hence is not reflected in the data above.

4 COUNTRY CONTEXTUAL ANALYSIS

Looking at Danish trade with the 19 countries a similar pattern emerges, except that Bangladesh had a significant trade with Denmark. The figure below illustrates the spread (China and Indonesia excluded).

Figure 10: Danish trade 2007-2011 with B2B countries (average annual import + export in USD million)



The Portfolio analysis Chapter 3 showed that the B2B Programme had very different importance for the 19 B2B countries in terms of engagement by Danish enterprises with particularly low results in terms of Danish company engagement in French-speaking West Africa, while countries such as Vietnam, South Africa, Egypt and Kenya were particularly attractive to the Danish enterprises. As shown above, Danish companies follow to a large extent the global flows of FDI and in particular Danish FDI and trade. Significant from a development perspective (and possibly also as a means of promoting Danish SME globalisation), is the positive deviations, i.e. when B2B seemingly were able to attract Danish firms to engage in countries with low FDI inflow and trade, countries which generally are characterized by weak business environments, low competitiveness and so on. It is on these countries where B2B can make a difference and be a potent development tool, rather than provide subsidies to Danish companies where Danish business anyway would go. This is further discussed below.

5 Relevance

Relevance of B2B should be considered in relation to the Danish development priorities and policies, including the objectives for the programme, the development issues and priorities of the targeted countries and the development constraints of the private sector specifically in the targeted countries. Relevance is not only a question of intentions, but also of reality, i.e. whether the outcome of a programme is consistent with solving the development problems, or whether the underlying theory behind the intervention needs to be modified.

5.1 Relevance for Danish PSD policies and B2B objectives

Danish development cooperation considers support for private sector development as a means of achieving the overriding objective of Danish aid: reducing poverty. Danish aid policies adhere to a common view in the donor community seeing PSD as a means of stimulating economic growth, of creating jobs and of enhancing productivity. Specifically, the B2B Programme is based on the assumption that by engaging Danish enterprises in collaboration with local companies, there will be transfer of Danish experience, technology and investments which can help local enterprises to overcome constraints and obstacles. The partnership is a key design feature of the B2B, from which a number of development benefits will be realised.

A first test of relevance along this assumption is thus to determine to what extent B2B stimulates Danish companies to engage in collaborations which they otherwise would not do. If Danish enterprises are not initiating any collaboration, the relevance of the business alliance programme and the programme theory can be questioned as the programme in its current design entirely depends on active Danish company involvement.

The Evaluation's conclusion is that the relevance of B2B differs from country to country. As a means of stimulating collaborations in French-speaking West Africa, the B2B has not proven its relevance. The reasons for the outcome might be a combination of factors, including a cultural distance, language problems, and overall marginal markets with perceived limited opportunities, and potentially low promotional activities by the embassies and other stakeholders. Should B2B seek relevance for such countries, a different approach than the current is required.

On the other hand, relative to the overall interest in the Danish business community manifested in direct commercial investments, B2B has been particularly effective to mobilise Danish enterprises to engage in Kenya, and also in Bhutan and Nepal, although the numbers of projects in the latter two countries are small, as described earlier, which would verify the relevance. Countries which attracted most of the engagements under B2B, i.e. Vietnam, Egypt and South Africa, also received considerable Danish and other foreign investments and Danish trade took place from a purely commercial point of view, hence the relevance of B2B as adding value requires to be tested.³²

32 Theoretically, the commercial FDI by Danish firms might have been triggered by B2B. However, the time lag required makes this this likely for B2B, but perhaps more likely from the previous PSD Programme. This has not been tested by the Evaluation.

A hypothesis from the above is that the relevance of the B2B Programme for Danish companies through engagement is varying between the countries involved. Below is an attempt to classify the 19 B2B countries in four relevance categories.³³

Table 5: Relevance of the B2B Programme in different countries

Potential high relevance	Potential medium relevance	Potential low relevance	Irrelevant
Kenya	Bangladesh	Burkina Faso	Benin
Bhutan ³⁴	Bolivia	Egypt	Mali
Nepal	Ghana	South Africa	
	Mozambique	Tanzania	
	Nicaragua	Vietnam	
	Uganda	Zambia	

A conclusion from the above is that a programme such as B2B should have a differentiated approach dependent on the country context to be relevant as a development cooperation mechanism. In the concluding chapters examples of such a differentiated approach are given.

Knowhow and technology transfer

The transfer of knowhow is relevant to developing a private sector, and in improving productivity, thus raising the value of labour, and indirectly wages. As will be further discussed in Chapter 7, the B2B has been effective as a mechanism in providing knowhow and technology transfers to the local partners in the majority of collaborations. The engagement of some 420 Danish enterprises in delivering training and general business skills over often several years in a down-to-earth and practical manner to an equal number of enterprises is a strength of B2B. Many partner companies express that the skills transfer meant a lot for their company development and enhanced their competitiveness. Even if formal partnerships did not continue or materialized, a significant number of Danish firms continued to deliver technical skills to their former partners on an informal basis. As a knowhow and technology transfer programme, B2B is relevant in countries where the B2B relative to commercial market forces play some role as elaborated above.

Competitiveness

Strengthened competitiveness is one of the objectives of the B2B Programme. However, strengthened competitiveness in one firm as a result of significant subsidies cannot per definition be seen as a desired outcome of the B2B as a development programme. As B2B is dealing with companies in competitive local markets, increase in competitiveness in one company through subsidies, might have a market distortion effect, which in its turn have negative implications on efficient use of scarce economic resources. Best practices in

33 The classification is based on the relative importance of the B2B in terms of initiated collaborations relative to overall FDI inflows, Danish FDI and trade with the countries. Note, the assessment is not addressing whether the collaborations deliver quality inputs, nor if the collaborations are sustained or not.

34 Danida is phasing out Danish development assistance to Bhutan.

micro oriented private sector development are to assure that the interventions are not having market distortion effects. Overall, the B2B Programme has been largely negligent of such potential unintended effects and they have not been assessed in the application process. To be fully relevant, a programme such as B2B must assure that distortion effects are not present.

Employment

Employment and employment for women is a priority objective in most PSD Programmes and also in B2B. As further discussed later in this report, B2B is estimated to have been associated with the creation of 9,000-10,000 jobs and a substantial number of indirect jobs and earning opportunities. It must be stressed that figures for job-creation should be taken with high levels of precaution due to methodological issues. While seemingly a significant number, the relevance of the programme must be placed in the context of the labour markets in the 19 countries which, excluding China, has a demand of the creation of about 10 million jobs *per annum*. As further discussed in Chapter 7, B2B is in relative terms a high cost programme per job created, hence scaling up of the programme has limitations. While the job-contribution relative to the needs is bound to be marginal in any business alliance programme, the relevance of B2B as a mechanism to stimulate the creation of jobs could be considerably enhanced, especially in terms of indirect jobs. This could be done through the focus on sectors and the type of projects promoted, whether a partnership has the potential of creating spin-off effects in the economy, or if the results largely will be within the parameters of the company. This is further discussed in the concluding chapters.

In the B2B Programme, there may be a conflict between competitiveness and employment. In some businesses, increasing productivity implies less employment – not more. This is an inherent problem in modernisation of economies based on market systems. The forces of ‘creative destruction’ to use a classic term of the economist Joseph Schumpeter means that low productive and traditional companies are destroyed and new are created through the market forces. A B2B Programme cannot avoid being part of such processes.

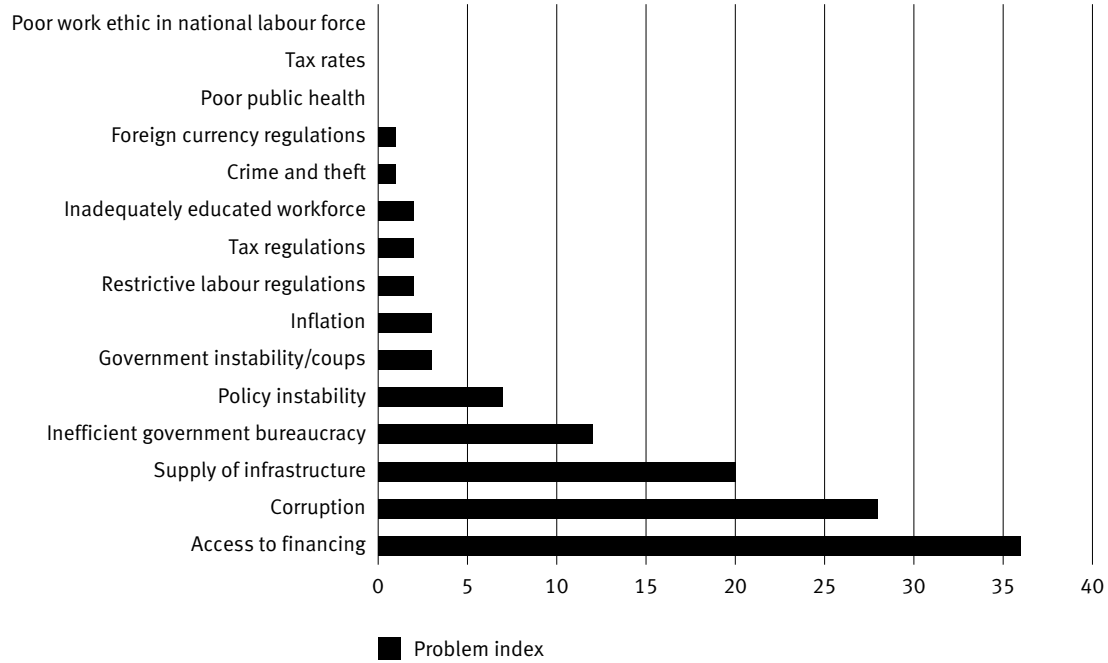
5.2 Relevance for addressing country private sector constraints

The ToR included the question to which extent the B2B Programme was relevant for addressing the constraints of private sector companies in the partner countries. A meaningful analysis of what are the constraints in the 19 B2B countries is beyond what the Evaluation can achieve. Nevertheless, there are some key tools available in identifying perceived major constraints by the business communities across countries. The Evaluation has used two instruments of this nature:

- World Economic Forum’s Global Competiveness Report which assess *the most problematic factors for doing business* using 15 predetermined categories, and
- World Bank and IFC Enterprise surveys, carried out over the last five to six years, assessing a number of dimensions in the business environment and using 11 specific constraints categories.

Both these tools are based on surveys of enterprises in the countries. The following ‘problem index’ has been established by the Evaluation for the 15 criteria used by WEF for the 19 B2B countries:³⁵

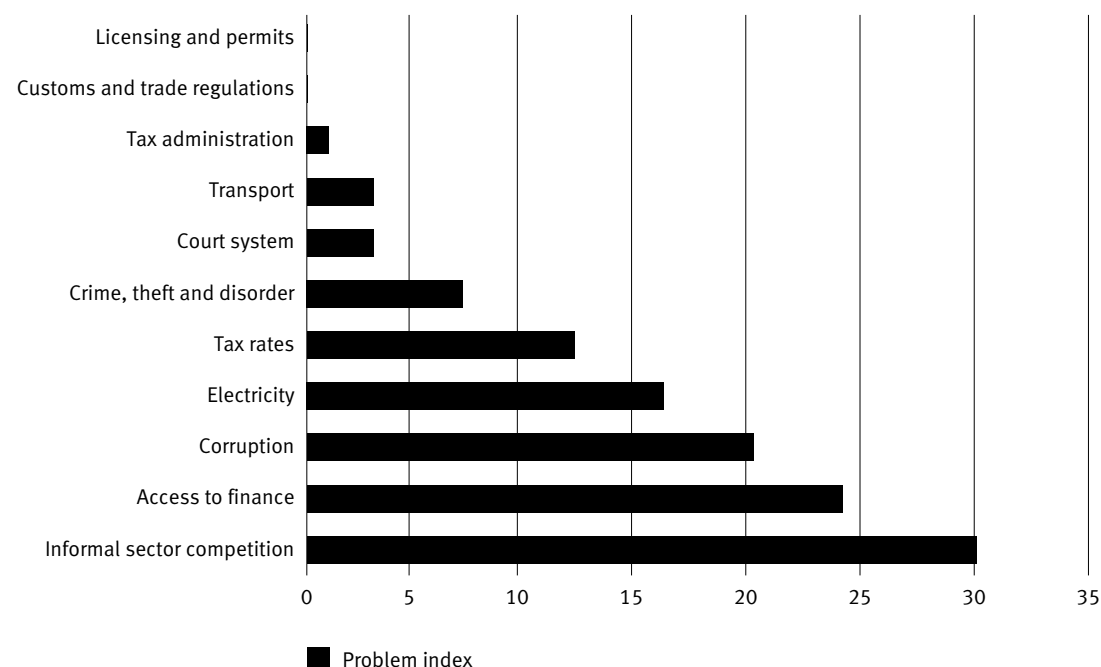
Figure 11: The most problematic factors according to WEF reporting in the 19 B2B countries



35 The Evaluation has based on these reports constructed a ‘Problem index based on problem ranked as 1, given the index 3; ranked as 2 the index 2, and ranked as 3, the index 1. These figures aggregated for the 19 countries.

A similar procedure gives the following distribution of major constraints in the 19 B2B countries identified by the World Bank:³⁶

Figure 12: The major constraints in the 19 B2B countries according to World Bank surveys



Access to finance takes top position for almost all the countries as the most problematic factor for doing business in the World Economic Forum's assessment, while in the World Bank's survey it is placed number two. From this perspective, the B2B Programme seems to address a critical constraint by its liberal supply of funding especially to smaller enterprises, which tend to be more or less excluded from formal financial markets in many of the B2B countries. However, B2B is a temporary measure aimed at a selected few enterprises engaged in the programme. B2B does not address systemic constraints related to finance in the targeted countries. Furthermore, the finance delivered by B2B is largely controlled by the Danish firms and in line with B2B Programme intentions, which might not necessarily be the priorities for the local companies. Furthermore, in the B2B portfolio very few projects are in the financial sector. Another aspect is that the provided capital comes in the form of grants, and thereby might contribute to skewing the financial markets by providing scarce capital to bad business ideas, i.e. the capital could have been better used in more productive enterprises. In summary, the programme's relevance in addressing financial constraints must be termed as not relevant, and possibly even counterproductive in some cases.

36 Basic data from <http://www.enterprisesurveys.org/Data/ExploreEconomies> for each of the 19 B2B countries. The key constraints have been ranked based on number of companies reporting a particular issue as a problem. In the aggregation 3 points were assigned for the most significant problem according to the enterprises (most companies claiming a problem), 2 points for the second most important, and 1 point for the third. These numbers were aggregated to form the 'problem index' used.

Corruption is the second most essential problem in the 19 B2B countries according to the WEF and third most critical according to the World Bank survey. As discussed in Chapter 4, corruption appears not to have played a role in Danish enterprises' choice of destinations, nor that corruption seems to impact whether the firms continue to the Project phase or not. The question is to what extent the B2B Programme has impacted or could impact on corruption in the eligible countries, hence if the programme is relevant to address this constraint in the business environment. The design of B2B has taken the risk of corruption seriously. Many Danish companies have also applied zero-corruption policies. Engagement by a Danish firm might to some extent reduce corruptive practices both by the local partner and at the market place through transfer of values, improving accounting systems and application of non-corruptive practices in partnerships; hence the programme could be relevant in this respect. Overall, the B2B can be considered marginally relevant in terms of addressing one of the most critical constraints in business.

Supply of infrastructure, the third most common perceived problematic factor in the B2B countries according to the World Economic Forum, and fourth most significant according to the World Bank survey, is very marginally addressed by the B2B collaborations. In the World Bank survey the major infrastructural constraint is access to electricity. The B2B portfolio has a significant number of collaborations with a focus on (renewable) energy supply and energy efficiency services. However, these projects are small and none of these assessed had more than a highly marginal impact as discussed later. There are a few B2B projects in transport, but the same is true for them as for energy. There is probably no inherent issue in a business alliance programme preventing the programme to more effectively address infrastructure issues, hence being more relevant. However, it would require a different targeting, and possibly stronger linkages to relevant sector programmes. A comparison can also be made to other forms for private-public sector programmes focussing on solving infrastructure constraints, such as the Private Infrastructure Development Group with its profound impact particularly in Africa.³⁷

Competition from the informal sector is in the World Bank survey the perceived most common key constraint in the 19 B2B countries (The WEF does not have this category). The issue is related to the perception that the informal sector is under-cutting in price, delivers sub-standard products and services and overall creates unfair competition by avoiding regulations, permits, paying taxes and so on. The B2B Programme is only engaging formal sector companies; hence there is a certain relevance of the programme to address problems with the informal sector in the sense of strengthening formal sector enterprises. However, due to scale the impact is minimal and, furthermore, the programme does not address issues of underlying factors of the reasons for the large informal sectors in the economies.

In summary, the key constraints in the business environment as defined by local companies in global surveys are of a nature where business alliance programme such as B2B has inherent limited relevance in addressing these issues. On the margin, the relevance could be enhanced, for example in targeting specific sectors such as financial institutions and companies engaged in infrastructure, and more strongly linking the B2B to sector programmes carried out by Danida or by other actors such as multilateral finance

37 See various evaluations in www.pidg.org

institutions. The conclusion is, nevertheless, that the underlying theory is overstating what a business alliance programme possibly could achieve.

5.3 Relevance for partnership creation

Long-term sustainable and commercially viable partnerships is in the underlying theory of B2B not only seen as a means to an end, but as an objective in its own right with the dual purpose of addressing private sector development in targeted countries and also providing benefits to Danish enterprises. As further discussed in Chapter 6 the evaluation estimates that the B2B Programme has been instrumental in creating some 120 sustained partnerships out of about 445 attempted efforts (excluding the Contact phase). While the efficiency and effectiveness of the B2B in stimulating the creation of sustained partnerships will be discussed in subsequent chapters, the programme is relevant, especially as most of these partnerships would not have happened without the programme. The Evaluation has based on the case country studies and also interviews in the random sample, concluded that in most cases, the Danish firms engaged in B2B would not have sought business opportunities in these countries without the B2B support and the active promotion by the programme. On a country-by-country basis, the statement of relevance must, however, be qualified, in view of the inability to engage any Danish enterprises in some of the 19 countries due to their lack of demand.

5.4 Relevance to Danish companies' competitiveness

The B2B Programme like other business alliance programmes has an explicit objective that also the Danish companies should benefit. In the B2B this is expressed in the formulation of objective as the companies "may gain access to new markets, raw materials and reduced production costs." In Chapter 7 the Evaluation discusses the benefits to the Danish companies, and concludes that financially, the B2B has only marginally been useful for the Danish enterprises as a collective. However, many companies express appreciation of the programme as a means of exposure to different business cultures and see the engagement as significant learning. Few, if any Danish companies seem to regret having engaged in B2B even if it financially has not paid off. As a means of engaging the Danish business community in cooperating with often marginal countries in the global economy, providing their knowledge and as such contributing to the solidarity with poorer nations, B2B has been an important and relevant programme. As a means of strengthening the Danish companies' competitiveness, the relevance is more questionable. There is an opportunity cost to the Danish firms for their involvement. Engaging in non-core markets in complicated business ventures such as joint ventures with to some extent unknown partners takes away energy that could be devoted to 'lower hanging fruits' in other markets. In short, the relevance of B2B as a means gaining access to new markets, raw materials and reduced production costs is doubtful for all except a limited number of Danish companies.

5.5 Relevance for economic growth, social development and poverty reduction

As will be further discussed in this report, the contribution of B2B to economic growth and poverty reduction overall in the 19 countries is, not surprising, negligible due to scale both in number of viable partnerships and the size of most partnerships. There are, however, examples of projects in B2B which at least in a local or regional context are such that an impact on growth and poverty can be manifested. Some of these projects are potentially outstanding in terms of their potential development impact on markets engaging the poor, hence might in the long term have a significant poverty impact. But these are a small minority and whether they eventually will make up for the large number of projects without such effects is not possible to determine at this stage. The impact of such ventures will not be evident in the short-run.

Relevance towards the broad, overriding objectives cannot be isolated from the question of efficiency and effectiveness. Has B2B provided value for money in terms of contributions to economic growth and poverty reduction, which justifies a cost to the Danish development cooperation of about DKK 1 billion, or could the relevance of the programme be enhanced with a different design? As will be further discussed in this report, the answer of the Evaluation is that a business alliance programme such as B2B could be considerably more relevant for Danida's overriding objectives than the B2B has been.

6 Efficiency

Efficiency concerns the relationship between outputs and inputs, hence is an economic term. The ToR pose a series of questions under the label of efficiency, which are related to the ratio between *outcome* and *input*, than *output* and *input*, hence probably should be labelled cost-effectiveness. This chapter deals with the ratio of *outcome* to *inputs*.

As a point of departure for assessing efficiency (or cost-effectiveness) in B2B, the inputs to the B2B Programme in terms of Danida financial resources will be discussed below.

6.1 Inputs: the cost structure of B2B

B2B has the following cost-elements:

- Grants for the Contact phase.
- Grants for the Pilot and Project phases.
- Marketing costs.
- The administrative costs for Danida and the embassies to manage the programme.

The first three items have specific budgets and are followed up in terms of actual costs. The fourth is not shown separately for B2B, and the Evaluation has made an estimate based on staff and salary data provided by Danida. The analysis below must be seen as an approximation of costs as B2B was a programme in a series of similar programmes. Thus, some projects were started and funded in the PSD phase, while others have continued with DBP funding.

Grants for the Contact phase

Grants provided to Danish and local firms to undertake visits have been difficult to trace in B2B as they were provided as block allocations to the embassies. Based on data provided by Danida for some of the 19 countries, the Evaluation's estimate is that the total disbursement under the Contact phase for the period from 2006 to 2011 has been in the order of DKK 40 million. Some countries, such as Vietnam and Mozambique, had disbursements of over DKK 5 million, while other countries such as the West African countries had hardly any cost for the Contact phase.

Grants for Pilot and Project phases

The division on grants and disbursements for the Pilot and Project phases are not transparent in the B2B Programme as some embassies in their reporting have included Pilot grants under the Project grants, while others report these separately in the database. In the estimate of the Evaluation, the disbursements under the Pilot phase grants account

for about DKK 300 million,³⁸ while the disbursements under the Project phase, *exclusive* of the Pilot phase, would be in the order of DKK 580 million.³⁹

Marketing costs

B2B had a budget for marketing costs both at the embassy level and for the central B2B administration. The tracing of the disbursements under this heading has not been complete, but the Evaluation's estimate is that the total marketing cost had been about DKK 40 million, very unevenly distributed between the countries. For example, Mozambique alone had a marketing cost of DKK 11 million, while the French-speaking West African countries had none.

Administration and management

B2B has costs for administration and management by Danida in Copenhagen and by the Danish embassies in the 19 eligible countries. This cost was not included in the B2B Programme budget. Based on figures of staff engagement in the programme at the Ministry and at the embassies, and with salary levels and estimated overheads, the Evaluation has calculated the total administration cost for B2B from 2006 to 2011 to DKK 90 million. This corresponds to about 8% of the total disbursed funds.

The estimates above result in the following cost-structure for the B2B Programme:⁴⁰

Table 6: Summary of costs for the B2B Programme

Cost and budget item	Estimated cost (disbursed) DKK million	Per cent of total cost
Contact phase grants	40	3.8
Pilot phase grants	300	28.6
Project phase grants	580	55.2
Marketing	40	3.8
Administration and management	90	8.6
Total	1,050	100

38 Calculated based on 80% disbursement of approved grants (DKK 158 million) for the Pilot only collaborations, and 90% of all Project collaborations going through an initial Pilot (240 projects) of an average disbursement of DKK 0.8 million.

39 The figure is based on an assumed disbursement of DKK 880 million for the Pilot and Project phases once all disbursement are over.

40 Support to DI and HVR from Danida is counted under the Contact phase.

Dividing the costs on the different phases of the B2B the following cost structure emerges, assuming an equal share of the administrative cost for the three phases and that the marketing costs can be allocated in full to the initial matchmaking phase:

Table 7: Summary of costs for the B2B divided into phases

Programme phases	Estimated cost (disbursed) DKK million	Per cent of total cost
Matchmaking phase (Contact phase)	110	10.5
Initial collaboration (Pilot phase)	330	31.4
Deepened collaboration (Project phase)	610	58.1
Total	1,050	100

6.2 Efficiency in matchmaking

Considerable efforts by DGG in Denmark and the embassies have been put into the initial matchmaking and promotion when there neither was a clear interest from Danish companies of engaging in businesses in any of the countries, nor any identified partners. The programme was proactive in the matchmaking in different ways besides providing grants for the Contact phase: The embassies, DGG, HVR and DI arranged various matchmaking events such as fairs and delegations, often tailored to specific sectors with the dual purposes of marketing the programme and stimulating initial contacts; many embassies and HVR engaged actively in specific matchmaking efforts by talking to individual enterprises about the opportunities and the potential partnerships; the embassies produced business profiles for the countries, identifying sector opportunities as a means of guiding companies. While there were standard elements of the matchmaking in the programme design, the embassies could to a large extent design their own approaches and be more or less proactive in the matching phase, partly due to demand, partly due to the human resources allocated to the programme at the embassy level (in many countries, the B2B Programme coordinator was not a full-time position).

How efficient was the matchmaking at the Contact phase? A first answer to the question is that almost all collaborations which applied for a Pilot or Project phase grant had been engaged in the Contact phase or other matchmaking events of the B2B Programme or its predecessor. In the e-survey conducted in the Evaluation, over 80% of the respondents said that the Contact phase was either extremely important or important for the formulation of the Pilot phase. One of the findings of the Evaluation is that only few of the Danish firms and their partners know of one another before engaging in the B2B. Partners met as a result of B2B. The *additionality* of the B2B was consequently very high for the Danish companies to seek the B2B partnerships.

A second test of efficiency is the cost to Danida in stimulating such matches. The overall cost for the matchmaking and Contact phase is estimated to DKK 110 million as mentioned above, implying a cost per Contact phase of DKK 85,000.⁴¹ The cost per partnership in the matchmaking phase *leading to engagement* in the Pilot phase is about DKK 260,000, including the management, marketing and administration costs.⁴² Compared to similar donor programmes the support level in B2B was generous. The Norwegian Matchmaking Programme provides grants of up to NOK 60,000 per company to cover 80% of the travel costs for participation in matchmaking events in the selected countries. Furthermore, the Norwegian companies have to pay a fee of NOK 10,000 for participation in the MMP. Finnpartnership does not provide any grants for matchmaking, but has a virtual meeting place where Finnish and local companies can advertise, and also services by consultants arranging matchmaking. Swedpartnership lacks a specific grant for matchmaking, and it is assumed that the partners have established a contact beforehand which in fact is a condition for participating in the programme.

The Norwegian MMP has been effective in mobilising the Norwegian SME sector over an extended period of time in some of the countries. For example, from the early 1997 to 2009 it mobilised on the average 15 Norwegian companies per annum in South Africa to participate, and in Sri Lanka almost the double. Of that number, about 40% entered into a partnership manifested in a MoU.⁴³ In the Norwegian MMP, the estimated cost for an established MoU in South Africa was about NOK 350,000. Using Norway's MMP as a reference, the Evaluation concludes that B2B was an efficient programme to stimulate visits and establish partnerships, especially as B2B include countries for which there was very little interaction between Danish and local companies prior to the programme.

6.3 Efficiency in promoting initial partnerships

Most, but not all collaborations, have followed the assumed logic in the B2B in the sense that they first go through a Contact phase to find a partner, then a Pilot testing the business idea, and thereafter applying for a Project phase grant for deepening the collaboration. Of the Pilots initiated, slightly more than half continued to the Project phase. This appears to be a measure of considerable effectiveness for a business alliance programme, especially taken into account that the great majority of partners had no previous experience of one another. The cost to Danida for each partnership, which entered the programme and continued after the Pilot to the Project phase can be estimated at DKK 1.7 million.⁴⁴

41 Calculated as follows: DKK 110 million divided on 1,300 projects; of this DKK 40 million was subsidies to the companies.

42 Calculated as follows: DKK 110 million divided on 420 Pilot phase projects.

43 On the other hand, in Bangladesh, which was introduced in MMP in 2010, the number of Norwegian companies involved has only been about four per annum of which two entered a MoU for collaboration.

44 Calculated as follows: Cost for the Contact phase DKK 110 million and for the Pilot phase DKK 330 million. Number of partnerships, which have entered the Project phase with or without prior Pilot phase 240 and an estimated 20 partnerships, which continue without the Project phase support.

Overall, the B2B has had in an international comparison a generous grant system of up to DKK 1 million (+ support in the Contact phase) for undertaking the initial feasibility phase' of collaboration as compared to similar other programmes. As a reference, in the Norwegian Application-based Support for training and feasibility studies, Norad funds maximum 50% of the cost and the approved amounts tended in reviewed period to be NOK 0.2-0.3 million (exclusive of administrative cost for Norad). The estimated share of continued collaboration in the Norad scheme was 30-40%, which did *not* involve any further Norad support, but was based on the partners own funding on commercial terms. Calculating the cost in the Norwegian MMP and the Application-based Support gives a cost per sustained collaboration beyond the feasibility stage of about NOK 1 million in the mid-late 2000s (equivalent in DKK).⁴⁵

The Evaluation's conclusion is that while the B2B has been effective in stimulating initial collaborations to move into deepened business relationships, this has been accomplished at a relatively high cost to Danida per such partnership. B2B is only partly an efficient programme to promote longer terms collaborations. The key reasons, derived from interviews with stakeholders, are:

- The B2B has had a generous grant mechanism under the Pilot scheme, which basically can be seen as a feasibility test. Some companies saw it as an incentive to continue and benefit from further grants. Over 80% of the grant cost has been for training, technical assistance and feasibility studies, most of which has been provided by staff of the Danish partner firms (fees for staff and travel costs). As the B2B has funded 90% of the costs, the Pilot phase of the programme implied a low-risk venture.
- There was a mixed objective in the B2B Programme in the sense of, on the one hand, testing the commercial viability of partnerships, and, on the other, using the Danish partners to deliver technical assistance and knowhow transfer to companies in the partner countries, especially in fields such as environment, OHS and CSR.

Taking the last point into account, the efficiency cannot only be judged on pursued partnerships (see further below).

6.4 Efficiency in promoting longer-term partnerships

As further discussed in the next chapter, the estimate from the random sample is that about 27% of partnerships which were initiated in the B2B Programme (Pilot or Project phases) is likely to be sustained as formal businesses after the B2B ends. (This figure corresponds to the case study in Uganda, but it is above the results in Bangladesh.) The random sample indicates that about 40% of the partnerships which entered the Pilot phase did not move into the Project phase, while of those 48 projects that entered the Project phase, 62% either have ended or are unlikely to be sustained after the end of the programme. While a dropout rate at the Pilot phase which is a test of business ideas and newly formed partnership must and should be expected, a survival rate of less than 40%

45 The calculation is based on information in an assessment of MMP and ABS in South Africa 2000-2007, see Lindahl et al. (2010) Evaluation of Norwegian Business-related Assistance. South Africa case study report.

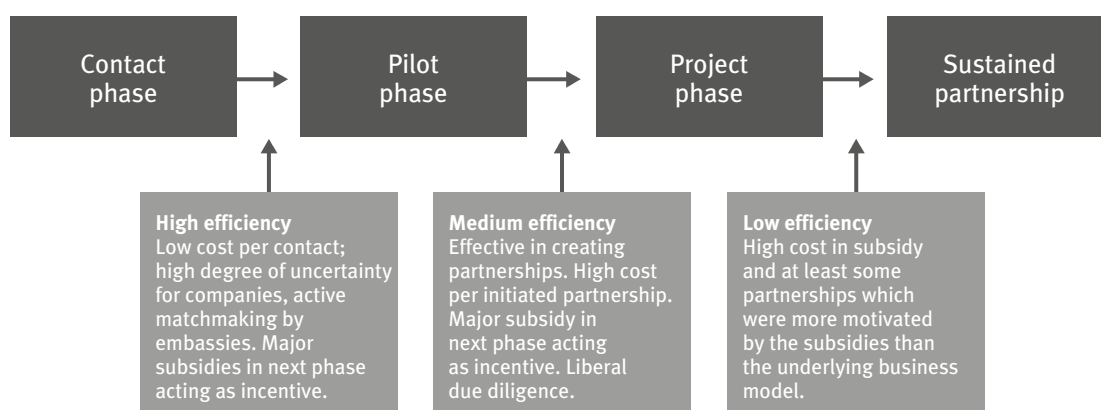
of those partnerships which enter the Project phase is according to the judgement of the Evaluation more worrisome. However, the results must be qualified in two respects. First, about 12% of the *Pilot only* projects continue as a partnership outside the B2B. Second, in partnerships that have collapsed in a formal sense, there sometimes is an informal relationship based on friendship, which might have a not inconsequential element of prolonged knowhow transfer.

The main reasons that three out of four partnerships that enter the B2B (at Pilot phase) will not survive in a formal sense beyond the programme are according to the views of the Evaluation:

- Start-ups and newly formed businesses tend to have a high rate of failure in most contexts due to market conditions and other factors.
- The B2B took place in the midst of the global financial crisis, which impacted on many Danish firms resulting in bankruptcies and withdrawal to the core home market.
- Overall, the appraisal process in the B2B has been liberal. Few applications submitted have been rejected, hence there was limited due diligence in the programme assuring a high chance for sustained partnerships. An evidence of this is that almost all projects which intended to seek support from IFU for co-financing, in the form of loans or as equity, were either rejected by IFU or the partners did not pursue such financing as they realized that the financial basis of the partnership was not strong enough.
- As mentioned earlier, the 90% support element in the Project phase leaves very little risk at the hand of the Danish partner to continue from Pilot to Project, especially as the firm can capture this support by providing training and technical assistance through its own staff. Some partnerships might therefore have moved into the Project phase even if the business case was weak and the partnership not strong. Once the grants were over, the incentive to continue evaporated.
- A not insignificant number of projects were formulated as short-term technical assistance projects where the partners never had the intention of establishing a long-term partnership or only had 'hypothetical intentions'. These were accepted in the programme on equal terms of all others.

In view of the fact that the full cost of the programme is likely to be DKK 1,050 million and the number of partnerships, which are likely to survive after the programme is about 120, Danida's cost per surviving partnership is about DKK 9 million. As many of the partnerships are small, and some weak, the subsidy element is considerable. As compared to the other Nordic programmes, the B2B was costly as a means to create surviving partnerships.

The Evaluation's overall conclusion is that the efficiency (or cost-effectiveness) in the B2B declines along the Contact-Pilot-Project phase stages as indicated in the figure below:

Figure 13: Efficiency levels in the different phases of the B2B Programme

It should be noted that the declining degree of efficiency/cost-effectiveness in the programme has less to do with the effectiveness of Danish companies moving from Contact to Pilot to Project and to Sustained partnerships, and more with the costs in the different stages, largely dependent in the increasing support element to the companies especially in the Project phase.

6.5 Efficiency beyond promoting collaborations

Efficiencies should not only be judged based on continuing partnerships. Value was created by the matchmaking and especially so in the pilot processes. Value might also be created in local companies in projects in which partnerships are broken up. In fact, one of the most successful such projects identified in the portfolio, a cotton processing company in Northern Uganda, belongs in the latter category. This project, which initially had a small Danish firm as a partner, succeeded in building a successful local company and provide a market outlet for some 35,000 cotton and sesame farmers in the war-torn Gulu district in Northern Uganda where limited economic opportunities existed. The collaboration with the Danish firm, however, did not last. See further Annex J for a case study. It is therefore essential to avoid seeing the B2B as a programme which is judged to what extent and how successful it is creating commercially viable partnerships with Danish enterprises. As a programme financed out of the Danish development cooperation budget the key efficiency measure, or more general the *value for money*, should not be based on the partnership factor, but the developmental results it creates in the partner countries versus the cost of the programme to the aid budget. Unfortunately, no quantifiable measure can be established for this as the benefits to the partner countries are not fully known yet and are of a nature that they cannot be aggregated.

In this context it is important to take into consideration that the programme is not only delivering benefits, but also costs in terms of companies that are losing money due to poor investments and more general, there are market distortion effects due to the subsidies of specific companies in a competitive market. The Evaluation's qualitative assessment, nevertheless, is that substantial knowhow transfers have taken place, and local companies have gained from the B2B. Whether such net gains justify the cost of B2B of near DKK 1.1 billion is a different matter. The Evaluation's judgement is that B2B is less than desired efficient/cost-effective due to two key factors:

- As a means of *creating sustained partnerships*, B2B efficiency is low due to the high subsidy rate which both act as an ‘incentive’ to prolong weak business models and partnerships and add to the high costs;
- As a means of a creating *development effects for poverty alleviation*, the B2B Programme has not sufficiently been oriented in that respect in its marketing and due diligence of projects, for example in *ex ante* assessment of potential development impact for the poor, creating systemic effects beyond supported companies, and avoiding distortion effects on markets.

It could be argued that the efficiency/cost-effectiveness problem at least to some extent is due to the incoherence between the overriding objectives. This is further discussed in the final chapter.

6.6 Factors determining success in partnerships

The ToR request an assessment whether any specific factors (for instance company type, motivation, financial incentives, power relationship between partners, type of partnership project, or other) systematically come into play in promoting Pilots to Project partnership, and how the rate of companies establishing successful partnerships can be increased. The Evaluation has in the random sample tested the contextual factors in terms of the difference between Pilot only collaborations and Project grants.

Even though the collaborations in the random sample in the general analysis have been treated as a coherent group, it is no surprise that there are differences between the results of Pilot phase collaborations and those reaching Project stage. The Evaluation has looked into which contextual factors have had the strongest influence on results also in Pilot only collaborations. The general picture is that Project phase partnerships have had better impact along the five results areas than pilot collaboration. This is not surprising. While the Pilot collaborations in general show fewer positive results than the Project collaboration, most of the contextual factors do not play as significant a role in the Pilots as in the Projects. In some cases, the Pilots follow the same line (though less significant) as the Projects and in other cases the picture is very blurred. Three of the contextual factors do, however, seem to also play a role in the Pilot collaborations which are all related to the Danish company, namely: size, financial robustness and previous international experience. Hence, these three contextual factors could be some of the most influential on results of the collaborations in general.

The Evaluation has also tested what appear to be key factors leading to *sustained partnerships ex post B2B*. The response to this question is through two means: 1) relating pre-determined contextual factors to the sustained partnerships post B2B; and 2) analysing key factors determining success expressed in interviews with partner companies.

The Uganda case study found that size of the participating companies matters for the chance of sustained collaborations. The larger the company, especially the Danish partner, the greater was the chance for a sustained collaboration. In Uganda where different forms of partnerships were applied (such as joint ventures, agencies and trade collaboration), the case study also found that joint ventures had a lower success rate than other forms of partnerships.

In the Bangladesh case study, financial robustness of the Danish partner was a determining factor for successful partnership. Especially the ICT sector in Bangladesh had a high ratio of failed partnerships of financially weak companies at the time they entered the programme, which could not survive the onset of the financial crisis in 2008-2009. For details, see the case country study in Annex J.

In the random sample, the Evaluation has tested the relationship between the rate in terms of likely sustained partnerships beyond the B2B with a series of company and collaboration contextual factors in line with the proposed methodology (for details of definitions and categories see Annex B). The results are indicated in the table below.

Table 8: Relationship between contextual factors and sustained relationships (random sample)

Contextual factor	Correlation with sustained partnerships post B2B
Size of the Danish company.	Large companies higher degree of sustained partnerships, followed by micro enterprises.
Size of the local company.	Medium-sized enterprises higher degree followed by micro enterprises.
Age of the Danish company.	Older companies higher degree than younger.
Age of the local company.	Older companies higher degree than younger.
International experience of the Danish company.	Considerable experience slightly better chance for sustained partnership.
International experience of the local company.	Considerable experience by local partner much higher degree of sustained partnership.
Financial robustness of the Danish company.	Financial robust companies have higher degree of likely sustained partnerships.
Financial robustness of the local company.	Financial robustness impact positively to a certain extent.
Business motive of the Danish company in B2B (market extension, outsourcing, in-sourcing of material, technical assistance).	Market extension the highest share of sustained partnerships.
Type of partnerships (agent; buy/sell; joint venture; technical assistance (TA)).	Buy/sell has the highest share of sustained partnerships, and TA the lowest.
Business sector (agro & food, ICT, environment technology and other).	Environmental technologies and agro-food a higher share, while ICT low.

While these findings confirm the initial hypotheses of the Evaluation, it is essential to note that none of the factors have a sufficiently profound determining effect reflected in a clear correlation. For details see Annex E Figure 1-11.

The Evaluation, using the random sample, also tested to what extent the rate of sustained partnerships was correlated with the country contextual factors discussed in Chapter 4. The Evaluation found no strong correlations with any of the country contextual parameters. Thus, for example, there was not a higher rate of sustained partnerships

in projects taking place in countries considered having a good business environment according to the World Bank's Doing Business Index (such as South Africa) than in countries with a poor environment (such as Bolivia).

The interviews carried out with the partner companies shed a different light on what determines if a partnership in B2B leads to a sustained partnership post B2B. Important factors are:

- *Trust* between partners and the right 'chemistry'. Developing trust is not an easy process in business partnerships involving partners that generally don't know one another beforehand. However, in several interviews, partners have pointed to the importance of frequent visits by the partners, that it is the same key persons from Denmark that visit every time, and also the importance of the local partners making study visits to Denmark. Besides this, it is very difficult to identify factors that create trust, except refer to general personal traits. Similarly, chemistry cannot be imposed on partners but it has been clear that the successful partnerships has mentioned this factor as key and that a number of the failed partnerships has pointed to lack of good personal chemistry.
- *Time* that is strongly related to trust. It is essential that a programme such as B2B allows sufficient time for building trust and do not rush partners to form business alliances faster than they prefer. Many partners have pointed to the flexibility of the embassies in terms of extensions of both Pilot and Project phases as important for letting their partnership and business develop at its own pace.
- Coordination and *alignment of expectations* to the partnership and the business idea in terms of input, products, time horizon etc. This is closely interlinked with trust, chemistry and allowing sufficient time for the partnership to develop. An issue brought up by many local companies is a perceived feeling of imbalance that the decision-making on how the funds used are almost exclusively determined by the Danish partner.
- *A flexible arrangement* of what type of business formation partners want. The joint venture model, when enforced strictly as was the case in Vietnam was not always productive as it is the most complex business alliance and in many cases was contradictory to company policies and wishes.
- *Early successes in business*. There is generally a limited staying power if business is not emerging in terms of market access and financially rewarding arrangements.
- The *vision of the partners* that the business alliance will create something of value, often seemingly involving more than just commercial return for the Danish partner, but also elements of altruistic motives or corporate social responsibility. The interest by some Danish partners to continue to pursue the partnership even under adverse conditions was striking, while others took the participation light-heartedly.
- Generally, an important, albeit qualitative, factor is what can be termed *management skills* and mind-set of the business partners. Managers, who are realistic, with an easy readiness to deal with unexpected events and delays, and with the ability to react flexibly and creatively to challenges, have a better chance.

As mentioned above, not all the B2B collaborations intended a long-term business relationship. In some countries, projects were initiated by Danish firms and entrepreneurs, who only planned to deliver services in the form of technical assistance as long as the programme paid for this. For example, in Uganda, a third of all partnerships were of such nature. In fact, some of the best development projects in the Uganda portfolio, which had positive sectorial effects, were delivered by Danish organisations specialising in technical assistance without plans to continue in a joint business. There were farmers that engaged in the programme more of altruistic motives and for personal reasons, than with a common long-term business model as a vision. This fact once again emphasize that the B2B Programme should not primarily be judged from the point of view of sustained partnerships. For details, see the Uganda case study in Annex J.

The discussion above illustrates the problems associated with efforts to increase effectiveness in a business alliance programme by trying to select partner companies based on administrative criteria such as company size, financial robustness or international experience, especially if issues such as additionality and developmental effects are taken into account. There are some weak correlations, i.e. that large and financially robust companies and companies with considerable international experience perform better, but there are also micro enterprises, financially weak and with no or limited international experience that succeed.

6.7 Efficiency in Adapting to Internal and External Factors

The efficiency of (the B2B Programme) “adapting to external and internal factors” in the design phase, and indeed in the implementation phase of Pilots and Projects is difficult to judge. An example of seemingly low adaptability in Bangladesh took place in the ICT sector. At the same time as the Bangladeshi industry expanded by increasing exports by almost 50% a year (2011-2013), the B2B ventures started collapsing. In Uganda, the B2B Programme – or rather its follow-up programme DBP – was rigid in its interpretation of the new rules (of at least five employees in the companies) which closed the opportunities to continue for quite a number of well-functioning Pilots in agribusiness involving Danish micro enterprises in terms of employment (basically a single farmer). This meant not only lost opportunities, but also a degree of bad-will in the Ugandan business sector. In Vietnam, the embassy applied a rigid approach to eligible partnerships where only 50-50% JVs were accepted. Such a formula was not conducive for effective partnership and it meant that some seemingly viable partnerships were rejected of no other reason than formality. In Egypt, the revolution in 2011 meant that a decision to close down the programme in 2012 was reverted and the programme was extended for a few years but when the new closure date was approaching it was again extended now without an expiry date. This has left the embassy with a difficult job in terms of managing the portfolio of potential projects and partners. In other countries decisions were made while B2B was ongoing to shift away from certain sectors, such as garments.

On the other hand, embassies have often been resourceful in helping Danish companies identify new potential partners if the current partnership had gone sour. Some of the most successful B2B projects are results of this, for example in the cotton sector in Uganda and in the coffee sector in Bolivia. While the B2B Programme overall was not administered by staff with a background in business or with experience from institutions having assessment of business cases as its profession, both local and Danish partner firms testify that the embassy personnel overall were service oriented, ready to be flexible and

participate in problem solving and adjusting to changed circumstances. All the instruments used in the Evaluation confirm this view. However, some partners would have like more assistance from the embassies, especially as regards the legal aspects of setting up partnership agreements.

It is a common experience in most business development that initial plans have to be modified as a result of market changes and other factors. Hence flexibility in support is critical and a too rigid structure of what can be financed or not and what form a partnership should take can be counterproductive.

6.8 Efficiency in embassy implementation

The B2B management system builds on a dual management function: at the centre in Danida and at the embassies. According to information provided by Danida, in total some 18 persons (full time equivalent) have been involved in the administration and management of the programme, the vast majority at embassy level.⁴⁶ Some of the embassies have recruited one or two local staff to administer the programme, while in others, administration was a one-person part-time job. The delegation of the B2B management to local staff seems overall to be a useful approach. Not only do local employees cost less, but they tend also to have a better understanding of the local environment and economy, stay longer with the programme, and so on. During the fieldwork and interviews with staff at the embassies, the Evaluation has come across a number of very well qualified, motivated and professional programme managers.

In the Uganda as well as the Bangladesh country studies, the Danish companies were generally positive towards the work done by the embassies, and the interviews carried out with Danish and local companies in the random sample also support this conclusion. The result of the E-survey in this respect is that 78% of the respondents were either very satisfied or satisfied with the “level of advisory support received from the Danish embassy”.

A particular issue is the balance of responsibilities between local staff and Danish expatriates at the embassies, and especially to what extent other embassy staff engaged in B2B. A number of very short Project Completion Reports with no analysis, but signed off by the Ambassador, is an indication of a possible low priority at some embassies. The issue is understandable: expatriate staff positions at the embassy are few; persons stay a limited time; and generally deal with Danida programmes with considerably more financial resources and with less staff resources.

The B2B Programme is considerably more staff intensive than the Nordic sister programmes in business alliances, which all also have applied a more central administration than B2B. For example, the Finnpartnership, implemented by Finnfund, uses two to three persons all located in Helsinki. Swedpartnership, since 2009 outsourced by the Swedish Government for implementation to Swedfund, has a staff of two persons working full time on the programme, both placed in Stockholm. The Norwegian ABS support is managed by Norad from Oslo with about two full time staff-years, while

46 Some stakeholders interviewed with insight of the B2B consider this a considerable underestimate.

MMP is outsourced to Innovation Norway, using between 5-10 persons (not all full time) both in Oslo and in selected country offices on the MMP.

The model of B2B anchored in DGG in Copenhagen but using embassies in country administration has its merit of a stronger local presence, allowing both active marketing at country level and fire fighting in partnerships with problems. The drawback is administrative costs, and perhaps more important, the risk of a programme which promote quantity before quality where embassy staff, in order to justify their work, might promote and accept projects which should not have been provided with public funds. The delegation of business alliance programmes to a DFI as in Finland and Sweden is an option. It has the merit on anchoring the programme in an institutional business environment with peer professionals.

6.9 Accounting for results: Documentation and monitoring

As mentioned before, B2B established an ambitious reporting system both *ex ante* and *ex post*. The number of reports produced by the participating companies and by the programme management bears witness of this. Especially the *ex ante* reporting in terms of company applications for Pilot grants and Project grants are very detailed and extensive. The B2B is a rigidly designed programme in terms of how an application for Pilot and Project phase support should be written. It is more attuned to a public sector bureaucracy than to business and especially to small companies with no 'project'-related experience. The template is such that the applications become extremely lengthy, covering some essential aspects, but far from all. Much of the information is not of value to the programme management, nor to the partners. In the E-survey, 66% of the respondents found the preparation and reporting requirements too demanding or demanding. Only 2% found them easy to cope with.

The massive documentation at the *ex ante* stage is such that programme managers became bogged down in too many details, and risked losing sight of what the partnership was all about. Furthermore, the documents were supposed to be joint contractual agreements, but local enterprises often complain that it was all dominated by the Danish firm, that their say was limited and sometimes just a question of signing a paper. The *progress and ex post* reporting, on the other hand, suffered from the opposite problem: too vague and with too low ambition.

Specific points derived from the Evaluation's review of nearly 1,000 documents for 140 assessed B2B Pilot and Project phase projects are:

- The application documents were complex, time-consuming for the partner companies to fill in, and contained more information than could be used by the embassies in their appraisals. There has been a strong critique from the participating companies of a much too bureaucratic application process. The Evaluation agrees with this critique.
- The appraisal documents by the embassies were largely based on checking certain pre-established criteria against the applications. The Project phase appraisal was not a due diligence process, critically reviewing the business case neither in terms of potential development impact, nor of the viability of the underlying business

models.⁴⁷ Only a minority of applications were turned down, mostly due to reasons of formality. Underlying the appraisal process seems to have been that the applying partners had the 'right' to the grants. Furthermore, the same embassy staff that carried out the appraisal had often also been involved in the matchmaking and partnership set-up prompting the question of whether there was a conflict of interest in this process.

- Progress reports reviewed tended to lack a common structure, were activity based and often reporting on details from the last quarter, produced in order to request disbursements. Possibly the reporting has been of use for the embassies to follow-up on progress, but for programme management or this Evaluation, they have not been useful. Generally, the reports have not left the embassies and are maintained mainly in hard copies in project files, which can be quite voluminous. The Evaluation has not come across a single status report submitted after the end of the B2B support as is otherwise required.
- The Annual Indicator reports are subject of major methodological problems and are thereby providing a misleading picture of the B2B performance. For example, data on employment year by year were in some cases aggregated in such a way that a collaboration, which has 10 employees after five years was reported as 50. Furthermore, the Indicator reports did often not take the baselines into account; thus, if a project had an initial 10 employees, no jobs were added, it could, nevertheless be reported as 50 after five years. For example, the Uganda Report indicated the creation of 4,300 jobs in total by 2012, while the Evaluation's case study estimated the job creation to at most 500.
- The embassies have shown varying diligence in carrying out PCRs. Thus projects that have ended several years ago often still lack a PCR. Furthermore, the PCRs varied considerably in length and detail. Many were just a few lines, in sharp contrast to the elaborated applications. The opportunities to follow up on baselines and targets for monitoring purposes were largely missed. Some embassies, such as Vietnam, have been more ambitious, but the overall picture is one of missed opportunities in accounting for results and genuine learning.

In short, the results-based management system of the B2B had significant deficiencies both for the purpose of accountability and for learning. A key problem was that it took place in an institutional framework not set up for this type of business projects. The projects were, as aid projects, very small, while at the same time requiring a considerable amount of reporting. The system became bureaucratic rather than management oriented, geared to disburse funds rather than assure results.

47 This was a topic discussed at the focus group discussion among the 'success stories', that even these would have welcomed a critical review of their business plans and partnership idea which some of them received from HVR/DI but not from the embassies.

7 Effectiveness

Effectiveness in OECD/DAC terminology refers to what extent a programme fulfils the stated objectives. The B2B did not formulate *ex ante* quantitative targets concerning, for example, number of expected partnerships formed and sustained, employment effects or similar outcome, hence the assessment by the Evaluation can only be qualitative.

7.1 Target setting during implementation

While B2B lacked clear targets in terms of outcome, the companies themselves established targets for the Programme Indicators concerning: employment, turnover, investments and CSR reach over a five-year period in their applications for the Project phase. These indicators were also used for reporting year-by-year by the companies. Targets and results for each partnership were then used by the embassies in their monitoring, aggregated targets and results annually for countries and for the programme as a whole by Danida. In this sense, the Annual Indicator reports constituted quantified targets on what was expected to be achieved as and as the applications were signed by the embassies, these targets can be considered also the official objectives by the programme.

While the accuracy of these Annual Indicator reports has been questioned earlier in this Evaluation, it is clear that the targets established for turnover, investments and employment far exceeded the self-reported progress. Often results were only a fraction of the expected outcome. This would indicate that the effectiveness of B2B in fulfilling its objectives was quite low. However, the targeting was clearly set optimistically by the partners. The programme, on the other hand, did not question the targeting in the applications.

7.2 Knowledge and technology transfer

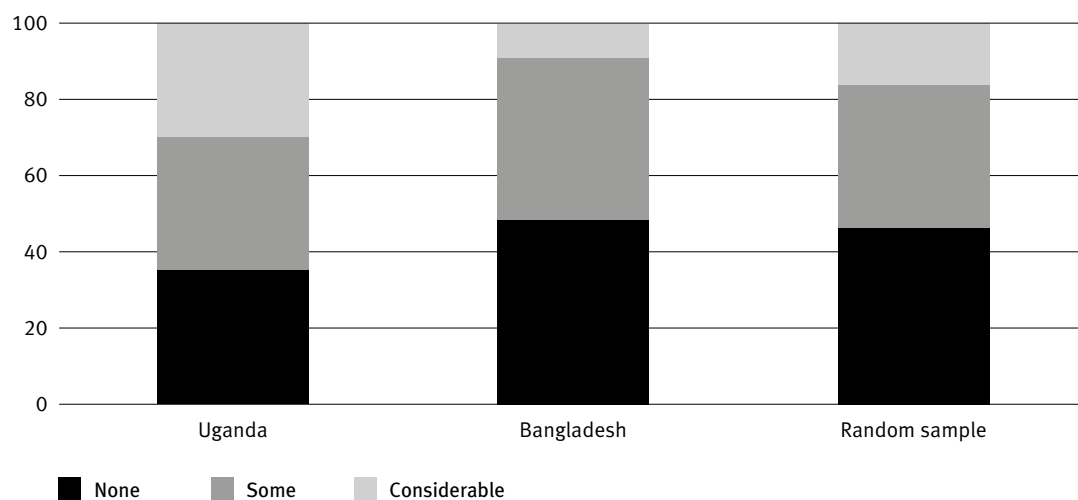
A basic motivation for business alliance programmes such as B2B is that they stimulate transfer of knowledge and technology from companies in the 'North' to partners in the 'South'. In the following, the Evaluation uses also the term *knowhow transfer* to include all forms of technology transfers, but also management techniques such as strategy formulation, organisation, human resource management, accounting principles and other forms of business knowhow. Management cultures such as Corporate Social Responsibility and other value-driven aspects on business principles are also essential parts of such knowhow transfer.

Some 420 Danish enterprises have been engaged with local partner firms with the purpose of setting up joint businesses, in some cases over a period of six to seven years in the programme context, and when collaborations succeed, soon for a decade in some cases. The B2B has mainly financed soft inputs such as training, technical assistance, studies, and so on, while the hardware components have been limited. This could be due to fact that only 25% of the cost of equipment could be reimbursed and that the local company have had to finance the cost up-front, often waiting a long time for the reimbursement from the embassy, making this less attractive.

The training and technical assistance has largely been carried out by the Danish firms themselves, hence the knowhow transfer has been intense, estimated to have a total cost in the order of DKK 700 million.⁴⁸ This is by any means a significant budget for a capacity building programme in development cooperation. The technical assistance, furthermore, has been hands-on, delivered by people engaged in business, and often by the entrepreneurs themselves for the purpose of achieving concrete results.

The Evaluation rated the technology transfers in three categories in terms of knowhow transfers (none, some and considerable) based on the evidence in the two case study countries and in the random sample with the following results:

Figure 14: Knowledge transfer in the B2B Programme (Uganda, Bangladesh, and random sample)



Some or considerable transfer of knowhow had according to the Evaluation taken place in more than half of the partnerships, while in the case of Uganda, the ratio was for two thirds. The results of such training and technical assistance inputs have in many cases had profound effect of the local companies. For example, the Uganda case study found several emerging agro-industries in animal husbandry and piggery, which significantly had improved in knowhow due to the personal engagement of experienced Danish farmers. In the fishing industry in Bangladesh, Danish engagement in production of fishing equipment had meant a shift and modernisation of this industry, driven by Danish partners need to seek new markets. For details of the Ugandan and Bangladeshi examples, see country case studies Annex J.

In Bolivia, the collaboration between a Danish company involved in coffee processing and retailing is in the process of influencing the Bolivian coffee sector in quality and retailing, involving technology development which might not only be essential for Bolivia, but also other high altitude producing countries. In Egypt, a plant-breeding expert has helped introduce, breed, multiply and refine the production of lupines and quinoa at a farm having an impact on land fertility, local income and potentially on food

⁴⁸ The Evaluation's estimate is that technical assistance, training, studies and similar activities account for about 80% of the average budgets for the Pilot and Project grants. These costs include fees and travel costs.

security and public health. In Uganda, a B2B project in major vegetable oil processing focussed on upgrading the environmental technology in partnership with a highly experienced Danish technical institution, resulting in that the company could avoid the threat of being closed down by the authorities due to its effluence. In Bhutan, a local company engaged in water and sewerages, learnt from the collaboration with two leading Danish firms in environmental technology the importance of delivering not just hardware, but services, and the local company has through the partnership been turned into a highly successful enterprise. In Mozambique, a partnership in aquaculture has provided knowhow in the cultivation of tilapia; and in Bolivia a Danish design company assisted the local partner to develop a new technology for using llama fibre in textiles for up-market clothes for export with potential impact on a large number of Bolivian producers. In Egypt, a Danish fruit distributor has assisted a local farmer in product diversification and introduced new species on the farm contributing to a quadrupling of the farm's turnover.

Knowhow transfer is often related to systems building, for example in creation of cold chain in the food industry and in general safety and hygiene in this sector, critical in developing country exports to industrial countries where food safety standards are generally very strict. Knowhow is also to a large extent related to market demands and quality issues in industrialised countries. In this respect, the Danish companies bring critical knowledge to local firms engaged in sub-contracting manufacturing in sectors such as information technology and food. The exchange of personnel between Denmark and the partner country was often a critical element, providing essential learning for the local company on how firms in the same business was organised in Denmark and the quality requirements on the Danish market. Financing such exchanges was an essential part of successful knowhow transfer and learning.

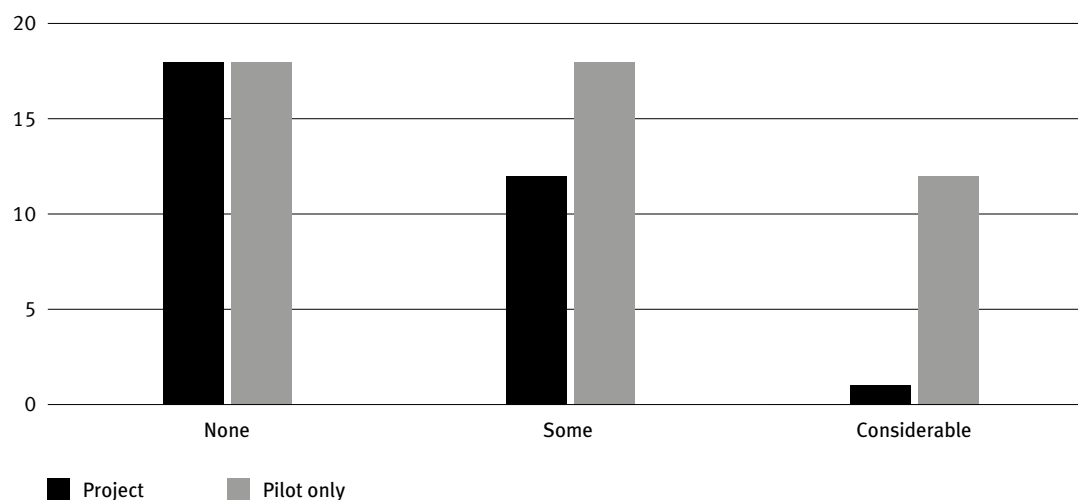
In general, collaboration between businesses from different cultures and markets mean learning from both parties. It would therefore be wrong to see the knowhow transfer as a one-way street. It goes both ways: Danish companies interviewed express overall the learning they have made through the partnerships of understanding of cultures and of new markets. While technology transfers from the North often can be a valid concept, technology is today globalised in many sectors and transfer of knowhow goes both ways, besides the aspect of mutual cultural learning.

As shown in the figure above, almost half of the partnerships in Bangladesh as well as in the random sample have not succeeded in knowhow transfers. The reasons for this are several: projects were aborted at an early stage of the Pilot or never took off. In other cases, the collaboration resulted in a partnership, but the local firm considered what the Danish firm had to provide added nothing to the capacity of the local firm. For example, in the majority of ICT partnerships in Bangladesh, the local firms claim there was no such technology or knowledge transfer. One company even maintained that they had to teach the Danish partner correct software development. In fact, the Bangladesh case study found only three partnerships, or 10% of all, which could be rated as having had considerable results in terms of knowhow transfers. They were all in the fishing/trawling sector as these are part of a nucleus of manufacturing of more modern fishing equipment than what was available in Bangladesh before.

Knowledge transfer was naturally different in *Pilot only* versus collaborations that went into the Project phase. In the Pilot phase, the focus was to determine feasibility of collaboration. The Pilot might nevertheless have contained such transfer as the partners

often collaborated during a year in order to lay the foundations for a longer-term cooperation. Furthermore, the Project phase was no guarantee that the local companies perceived that a transfer of knowledge took place. In the random sample the distribution for *Pilot only* and the *Project phase* in terms of knowledge transfers is given below:

Figure 15: Knowledge transfer Pilot only and Project phase in the random sample. (Number of projects)



7.3 Determinants for successful knowhow transfers

The following table indicates the relationship between the company contextual factors and knowhow transfers as evident from the random sample. For details see Annex E.

Table 9: Relationship between various contextual factors and transfer of knowhow

Contextual factor	Correlation with knowhow transfer
Size of the Danish company.	Large companies considerably higher share of knowhow transfers.
Size of the local company.	Large and medium-sized companies report higher share of knowhow transfers.
International experience of Danish company.	Companies with considerable experience higher ratio of knowhow transfer.
Age of the Danish company.	Older companies higher share of technology transfer.
Age of the local company.	A higher share of technology transfer the older the company.
International experience of the local company.	More experience higher ratio of successful transfers.
Financial robustness of the Danish company.	Robust companies better in technology transfer.
Financial robustness of the local company.	No clear correlation.

Business motive of the Danish company in B2B (market extension, outsourcing, in-sourcing of material, technical assistance).	Outsourcing and market extension higher share.
Type of partnerships (agent; buy/sell; joint venture; technical assistance).	Buy/sell highest share.
Business sector (agro & food, ICT, environment technology and other).	No clear correlation.

The correlations are generally not strong for any of the contextual factors, but size of the partner companies matters (larger, better transfer), international experience and – at least for the Danish companies – financial robustness increase the chance for successful know-how transfer which largely is in line with the Evaluation's initial hypotheses. The findings in the Uganda case study of partnership based on Danish technical assistance motive leading to good transfer is not confirmed in the random sample.

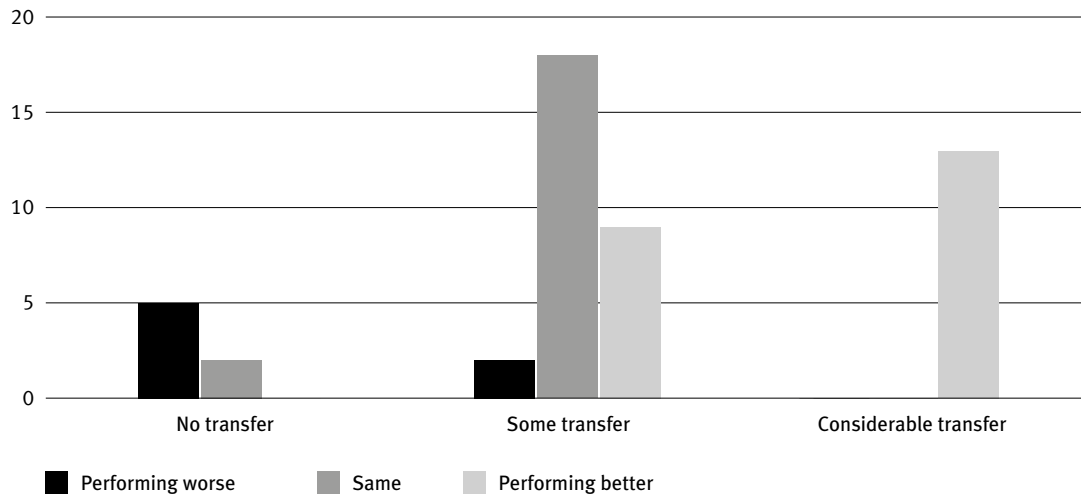
In the interviews, the Evaluation looked deeper into what creates successful transfer of knowhow. One factor is the *commitment* of the partners, and especially the local partner to the partnership. There has been a wide variety of this in the portfolio, from Danish entrepreneurs who have travelled to the partner country 60-70 times and engaged themselves deeply, to Danish companies which took the partnership light, with low priority, sometimes engaging only a locally-based consultant, and saw it more as a sideshow. Success in knowhow transfer requires considerable time inputs and above all motivation from both partners. Furthermore, similar to determinants for likely sustainability trust between partners played a role. If trust is not developed, the likelihood is that the local company will not take advice and information seriously. There are examples in the B2B portfolio of partners that have grown to be highly trusting of one another, resulting in the partner seeking advice and accepting advice on a number of issues as a matter of routine. Not seldom have these cases developed to deep friendships beyond the business. There are other cases in which trust has deteriorated to the extent that all advice is mistrusted. As mentioned earlier, trust, in itself, is a complex phenomenon. It cannot be treated as an exogenous parameter, but rather one that is a product of interaction, which can go both ways.

7.4 Effectiveness of knowhow transfer on company performance

Attribution of transfer of knowhow to company performance is not easy to establish. First, there is a time dimension. Business development tends to not be a rapid process, and a time horizon of a few years for the development of a new partnership is generally too short to decide on success or not, and whether the knowhow transfer is translating into improved company performance. Market changes and changes in competition take place concurrently, continuously impacting company performance, and which forces that dominate are not easily established.

Below is the correlation between the Evaluation's rating of knowhow transfer under B2B and the company performance in the random sample. As evident from the figure, there is a strong correlation in the sense that successful knowhow transfer is correlated to local company performance.

Figure 16: Correlation between transfer of knowhow and performance of local companies (random sample)



7.5 Occupational health and safety for employees

Occupational health and safety (OHS) for employees is a focus area in the B2B Programme. In the application form for projects, the partner companies have to elaborate on how this dimension will be handled, and for most projects, there is a specific budget item concerning this. Occupational health and safety has, as far as the Evaluation has been able to assess, been taken seriously by the partners. Visits to both the Ugandan and Bangladeshi companies bore witnesses of this, with various manifestations in occupational health and safety investments. There has been concerted efforts to upgrade local companies or newly started JVs to similar standards as in Denmark, especially in skilled-based companies such as ICT. There are even a few projects in the sample reviewed specialising in OHS services.

The importance of OHS varies considerably between sectors. In ‘white collar’ work as in ICT and management consultancy, good OHS standards are more easily established than in traditional manufacturing. In a number of workplaces visited in traditional industries, the conditions were still sub-standard not only by European standards, but also by conditions laid out in ILO *Decent Work Agenda*. Production was carried out under very noisy and polluted conditions without any protective gears for the employees being used. This seemed not to perturb the owners or management participating in some of the sites visited.

An assumed developmental impact of the B2B is that improved standards in OHS (or more general working conditions for workers) will diffuse in the business community. This happens occasionally. An example of this is a company engaged in cleaning services in Uganda claiming that the upgrading of the working environment and conditions for the workers as a result of the B2B had made competitors copy the company. The reason was that improved working conditions for the employees increased turnover and created greater loyalty to the company, hence reduced costs. A weakness of B2B is that there is no inbuilt mechanism in the programme to promote diffusion of any technology, including OHS, beyond the partner company. Rather, the programme has enhanced

competition as an objective, and spreading technology can very well be seen as undermining competition.

7.6 Environmental standards

The external environment is, together with OHS, another focus area in the B2B Programme. In the application form, the partner companies have to elaborate on how this dimension will be handled, and for most projects, it is a specific budget item. The environmental issues vary to a great extent between sectors, from minor or non-existent such as in management consultancies and ICT, to most significant as in some heavy industries as steel production. While there was some apparent environment work in nearly all the collaborations investigated, more significant impact was evident in about a third of the partnerships based on the findings of the random sample.

In some projects, improving the environmental standards were entirely the focus of the grant support. This was, for example, the case with support to two large, capital-intensive industries in vegetable oil extraction and steel production, both clearly sub-standard prior to the B2B from an environmental point of view. In these cases, the B2B projects clearly made considerable improvements both through technical and management inputs and investments. Especially the oil company invested considerable amounts in new environmental technologies of own resources in addition to the B2B grants.

An environmental issue of major concern is risk of resource depletion. In Bangladesh there may be issues with regard to overfishing as modern trawlers promoted by B2B projects might further deplete existing fishing stocks, particularly as the Bangladeshi government appears to issue fishing licenses without concern of sustainable stocks (apparently, new licences for trawlers have for the last years been issued on political grounds, without any knowledge of the size of the fishing stocks). The question of overfishing is too complex to fully address in this report, but all stakeholders interviewed in Bangladesh, maintained that the situation has got worse over time. The fishing season has been reduced, and this has hit both the producers of trawling equipment, of fishing nets, of ships, in addition to the fishing companies. A Danish company engaged in B2B claims to have tried to engage the Danish embassy in the issue of regulating the fishing industry, but without success as the sector was not a priority for the embassy. The situation is less serious in the deep-sea regions of the Bay of Bengal, as few domestic trawlers are equipped to operate there. The Danish designs and equipment are on the other hand very well suited to those areas. If the Danish engagement can ease the pressure on the coastal fishing, it would have positive environmental effects. The embassy appraisals of the B2B projects in the sector have not reviewed the potential negative (or positive) effects on the sustainability of the fishing stocks.

Environmental projects

Many of the B2B collaborations had environment as business idea in sectors such as renewable energy, energy conservation, climate impact assessment, water treatment and sewerage, and waste management. In the overall B2B portfolio some 60 partnerships, or 14% of all projects, concerned such environmental technologies, 20 of which were in China and Indonesia. There are some considerable successes in this 'sector.' An example is in Bhutan where two Danish companies in the water and sewerage sector engaged with a small Bhutanese company involved in water & sanitation. The objective of the cooperation was to provide an environmentally sustainable solution to the treatment of sewage

in Bhutan as well as pioneer an environment friendly commercially successful treatment of water, an objective, which is underway of being achieved.⁴⁹ The collaboration has clearly had a pioneering result in Bhutan.

In Uganda, on the other hand, the environmental technology partnerships were problematic. All the five projects, which had environment as business idea either failed as collaborations or were struggling. Projects in energy experienced market conditions less promising than anticipated, which led to withdrawal of Danish firms; a company in waste management found the procurement of such services in the city of Kampala wrought in corruption and malpractice, seriously threatening a planned joint venture. One company claimed that the targeted companies for energy efficiency services were not ready for commercial investments, but expected aid agencies to subsidize such measures.

In the random sample partnerships, which are classified as environmental technology has a similar ratio of successful collaborations to the ratio in the total random sample portfolio, indicating that Uganda was not representative.

7.7 Corporate Social Responsibility

Corporate Social Responsibility (CSR) makes up another key feature of the B2B Programme with explicit targeting and budgeting. The number of persons exposed to CSR activities as a result of the B2B projects is one of the six Programme Indicators. The assessment from the case studies, random sample and other means is that, overall, the Danish partner companies have taken CSR seriously and implemented the intended measures. Common features of such CSR activities are distribution of mosquito nets and condoms to staff, establishment of locker rooms for male and female employees, HIV/AIDS information, workshops for management on CSR and so on. Lectures on ILO's Decent Work Agenda and the UN Global Compact – promotion of sound business practices were part of this.

Of the targets established in the applications for Project phase grants, CSR was the only one of the six indicators with good results in performance reported relative to what was planned. The reason for this is probably that the CSR dimension of the projects was rather easy to implement and at a low cost. In general, CSR is not high on the agenda in most of the local firms, and probably not that much for the smaller Danish firms either. Thus, much of the support under the B2B Programme risks of becoming cosmetic with limited sustainability once the grant support is over. One Danish company interviewed expressed a view seemingly shared by many, that the most significant CSR a company engaging in developing countries has is to survive and thrive, thereby creating growth and employment.

There are, nevertheless, some outstanding cases on CSR work in the projects reviewed. An example is a joint venture in Vietnam engaged in back-office professional visualizations through digital graphics for the real estate sector. The company, today employing near 300 persons, have made CSR a key profile and since its establishment worked proactively to integrate CSR into its business operation and development. It has a strong

49 In this three party collaboration, the Pilot was started under B2B, but the Project phase was approved 2012 under the new DBP Programme.

focus on gender and on creation of employment for the disabled, the latter group today making up more than 10% of the workforce. The company is furthermore providing training for sex-workers and recovering drug-users, providing general training to groups of young people going through a public rehabilitation programme, and also providing employment opportunities for them. The company has a CSR policy and is member of the UN Global Compact.

As with environment, CSR is a dimension of support, which is expected to have spread effects to other companies and the population as a whole. While demonstration effects in cases do happen, for example through a company such as the one mentioned above, the B2B Programme lacks a mechanism to assure that such spread effects actually takes place more systematically. Overall, the efforts by B2B to engage outside the partner company have been weak. When spread effects have been attempted, this has not been through the B2B's efforts, but rather through the enlightened work of Danish entrepreneurs, seeing their involvement not just as a business development, but providing development assistance to poor countries.

8 Impact

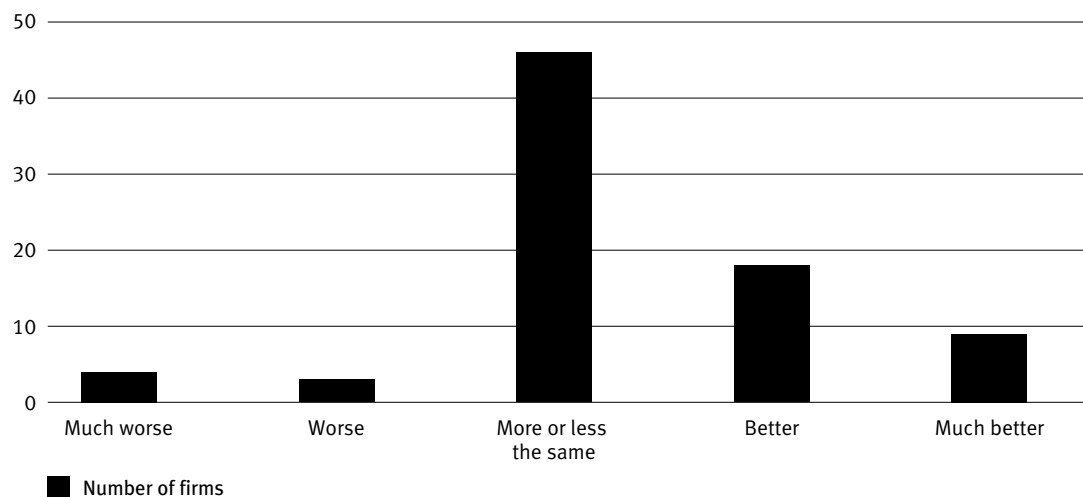
Impact in OECD/DAC terminology considers the longer-term result of a development activity, both intended and not intended, both positive and negative. This chapter assesses the impact on the local partner companies' commercial performance, on employment, both direct and indirect, on local firms' competitiveness, but also possible market distortions. It also discusses the impact on the Danish partner companies. The assessment includes both *Pilot only* and *Project phases*.

8.1 Impact on local partner companies' commercial performance

The underlying theory of the B2B Programme is that the support will 'ensure a transfer of knowhow and technology from the Danish partner to the local partners thereby strengthening the competitiveness of the local partner.' In order to test this theory, the Evaluation has rated the local partner companies' current commercial performance as compared to the situation when the company joined the B2B Programme. The rating is based on information provided by the local companies primarily, substantiated by the Danish firms when possible and the embassies judgement in PCRs and in interviews carried out.

In Uganda, 38% of the interviewed local companies considered the performance better or much better today than the baseline, but 25% considered it worse. In Bangladesh, the situation was the reverse: a third claimed the performance was worse today, while only a quarter said it had improved. In the random sample, the following distribution was found on how the local companies currently performed as compared to when they joined the B2B:

Figure 17: Performance of local companies after engagement in B2B (random sample)



Commercial performance of the local company can to a larger or smaller extent be attributed to the programme. For example, a company which had performed 'much better' as compared to the baseline were the cotton ginnery project in Uganda earlier discussed, which had increased its turnover by DKK 50 million and its employment by 100 persons as compared to the 'before' situation in 2009. According to the management,

the B2B project has played a role in facilitating this. See Annex J. Two more projects in Uganda in the category much better performance belonged to an Indian owned conglomerate, one steel mill, the other a vegetable oil processing plant. Both companies are large, and had improved performance each by DKK 40-60 million per annum, and increased employment jointly by 300 persons since the beginning of the B2B engagement. In both cases, the B2B partnership provided technical assistance on environmental issues in the companies. While successful in upgrading the environmental standard in both companies, there was limited attribution of B2B projects to the companies' overall commercial performance. It is noteworthy that in none of these three cases there was an active partnership with the Danish partner after the end of B2B, and the commercial performance of the companies was largely explained by the fact that the three companies had strong professional management, in all three cases lead by expatriates.

The impact by B2B on company performance may also be negative: A partnership between a Danish machinery manufacturer and a local sawmill in Zambia had negative consequences for the local firm. The local company has had to come up with financing for expensive equipment supplied through the programme through loans in local banks. Even though Danida refunded 25% of the cost, the reimbursement took place long after the loan was obtained. Hence even though the company is now able to sell higher value products, today, four years after the Project phase was initiated, they still struggle financially with the aftermath of this investment. The Danish partner has sold the machinery and carried out technical training but has not invested in the partnership which also ended, as planned, after the equipment was installed and training carried out.

Below, the correlation between the company contextual factors and local company performance in the random sample is analysed.

Table 10: Relationship between various company-related contextual factors and local company performance

Contextual factor	Correlation with local company performance
Size of the Danish company.	Partnerships with larger or medium-sized Danish companies have some correlation with local company performance.
Size of the local company.	Large firms perform better, followed by micro firms.
International experience of the Danish company.	Weak. However, Danish companies with considerable international experience are better correlated with local company performance.
Age of the Danish company.	Older companies related to better performance of the local company.
Age of the local company.	A clear correlation with age of the companies. Older better performing.
International experience of the local company.	Local companies with considerable international experience perform better.
Financial robustness of the Danish company.	Financially robust Danish companies seem to spill over to local through knowhow transfers.

Financial robustness of the local company.	Weak correlation although initially financially robust companies perform better over time.
Business motive of the Danish company in B2B (market extension, outsourcing, in-sourcing of material, technical assistance).	Technical assistance associated with the highest share of commercial performance of the local company.
Type of partnerships (agent; buy/sell; joint venture; technical assistance).	Buy/sell has the highest share of commercially performing local companies.
Business sector (agro & food, ICT, environment technology and other).	ICT performing worse than other sectors.

The relationship with local company performance largely is in line with the initial hypotheses of the Evaluation with better local company performance in projects with initial larger companies, older companies, internationally experienced companies and financially robust companies. However, the correlation is generally quite weak, and should only with caution be used in policy context. For details, see Annex E.

8.2 Employment creation

All together, the Evaluation estimated that the B2B Programme in Uganda could be attributed to perhaps the creation of about 500 permanent jobs, of which about 150 are for women. Some of these jobs have a strong attribution factor. For example, a Danish company initiated a work under B2B with a government vocational training institute to develop skilled welders, and in this process also established a new company. The latter, today employing 30 persons, has been bought by a French multinational consultancy company and is now actively engaged in providing services to the emerging oil industry in Uganda and Rwanda. The collaboration between a major Danish food industry and a Ugandan food company triggered the creation of a new 100% locally owned company for the purpose of developing a cold food chain. This company, which currently is supported by DBP with a different Danish partner, has a workforce of 20 persons and 30 on temporary employment. In other cases, it is difficult to separate out the impact of B2B in the activities of the on-going companies. For example, a Ugandan cleaning company in which the Danish partner bought a minority share today has 50 more persons employed than before B2B, but the labour force has varied between 150 and 400 due to changes in demand and market conditions.

The employment factor depends to a large extent on the type of enterprises the programme support (besides whether the support is a success or not). Thus, some partnerships which are doing financially well have meagre employment effects. For example, a partnership between a large Danish company with global presence in medical equipment in partnership with a distributor of medical supplies in Uganda is doing well financially, but the project has created one local job. Employment might also suffer due to the B2B Programme even if the partnership is functioning well. The collaboration between two manufacturers of signs in Uganda had an indirect impact on the latter by reducing its labour force from about 80 prior to the collaboration to currently 40, mainly due to productivity increase and reduction of unnecessary labour, on the advice by the Danish partner.

In Bangladesh, the Evaluation's estimate is that there are about 250 employees in the surviving pilot and project partnerships that might be attributed to the B2B Programme. Of these no more than 25 women, or 10%, are employed. In most collaborations there are between 10 and 20 employees, and the one with the highest number, an ITC partnership, there are 50 additional jobs. The attribution of the B2B to this employment increase is reasonably strong, particularly for the JVs. As most of the ongoing collaborations would not have been started without the B2B, the Danish programme can take substantial credit for the results.

In the random sample, there are examples of collaborations, which have been quite successful as generators of jobs. In the security service project in Bhutan involving a large Danish company, some 500 jobs are estimated to have been created in the local partner, while in an aquaculture project in Mozambique, some 100 additional jobs are claimed to be at least partly the result of the collaboration with a Danish firm. In the before-mentioned successful cherry tomato project in Egypt, the additional number of jobs created in the project period is around 500, 340 of which are female employees, where it is estimated that the attribution factor from B2B is medium (other factors have also had a positive influence on the performance). This local partner has in this case focused specifically on hiring young people and has in that way focused on one of the key structural problems in many development economies, namely youth unemployment. An ICT collaboration in Vietnam earlier referred to has created some 300 new jobs so far.

Of six projects in the random sample which were estimated to have created over 100 new jobs per project, three were in the agro-food sector; one in the ICT sector, one in aquaculture and one in security services.

While exceedingly difficult to provide an employment creation factor for the total programme, the Evaluation's best estimate, based on the random sample and the case studies, is in the order of 9,000-10,000 new jobs of which an estimated 25% are for women can be associated with the programme⁵⁰ Given an investment by Danida of DKK 1,050 million, the average cost per job would in such case be in the order of DKK 110,000-120,000. As a comparison, an evaluation in 2012 of Finland's Finnpartnership found that the participating companies reported an employment effect of about 2,500 jobs over the period 2006 to 2009 at a total cost of the programme of EUR 10 million,⁵¹ i.e. about DKK 30,000 per job. An assessment of the Norwegian MMP in Sri Lanka and South Africa in 2010 calculated the cost per 2,000 jobs created at NOK 30,000 per job. Adding additional subsidies, such projects could avail from the Norad support system, the cost per job would be NOK 60,000.⁵²

50 In the random sample, an estimated job creation which can be associated with the B2B Programme was calculated to about 1,800-1,900. Assuming a similar rate for the whole portfolio, the incremental number of jobs would be 9,000-10,000. Clearly such extrapolations must be used with considerable caution.

51 KPMG (2012) Evaluation of Finnpartnership.

52 The Evaluation estimated that some 70 successful projects that participated in MMP in Sri Lanka and South Africa jointly had created about 2,000 jobs at the programme cost of about NOK 60 million. It can be assumed that most of these projects also had utilised Norad's application based support at an average of NOK 0.3 million. This would imply a cost per job of NOK 40,000. See further Lindahl et al (2010) Evaluation of Norwegian Business-related Assistance, Main report. Norad Evaluation series 3/2010.

While comparisons are difficult to make as the programmes have differences and the methodologies to assess jobs also differ, the cost per job in B2B appears high. Given an average GNP per capita for the majority of the B2B countries of less than USD 500 per annum, B2B is not a particular cost-effective job-creating programme if each job has a subsidy cost of more than USD 20,000. The major reason for the difference in cost per job in B2B with the Nordic business alliance programmes is the considerable subsidy element in B2B. However, that said, one reason for the higher cost per job in B2B is that the programme included mandatory investments in CSR and other similar activities, which at least not in the short run is job-creating.

8.3 Creation of indirect employment

Successful new business partnerships do not only create direct jobs, but often also indirect jobs down-stream (through supplies of raw material, components, services etc.) and up-stream (retail, distribution etc.). In addition to such indirect employment, temporary jobs can also be a significant source of income for example in agro-businesses with varying demands for labour over the year.

Examples of B2B projects reviewed which have significant potential impacts in terms of indirect jobs are:

- A cotton processing company in Northern Uganda, which claim an outreach to about 35,000 farmers in the Gulu district, providing these farmers with an outlet for farm products such as cotton, in addition to temporary employment of several hundred persons in the cotton processing firm.
- Several B2B collaborations in agriculture that export different products to Denmark (dried fruits, vegetables, coffee, tea, etc.) and get the produce from contracted out-growers. These may vary from a handful to several hundred in each case.
- A cold chain project in Uganda providing a missing link in the value chain with impact on farmers and food distributors in Uganda as well as in neighbouring countries, in addition to temporary employment in the local firm.
- A B2B project in Bolivia involved in creating new export markets for llama wool. The company might potentially have significant spin-off effects in terms of jobs and better earnings for llama keepers in the country.
- The B2B has supported several joint ventures in Bangladesh that deliver improved trawls, and also whole trawlers, to domestic fishing companies. While employment aboard these trawlers cannot be directly attributed to the B2B, the programme has at least contributed to significant indirect employment, possibly in the range of 1,000-2,000 jobs.
- In South Africa a Danish innovative company have invested heavily in setting up a JV with a local company for the production of insulation material for houses made of waste newspapers. Besides the skilled jobs that will be established in the factories approximately 200 people will be needed to collect newspaper for the production.

It is clear that if temporary jobs and indirectly created jobs would be added to the estimate of total jobs created, the cost per job would be substantially reduced. It might in this context be mentioned that some of the most effective job-creating developmental programmes with a focus to a large extent on self-employment and informal sector jobs calculate with a cost per job in the order of USD 200.⁵³

One of the most critical questions in development assistance is increasingly seen as how to create hundreds of millions of jobs for the poor with limited purchasing power and limited capital for investment. In the foreseeable future the informal sector, including small-scale agriculture, will be the creator of mass employment. Currently there are nearly one billion self-employed and unpaid family workers in the world, most of them self-employed farmers in developing countries. The self-employed represent nearly half of the workforce in low-income economies. For any strategy to be successful, it must give central importance to self-employment and entrepreneurship, with emphasis on agriculture, agro-industry and small firms in the informal sector. The B2B portfolio's dominance on agro-businesses is fortunate in this respect. What is required in addition is to maximise the potential spin-offs of such projects. The reporting system in B2B did not consider the indirect job-creation effect, nor attempted to monitor this in the progress reporting. An effective business alliance program should both make attempt to estimate such effects *ex ante and ex post*. *Indirect job-creation can often be of greater significance as development outcome than direct due to numbers and externality factors.*

8.4 Competitiveness and market distortions

Increased competitiveness is a focal theme in the B2B Programme, also reflected as an evaluation criterion in the ToR. In the discussion of knowhow transfers and local company performance above, enhanced competitiveness was assumed to be an essential parameter. Hence, the B2B Programme has had a significant contribution to increased competitiveness on local firms or in newly created joint ventures. However, as discussed in the chapter on relevance, competitiveness is not a good indicator of the B2B as a developmental programme with the objective of poverty alleviation. As discussed earlier, subsidizing one enterprise risks causing market distortions by favouring one company over others in a competitive market.

The potential market distortions in the B2B Programme are apparent. For instance, the B2B support to one particular supplier of vanilla in Uganda has been criticized in international market reports. *“Further aggravating the market in Uganda was an attempt by a major flavour manufacturer to stimulate the vanilla trade in Uganda by way of a well-intentioned (but ill-advised subsidy in our opinion) given by a Danish governmental organisation similar to USAID called Danida. Traditional curing practices were abandoned in favour of a more industrialized approach which negatively impacted both the quality and quantity of the Ugandan vanilla crop.”*⁵⁴ Also local suppliers other than the company partnering with the Danish firm complained to the Danish embassy over unfair competition.

53 Quote by Percy Barnevik, creator of the philanthropic programme Hand-in-Hand which supposedly has created about 1 million jobs mainly in India and for women.

54 <http://www.austhachcanada.com/vanilla-market-report-no-41-december-2012/>

It can be assumed that market distortions of a lesser or greater extent might have taken place in other partnership projects which have gone to the Project phase, hence more significant subsidies have been delivered. Market distortions may well also have occurred in the Danish market, for example in the ICT sector where often smaller companies in highly competitive sub-markets could benefit from subsidies for the purpose of outsourcing and off shoring, reducing production cost.

As mentioned earlier, the B2B seems not to have been concerned with the market distortion aspects. The other Nordic business alliance programmes referred to earlier, all seem to adhere to EU's *de minimis* rules established to reduce distortion effects on the EU market. Independent of whether the EU rules should apply to B2B or not, grant subsidies to individual partnerships of DKK 5 million (and if the Danish firm is seen as the main beneficiary, it could in theory be up to DKK 10-15 million as the same company may receive support for several B2B projects) is contradictory to best practices in private sector development, especially as the companies are selected rather arbitrarily as compared to, for example, in challenge funds, where hundreds of companies compete for a few grants often smaller than the B2B grants.

8.5 Gender

In line with Danida policies, gender was placed high on the agenda in B2B. Overall, at top managerial and ownership positions, there are few women in the B2B portfolio both in the local enterprises and in the Danish firms. The Uganda study found women to be the formal owners of companies, but they were *de facto* fronts for their husbands who had official positions as a head of the central bank or as an ambassador, preventing them from formal ownership of businesses. The Bangladesh B2B portfolio has few – if any – female company owners, directors or entrepreneurs engaged on either side, which is an indication of prevailing discrimination of women, rather than a fault of the programme.

In the random sample, the Evaluation calculated that the female direct employment was about 25% of the total. The low share of women in the jobs created in the B2B companies has to a large extent to do with the type of businesses the collaborations concern, but it is also a reflection of the labour markets in most of the B2B countries. At the farm-level, and the indirect employment, women often play a more important role, hence the gender balance is better.

As noted earlier, the B2B projects have had limited influence over the gender distribution, but at least in some cases, both the Danish firms and the local have actively tried to engage women more strongly. Thus, the current gender balance is not due to lack of efforts by the partner companies. Rather, interviews with companies show a keen understanding of the importance of recruiting more women. Possibly, the embassies might also have down-played 'industries' with a high share of female labour such as crafts and garments. Thus, gender could play a greater role as discussed in the final chapter of the report.

8.6 Impact on Danish partner firms

The B2B Programme has an added objective in the sense that it was expected to provide benefits to Danish companies in terms of opening new markets and reducing cost through outsourcing, hence strengthen the Danish firms' competitiveness in internationalisation. Whatever the motive, the overall conclusion as was discussed earlier is that the B2B has been an ineffective programme in providing substantial financial benefits to the Danish business sector at least in the short and medium term. There are a limited number of Danish companies in the B2B portfolio that can point to clear commercial returns on their engagement in B2B, but for a majority this is not the case. In fact, many Danish companies have lost financially on their involvement.

The case study in Uganda found no Danish firms, which had made a considerable gain from the programme in terms of developing a new commercially successful business. Rather, the majority of the Danish companies have ended up in a status quo situation comparing before and after in financial terms, and a few claimed the participation has caused losses to them. Some of the Danish firms have or are in the process of developing an emerging business, albeit at a small scale given the companies' turnover. A major Danish medical equipment manufacturer, for example, with a global turnover of DKK 3.6 billion, exports worth about DKK 1 million per annum through its partner in Uganda, corresponding to 0.003% of its turnover.

Also the Bangladeshi case study found limited impact on the Danish companies. However, there were a couple in the fishing sector of which the engagement in Bangladesh (or more generally in Asia) was a part of a rescue strategy as the North Sea business had declined significantly. For most other Danish companies, the Bangladeshi experience did not meet expectations. Many ended up in tough partner disputes, and while the staff involved certainly learned from that, many JVs turned out to be more sources of frustrations than profits.

There are other benefits than financial returns for the Danish partners. Most companies, which lost money or are likely to lose, still described the collaboration as worthwhile in the sense of learning, personal development for the company owner, and similar 'soft' outcome. The B2B has opened up the interest among many Danish entrepreneurs, sometimes less as a commercial opportunity and more as a cultural experience, as a means of broadening ones outlook on the world, as a 'life changing' experience. From a development perspective, several entrepreneurs in micro or small Danish enterprises have to a certain extent become 'emissaries for technology transfers and business skills' which goes beyond their own commercial interests and has more to do with altruism and a desire to help less privileged countries. This is particularly the case with some of the Danish farmers engaged in B2B.

An important distinction can thus be made concerning the key motivation for the Danish companies to engage in B2B between what we call *conventional business motives* (such as opening up new markets, assure sources of supplies) versus *altruistic, adventure-seeking, life changing motives*. The latter category appears by no means small. For example, in the Uganda portfolio these motives accounted for at least a third of the collaborations. To judge from the case study, there is no evidence from the analysis to indicate that these entrepreneurs are achieving less result in terms of development impact, than Danish firms triggered by business motives. In fact, the altruistic/adventure/life changing part-

ners tend to create valuable informal relationships with their partners, independent of B2B grants or commercial rewards.⁵⁵

It is difficult to make up a 'balance sheet' for the B2B portfolio in financial losses versus returns for the Danish businesses. However, adding the soft values of experience, learning, cultural understanding and personal satisfaction, the Danish business community has gained more than it lost by engaging. In the longer term, the learning from B2B, might also lead to commercial benefits due to the Danish enterprises' acquired knowhow and, overall, a broader global outlook also involving emerging markets.

In the random sample, the Evaluation tested the contextual factors also on the commercial performance of the Danish companies. It found that size mattered. The larger companies performed better, also when engaging with larger local firms. Surprisingly, international experience by the Danish company seems not to be a determinant factor, albeit international experience by the local matters. Initial financial robustness of the Danish company is essential for the commercial outcome, but the financial robustness of the local company seems to be unimportant. Companies engaged in environmental technology perform better according to the sample, than in other sectors. For further details, see Annex E, Figures 34-44.

8.7 Direct investments

A common assumed result of a programme such as B2B is a leverage of donor funds in the sense of stimulating private investments by either the local company or the foreign. Investment is also one of the six Programme Indicators in B2B. The overall conclusion is that the leverage of Danish foreign direct investments in the B2B portfolio has been limited. First, the mandatory cost-sharing by the firms is low, with a higher grant share than in all other similar partnership programmes. (A common share tends to be 50%, also the share applied in the new DBP.) In most partnerships, the Danish company has not invested more than required (except, perhaps unpaid time inputs). Some projects have in their applications indicated substantial investments, such as for a new factory, but the financing of this is almost exclusively expected to be mobilised from other sources than own capital such as IFU loans or equity, or Danida's mixed credit. In the great majority of such cases, no additional financing took place, either as IFU turned down the applications, or that the partners did not go through with the process.

In the Uganda case study this was the pattern. In a few projects based on JVs or 'buy-ins'⁵⁶, the Danish companies have invested in equities in the JVs or in the local companies. In none of the cases, has the investment exceeded DKK 1 million. The estimate in the Uganda study is that the leverage in B2B is not more than 1:0.15, i.e. that DKK 100 million in grants have not mobilised more than DKK 15 million, excluding the mandatory investment estimated to a similar amount. Such a ratio can be compared to challenge funds and Public Private Partnerships which would find a leverage ratio of less than 1:1 unacceptable.

55 In Bangladesh, there appears not to have been any such motive for engagement, possibly due to sector focus. No analysis of this was carried out in the random sample.

56 Buy-in refers to a partnership in which the Danish partner buys a share of the local, hence create a joint venture.

Also in Bangladesh, there have been limited direct investments in the B2B collaborations. The marine companies have set up production and service facilities, and there are additional investments in these. In South Africa a JV between a Danish flower producer and distributor and a South African protea flower producer has resulted in additional investments from each of the JV companies of approx. DKK 10 million besides a loan from IFU of EUR 1 million. This is, however, an atypical case: the B2Bs attribution to this project and its success is low as the partners knew each other on beforehand and would have set up the JV also without B2B support.

Several partnerships did not want to disclose how much they had paid in cash, and in some cases “in kind” contributions seems to dominate the share capital. Investments in ICT companies were generally limited, as these companies have less need of up-front investments. Indeed, funds for computers, room rent, and for a few months of working capital can get a company started. The capitalisation level of some of the failed JVs seems to have been in that range.

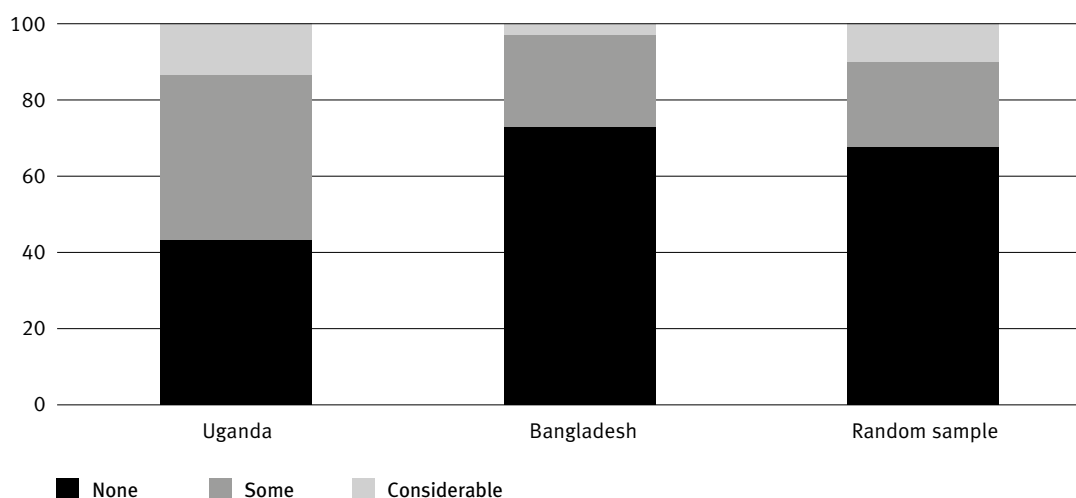
In short, the conclusion is that the B2B Programme has been ineffective as a leveraging mechanism in triggering FDI. The key reasons for this are:

- The B2B attract many companies, which had not planned to invest or do business with the countries chosen. There is a certain opportunistic behaviour of the partners in the exploration of business. Their initial motivation to invest is therefore limited, at least until the business idea and partnership is well proven. The ‘risk’ of entering an unknown market with an unknown partner is covered by Danida, and many partnerships try to survive on that injected capital.
- As mentioned earlier, a fall out of three out of four partnerships reduces the overall level of Danish investments. A large share of the portfolio comprises service industries such as ICT and consultancies, which inherently are low capital intensive.

8.8 Developmental impact

The Evaluation has used as a performance criteria ‘developmental impact’ to illustrate outcomes of partnerships that go beyond the companies through spread effects in society or in the market what might be defined as positive externalities. Such effects might be the introduction of new technologies, which spread throughout an industry, projects that solves market-wide bottlenecks in a sector, projects that have particular spread effects through indirect employment or creation of significant market outlets not existing before. Development impact did not require a lasting partnership. The Evaluation rated the developmental impact in a scale from 0 to 2.⁵⁷ The figure below shows the distribution in the random sample and the case countries.

57 The case country studies used a d scale of 0-5 due to the fact that projects could be studied more in detail and also impact assessed in a country and sector context. For the Uganda and Bangladesh projects included in the random sample, the following transformation was used: 0 (none) – same; 1-2 in random sample defined as 1 (some), and 3-5 in random sample defined as 2 (considerable).

Figure 18: Level of development impact in Uganda, Bangladesh and random sample

As noted above Uganda had a considerably better outcome than Bangladesh mainly due to the fact of good performance in the agro-food sector in Uganda. In the random sample, the Evaluation rated 10% of the projects having a considerable developmental impact. Of the eight projects with such a rating, six were in the agro-food sector, one each in environment and health. Assessing the company contextual parameters against developmental impact provides the following results:

Table 11: Relationship between various contextual factors and development impact of projects

Contextual factor	Correlation with Developmental impact
Size of the Danish company.	Large companies providing higher development impact, followed by micro enterprises.
Size of the local company.	Some correlation with larger companies performing better.
Age of the Danish company.	Older Danish companies associated with greater development impact.
Age of the local company.	Good correlation with age of company (older better impact).
International experience of the Danish company.	More experience, better results.
International experience of the local company.	Companies with considerable experience provide better development impact.
Financial robustness of the Danish company.	No clear correlation.
Financial robustness of the local company.	No clear correlation.
Business motive of the Danish company in B2B (market extension, outsourcing, in-sourcing of material).	In-sourcing of raw material best correlation.

Type of partnerships (agent; buy/sell; joint venture; technical assistance)	Buy/sell best correlation with development impact
Business sector (agro & food, ICT, environment technology and other)	Agro-food and environment technology best correlation with development impact

The correlation concerning developmental impact differs somewhat from the other parameters (sustained partnerships, transfer of knowhow, etc.) in the sense that the financial robustness appears not to play a role. Also noteworthy is the fact that the Danish micro enterprises have played a significant role in creating developmental value. It appears that conventional trade relation between the partners has a stronger chance for good development impact than other forms. For details, see Annex E Figures 45-55. In terms of relationship with the country contextual factors, no significant correlation was found with any of the parameters.

8.9 Poverty reduction and economic growth

The theory behind the B2B Programme is that creation of employment and increased competitiveness of local firms will contribute to economic growth and hence to reduce poverty in Danida's partner countries. Growth, in its turn, is a major determinant of poverty reduction. Does the causality chain hold in reality? While a possible 9,000-10,000 new jobs is important, it obviously has little bearing in the B2B countries with an annual growth of the joint labour market of about 10 million (excluding China).⁵⁸ Even if indirect employment is considered, the B2B is a drop in the ocean in terms of required job creation, and furthermore, it is an expensive drop limiting scaling up opportunities by the companies or by Danida. Given the limited FDI triggered by B2B and the smallness of the companies, their contribution to economic growth is at best marginal, especially in countries receiving considerable amounts of FDI such as China, Indonesia, Vietnam, Egypt and South Africa. In macro terms, B2B is not a programme reducing poverty in any noticeable way.

While not an effective poverty reduction programme in macro terms, on the other hand certain poverty impact has taken place locally. Throughout the report examples are given of such partnerships, which in most cases concern market changes in agro-businesses. The reasons for this are several: agro-businesses tend to have stronger links to the rest of the 'economy of the poor' than in many other sectors, especially in the African LDCs where 70-80% of the population is engaged in agriculture. Agro-businesses often depend on supply of raw materials, which potentially can engage a large number of persons, as cotton farmers, coffee producers or growers of fruits and vegetables. According to the World Bank 75% of the poor are living in rural areas, and thus are dependent on primary production or occupations linked to agriculture. If the B2B Programme contributes to better functioning of agricultural markets, the spin-off effects on employment, productivity and poverty can be substantial.

One of the strengths in Danish business alliance programmes is that Denmark has a strong and diversified agriculture and food sector with relevant knowledge and market

58 Calculated as follows: total population 900 million, a labour force of 45%, and a growth rate of 2.5%.

links for developing countries with labour markets still dominated by agriculture. Denmark is in the donor community unique in this sense, hence has a strong comparative advantage to most other donors. It should, however, be noted that the commercial performance of the Danish partners in agro & food according to the random sample compares negatively to, for example, environmental technologies. The reason for this has not been investigated by the Evaluation.

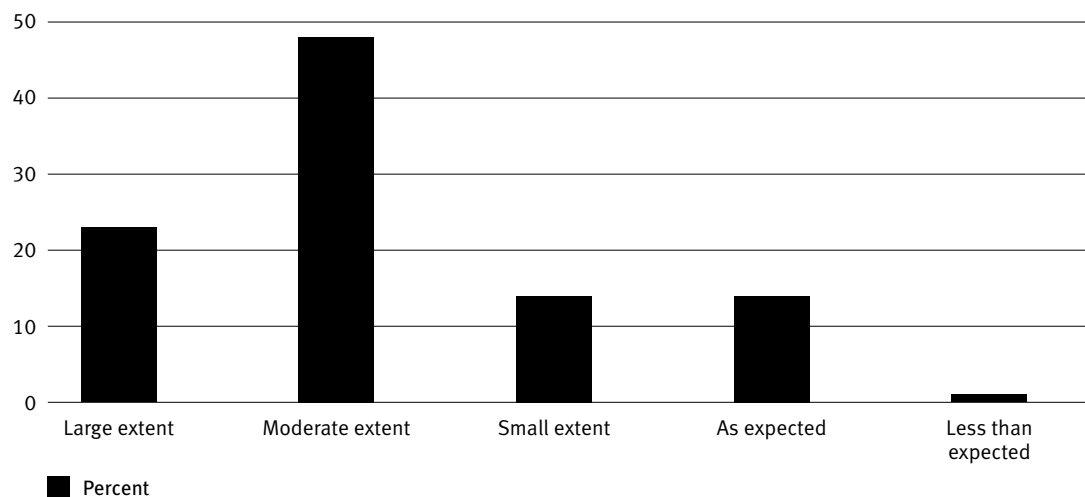
9 Sustainability

Sustainability in the B2B context concerns partnerships, which continue after the disbursement from the programme ends and which are likely to survive as commercially successful businesses. It also concerns whether the knowhow transfers, which have taken place and improved on local company performance (whether there is a partnership or not), especially in environmental aspects and CSR.

9.1 Sustainable partnerships

Of all partnerships, *Pilot only* and *Projects*, the Evaluation estimates based on the random sample that one out of four will continue after the grant funding is over as earlier discussed. The partnerships might continue as it was set out from the beginning, for example as a joint venture, or in a different format than envisaged. Overall, the real performance of the surviving partnerships tends to be much less successful than anticipated by the partners themselves, and the process of development considerably slower than was projected in the application documents. To some extent, some partners interviewed admitted that the applications were exaggerated in terms of expected increase in turnover and employment in order to increase the likelihood to receive the grants. (There were rarely any assessments of the realism in the figures in the embassy appraisals). Feasibility studies carried out by consulting companies in some cases also painted a too optimistic picture of the business idea including the financial aspects. As such, the partners were often taken by surprise of the difficulties to get the ventures going. The E-survey shed some light on this as indicated in the graph below on the question whether the company respondent found entering into partnership more challenging than expected:

**Figure 19: E-survey response to the questions:
Did you find entering into the B2B partnership more challenging than expected?**



9.2 Factors determining sustainability of partnerships

Section 6.6 discussed the contextual factors which have some positive correlation with the likelihood of a sustained partnership beyond the B2B Programme based on the analysis in the random sample. In summary, the relative importance of company size gives a mixed picture both for Danish and local companies, however with an overweight of large Danish companies being able to sustain the partnership. There are slightly more established Danish partners that are able to sustain partnerships than younger companies, whereas there is a rather clear correlation between the age of the local partner and sustainability – the more established the company, the better sustainability. Both Danish and local partners with considerable international experience have better sustainability, and the same goes for the financially robust companies, though none of them are strong factors. As regards business motive, market extension projects are more sustainable as are buy/sell and JV type of partnerships. Sector wise, the ICT sector is the one that has the least chance of sustainability. See also Annex E.

9.3 Sustainable company development

The failure rate of partnerships whether taking place in the Pilot phase or in the Project phase, is not the same as a failure of the local companies. The survival of the local partner companies is overall high in the B2B Programme. Joint ventures might break up or fail, but according to the studies in Uganda, Bangladesh and in the random sample, the rate of closed-down local companies is small. The estimate is that about nine out of ten local companies continue to exist since they joined the B2B (as of June 2014). This must over a period of five to six years on the average be considered a good rate.

Many of the local companies, which have participated in the B2B Programme, are large ventures, some also part of conglomerates with considerable financial and management resources.⁵⁹ Failures in attempted partnerships have not had any significant impact on these companies. There is a higher ratio of closed-down Danish firms than locals as discussed below and possibly also an overall better commercial performance of local partner firms than of the Danish. The reason for the latter can only be speculated: factors such as that the economic growth rates in all the B2B countries were higher than in Denmark during the B2B period which would support company survival; and the economic crisis in 2008-2009 which had a much stronger negative impact in Denmark than in all B2B countries as reflected in changed of economic growth rates.

59 Company structures in some of the B2B countries build on creation of conglomerates with a number of smaller firms belonging to the same family, seemingly independent, partly of political reasons to reduce exposure.

9.4 Sustainable knowhow transfers

The sustainability of knowhow transfers and learning cannot be quantified, but as the learning has been hands-on and delivered by experienced business persons in the same sector, it is likely to be highly sustained in partnership where some trust was developed. In-depth interviews in Uganda testified to this. This type of knowledge transfer might also be sustained in local companies that otherwise have been 'failed' partnerships in terms of the long-term aspects.

9.5 Transfers from B2B to IFU and other support forms

The Danida Action Plan from 2006 has as one of its objectives for a revised business alliance programme that a stronger linkage to IFU's loans and equity instruments should be promoted, and also to Denmark's mixed credit programme, today called the Danida Business Finance. The random sample analysis indicated that for one out of five of the applications for Project phase support, the partners planned to seek other funding from IFU and/or the mixed credit scheme. As mentioned earlier, only a few of these partnerships actually had such funding. In some cases, IFU turned down the applications, in other cases, the partners did not go ahead with an application for a variety of reasons such as the partnership ran into problems or that the partners realised that the chance to get IFU to investment was small. Also emerging distrust between the partners played a role: An example of the latter was a joint venture in Uganda between two companies in the cleaning service industry. The partners intended to set up an industrial laundry service facility and sought for that purpose an IFU credit. IFU approved of the loan, but the partners never signed the papers. The Ugandan company, which had acquired a building lot in the outskirts of Kampala, commissioned the architectural drawings, and had begun constructing the foundation, claimed that the Danish partner pulled out just before signing. The Danish partner claimed it was the Ugandan partner which had not gone ahead.

The problem of creating linkages between donor-funded business alliances and commercial development finance is a common feature in many similar programmes. All the Nordic business alliance programmes referred to earlier have this problem even if both the Swedish and Finnish programmes are implemented by DFIs. The main reason is the gap in size between the SMEs in the donor funded programmes, on one hand, and the threshold when DFIs become interested on the other. DFIs generally require larger investments than what is sought by companies in the partnership programmes in order to justify the administrative costs related to process loan application or engagement as owners as DFIs are supposed to be self-financing and provide a certain return on their capital. In many countries there is an on-going discussion on how to close the gap and have a stronger linkage between the two financial systems which both have the objective through public funds to stimulate business in developing countries. This discussion is also relevant in Denmark.

9.6 Sustainability of the Danish companies

Based on the random sample the Evaluation estimates that one out of five of the Danish companies that participated in the Pilot or Project phases have collapsed, generally through bankruptcy. A 'death' rate of mostly micro and SMEs at that rate of 20% over five to six year period is not out of the normal, especially as the B2B period coincided with one of the worst financial crisis in Europe over the last three-four decades. On the other hand, an assessment of the financial robustness in the random sample when the companies applied for support shows that about 20% of the Danish companies had a weak financial situation.⁶⁰ Notwithstanding, the review of projects has not come across any company which seemingly collapsed as a result of the B2B. Events at the home market and other key markets triggered the downfall, not the often marginal engagement by the companies in B2B.

60 The Evaluation defined financial robustness as follows. **Strong:** At least USD 1 million in equity (DKK 6 million), equity percentage above 20% of assets, and profit above 10% of turnover. (If company has had profit in the last three years, an average of between 5-10% is sufficient) **Medium:** At least DKK 1 million in equity, equity percentage above 15%, and at least break-even last year. **Weak:** The rest.

10 Answering the Evaluation Questions and Lessons Learned

10.1 Answering the evaluation questions

Below, the findings and answers relative to the nine Evaluation Questions are summarised:

1. **To what extent has the B2B Programme been consistent with private sector development requirements in the partner countries and with Danida's private sector policies?**

The B2B has been partly consistent with the private sector development requirements in the partner countries and with Danida's private sector policies. B2B is relevant as a mechanism for transfer of knowhow in broad terms and in creating partnerships with Danish enterprises in selected countries. The B2B is of less relevance as a mechanism for stimulating economic growth and addressing poverty except in selected cases, which overall are few. As a means of addressing broader constraints in the business environment in the partner countries such as access to finance, infrastructure bottlenecks and corruption, the B2B is generally not a relevant instrument. B2B was its design not relevant for countries in French-speaking West Africa due to its inability to attract Danish firms to engage, which may also be the case for DBP.

2. **How efficiently were the B2B Programme instruments used in creating partnerships and how did external factors influence the results?**

B2B was an efficient programme in stimulating Danish companies to seek partnerships in some of the eligible countries and for the creation of partnerships, but less so in creating sustained and commercially viable partnerships beyond the B2B support period. The reason for good efficiency in the earlier stages was a combination of liberal subsidies and a proactive promotion of the programme by DGG, the embassies, HVR and DI, as well as consultants in most of the countries. The lower efficiency in creating sustained partnerships can mainly be ascribed to the high grant element in the Project phase in combination with a weak due diligence of proposals by the embassies. Determinants for how and where Danish companies engaged were factors such as the quality of the business environment, the overall flows of FDI and where Danish firms already are engaged in business. Contextual factors such as company size, international experience and financial robustness had certain relevance for the results, although results were also related to dimensions such as trust between the partners and the motivation for joining the programme.

The partnerships have dealt with Corporate Social Responsibility (CSR) quite differently. Some partners defined *internal* CSR as improving the working environment for the employees, which is an obligation according to most countries' labour laws. Other partnerships have provided socio-economic benefits to their employees that are in addition to improved working environment. As regards the *external* CSR, some partnerships did not consider external CSR; other partnerships mainly focussed their CSR activities on the external environment resulting in better protection of natural resource; and some have conceived interventions that constitute a strategic element of their business vision

and concept. For some Danish partners the main aim was the *business* perspective, whereas others also appreciated and accepted the *development* perspective of the B2B Programme and took great care to comply with this through CSR interventions.

Additionality has mainly been created in the following ways: 1) creation of partnerships, most of which would not have been established without the B2B support; 2) engagement in countries which generally were characterised by weak business environment and low competitiveness; 3) transfer of appropriate technology which generally increased the local companies performance; and 4) emphasis on CSR, which in a number of cases provided socio-economic benefits, which would not have been attained if the focus had been strictly on the business perspective.

3. **To what extent did the management of the B2B Programme provide an efficient framework for: delivery of services to companies, utilisation of resources, and accounting for results?**

The B2B was efficient in delivering matchmaking and stimulating initial partnerships and transfer of knowhow due to active work by the embassies, Danida, HVR and DI, combined with the liberal subsidies. Embassies were in most cases service oriented and flexible. The overall resource utilisation has not been efficient in the view of the Evaluation primarily due to 'over-financing' of business alliances. The accounting for results was largely a failure due to an overly ambitious results-management system in design where the application and appraisal absorbed most of the resources by the companies and embassies, while the monitoring of projects had considerable weaknesses, especially in reporting on overall programme performance and results.

4. **How has the B2B Programme led to knowledge and technology transfer in the local partner company and what were the resulting short-term outcomes?**

Knowhow transfer in a broad sense is one of the strengths of the B2B due to the engagement of over 400 Danish enterprises delivering hands-on and practical business knowhow. This transfer has led to some significant results in upgrading of skills in the local companies and hence their performance. There are some outstanding cases of market and technology development with spin-off effects beyond the companies. Technology transfer was mainly apparent in the Project phase, but not lacking in the Pilot only phase. For large Danish companies, companies with international experience and financial robust companies there was a higher share of successful technology transfer.

5. **How has the B2B Programme led to improved conditions for employees and the wider population and what were the resulting short-term outcomes?**

The B2B has, in the Evaluation's best estimate, created some 9,000-10,000 jobs and a substantial number of indirect jobs up-stream and downstream and as temporary employment. Overall, there has been an upgrading of the quality of occupational health and safety and working conditions in many local companies, including JVs. The impact on the wider population has been limited, except for some successful projects with significant spread effects of new sources of income, especially in the agriculture sector.

6. **What long-term effects have the B2B Programme had on the local partner companies and specific business sectors, and how have these influenced local communities, and the national enabling environment?**

There is no impact of B2B on the national enabling environment, but in some countries and in some sectors, B2B has had a positive impact in the sense of systemic effects on addressing market constraints especially in agro-businesses. Overall, there is a good impact in strengthening some of the local partner companies in technology, management practices and international market knowhow.

7. What long-term effects have the B2B Programme had on the Danish partner companies?

As an aggregate, the commercial impact on the Danish partner firms in terms of increased turnover and/or profit is limited, and there are even cases of negative commercial outfall of the B2B engagements. There are some exceptions of very positive development, for example in the ICT sector. Overall, a major benefit of the B2B Programme is broad learning in Danish SMEs in terms of operating on new markets and in new cultures. Danish companies generally report satisfaction of having participated in the B2B, even when the financial return was negative.

8. To what extent and how has the B2B Programme contributed to poverty reduction by creating growth and employment in Danida partner countries?

In macro terms the contribution to economic growth, employment and poverty reduction is negligible given the sheer size of the issues and the overall limited results of the programme. Through knowhow transfers and through a selected number of very successful projects there are pockets of impact on regional economies, rural communities and in selected sectors. These projects are not necessarily due to sustained partnerships, but successful local company development. The success stories identified by the Evaluation in terms of poverty impact are mainly in agro-businesses due to the fact that the majority of poor people in rural areas to a large extent derive their livelihood from such ventures.

9. To what extent have the benefits derived from the B2B Programme continued after project completion?

The Evaluation estimates that one of 12 Danish companies that engaged in the programme at the Contact phase, one of four in the Pilot phase, and about four out of 10 in the Project phase will continue in a sustained partnership beyond the B2B. The commercial viability of the latter varies, but there a good number of successful partnerships based on joint ventures or other forms of business relationships. The knowhow transfer which has taken place with or without lasting partnerships is likely to have a high degree of sustainability due to the nature of this transfer in direct training by and exposure to Danish partner firms in the same industry.

10.2 Lessons learned from past evaluations and reviews

In the table below, the Evaluation summarises its findings in relation to some of the key critical issues that have been brought up in other evaluations of Danida's business alliance programmes that the team has considered most relevant in the context of the Evaluation of the B2B Programme. Reference is made to Table 2 in Chapter 2, which also provides the sources. These findings are both an indication of the learning in Danida and identification of problems still existing.

Table 12: Learning from past evaluations?

Critical points in previous evaluations	Findings in the 2014 Evaluation of B2B
The link between the business partnership programmes and poverty reduction is unclear and Danida's cross-cutting issues do not have a central role in the programmes (maybe except environment).	This critique is still valid even if the linkage now is explicit in formulation of the objective. The problem is rather the causality between B2B interventions and the overriding objective and the mixing of two incoherent objectives. In terms of cross-cutting issue, especially environment is well handled in B2B.
There is little synergy between Danida's business partnership programmes and other sector programmes, even in countries that are implementing sector-wide business programmes. This limits the possible long-term impact of the partnerships.	The critique is still valid, although in some countries there has been an effort to create linkages as in Uganda and Kenya.
The one-size-fits-all approach of the partnership programmes (non-country specific set of guidelines) makes the programme less relevant in the local context.	This critique is still valid though the embassies have exercised some kind of flexibility in their management of the programme.
There is limited sharing of experiences between companies both in partner countries and in Denmark, which hampers internal learning.	There are efforts to address this for example in Kenya, but they are not systematic.
There is a narrow focus on individual business cases (matchmaking) and a lack of focus on the enabling environment in which the local businesses operate. This influences the prospects for sustainability of results and hence also broader impact of the programme.	This critique is still valid. It is appreciated that a limited number of business cases cannot by themselves influence the business environment.
Longer preparation period and more assistance in the first phase could yield better results.	The suggestion is partly valid, although the B2B has an extensive preparation period and provides support.
Technology transfer has been well perceived, but the tying of the aid to Danish companies might not have been the most appropriate way to offer this type of support as there are often cheaper options regionally and in competitive situations.	The point is valid. However, tying is an integral element of the Danida business alliance programme. The tying only concerns the Danish partner and is not related to equipment and personnel. The Evaluation assumes that questioning the tying would not be politically acceptable. In addition, all Nordic business alliance programmes practice such tying in spite of political statements of untied aid.
Additionality is very difficult to assess and measure. Analysis and documentation of additionality needs more attention.	The B2B has made considerable efforts to address additionality in applications and appraisals.

Stronger result-orientation in the programmes and more relevant indicators in the monitoring system (follow-up after the official partnership has ended). Results should be both quantifiable and qualitative.	There have been significant efforts to establish this in B2B even to the extent that the system has become unmanageable and hence does not provide reliable data.
Administration of the programmes should be simplified and less bureaucratic at the project level as well as the programme level.	The B2B continues to be bureaucratic programme both at project and programme levels. Unfortunately, the new DBP has added to the bureaucracy.

10.3 Main features of the Danida Business Partnerships facility

In 2011, the Danida Business Partnerships (DBP) replaced both the Innovative Partnerships for Development (IDP) and the B2B Programme in an effort to simplify and streamline Danida's support to business development with the aim of contributing to sustainable development and inclusive green growth in developing countries. The main features of the DBP are presented below.⁶¹ The DBP continues to focus on transfer of knowhow and technology from Danish partners to local partners in order to strengthen competitiveness and CSR in developing countries.

The overall objective of DBP is to: fight poverty; facilitate green growth; and promote better living and working conditions. The immediate objective is to: create jobs; increase competitiveness; and promote CSR for the benefit of employees, their families, the local community and the society at large. Promotion of CSR means that partnerships are required to integrate human rights, labour rights, environment, and anti corruption concerns into the business strategy and operations. Various business cases qualify for support, e.g. increase of productivity, improvement of supply chain, promotion of energy efficiency, upgrading of the workforce qualifications, innovative solutions to social and environmental challenges, etc.

DBP offers support to the identification of a suitable partner, development of a business case into a business plan, and implementation of the business plan. The DBP comprises three phases covering a total of four to five years – see Table 9. The DBP Facility can be applied in Danida priority countries where the economic and political context allows for commercial operations. The DBP is managed by the embassies in a similar fashion as B2B.

61 Source: Danida. 2013. Guidelines and Conditions for Support to Danida Business Partnerships.

Table 9: DBP phases

	Identification phase	Preparation phase	Implementation phase
Purpose.	Identification of a partner and elaboration of the business idea.	Development of a business plan – including integration of CSR.	Implementation of business plan and achievement of expected development objectives on job creation and CSR.
Support level.	75% support up to a max. of DKK 100,000	75% support up to a max. of DKK 750,000*	50% support up to a max. of DKK 5 million*
Examples of activities.	Country visits.	Background analysis and studies. Testing of products/ procedures.	Training/ technical assistance. CSR improvements. Establishment costs. Procurement of equipment.
Timeframe.	Six months.	Six months.	Three to four years.

*Including support received in the previous phase

Partnerships can be structured in various ways depending on the business case. One type of partnership is the traditional business-to-business cooperation between two companies, but may also involve multiple partners. Creation of joint ventures is also in DBP considered a positive factor that contributes to fostering long-term commitments. Partnerships are encouraged to apply for joint support or coordinate with, e.g. Danida Business Finance, The Investment Fund for Developing Countries (IFU), or other financial facilities.

Two categories of main partners are supported – the Danish main partner and the local main partner. The main Danish partner must be a commercially registered company – and should in principle have a minimum of five fulltime employees. The local main partner can be a company/business, a farmer, a cooperative, a civil society, a university/ research institute, or a parastatal/public authority. Main partner may choose to subcontract additional partners if this is seen as an advantage for the implementation of the business case. Prior to the application for DBP support, all companies and organisations must pass an initial screening. The screening is undertaken by the embassy with assistance from the auditor appointed to the programme by Danida, who also audits the partnership accounts.

10.4 Lessons learned from the B2B Evaluation and perspectives

This section contains the Evaluation's lessons learned and perspectives on how partnerships could become a more relevant, efficient and effective, and with a stronger impact than today. Few of the weaknesses in B2B have been dealt with in the new DBP facility in 2011, and unfortunately others have been added, for example the degree of bureaucracy in the administration of the programme.

Balancing the objectives

There is a risk that the partnership objective overshadows the overriding poverty reduction objective of B2B. A better balance is required where partnership is seen as a means, not an end in itself. Thus, the potential poverty impact should be in focus, governing the design, the implementation and the promotion of a new programme. This would impact on the due diligence process as elaborated below. Business partnership programmes often deal with strong political constituencies in terms of donor countries' business sector and their interest organisations; hence the risk that their interests dominate is high, while the interest groups representing the poor in developing countries are weak and often voiceless. It takes a special effort by a donor agency to balance these interests. In the judgement of the Evaluation, the DBP is not addressing this weakness in B2B.

Development impact

Another lesson from the Evaluation is that the B2B Programme paid too little attention to the potential systemic impact of projects supported, both positive and the negative factors commonly associated with micro level business support. It is possible *ex ante* to make a judgment what potential systemic impact (both positive and negative) a project might have and screen out those that have a potential negative impact and also those that are unlikely to have any positive impact in order to increase the potential value for donor money. This is primarily a task for the programme management as elaborated below. In the judgement of the Evaluation, the DBP is not addressing this weakness in B2B.

Making positive systemic impact explicit

Positive systemic impact has to do with projects that are addressing market constraints of different nature, for example embedded in problems of value chains, logistic systems, technology deficiencies, ineffective competition, and so on. It might be reflected in projects introducing services and products previously not available, or projects addressing specific issues in environment. It might be projects located in poor and economically neglected regions. For example, if a future business alliance programme should be relevant for addressing key business constraints as identified by WEF or the World Bank, such as finance or infrastructure, the programme must be tailored to Danish financial institutions or larger infrastructure players, e.g. energy, transport, etc. The systemic impact approach might be reflected in the promotion of the programme, as well as in the application and appraisal process, and in the monitoring of results. In the judgement of the Evaluation, the DBP is not addressing this weakness in B2B.

Making potential negative impact explicit

Best practices in private sector development pay considerable attention to the potential distortion effects that might occur in grant support to individual firms operating in competitive markets. Some analysts argue that donors should all together refrain from such micro support and instead focus on business environments and *making markets work for the poor*. A minimum rule in business alliance must, nevertheless, be that the potential distortion effects should be made explicit *ex ante* both by asking relevant questions in the application template and in the due diligence by the programme management. When they are likely to occur, mitigation should take place or donors should refrain from providing support. A lesson from the B2B Programme is that the programme has been negligent in addressing such potential effects both in the design (e.g. application template and appraisal template) and in implementation. In the judgement of the Evaluation, the DBP is not addressing this weakness in B2B.

Other negative impact might occur besides market distortions. The obvious case is environmental effects, which already are well integrated in the programme. But negative impact on limited natural resources tend not to be considered in B2B, nor the impact a project might have on displacement of poor people engaged in traditional activities in sectors in which modern techniques are introduced.

Utilisation of Denmark's unique competence

A lesson in the B2B is that agro-businesses attract Danish companies and that agro-business projects dominate amongst those that have significant development impact beyond the local company. Given that poor people in Danida's priority countries predominately are dependent on agriculture, Denmark is in a favourable position from a development cooperation point of view, by having a dynamic and diversified agro-business sector. Also Denmark's competence in environmental technologies is strong, and increasingly relevant for poor countries and people. The focus on these unique competences can be strengthened in a business alliance programme, for example in the promotion of the programme to different categories of business in Denmark. The targeting can be broadened in terms of who can participate, also including institutions within priority sectors. The business profiles can more strongly have a focus on these sectors, be more concerned with market failures and constraints.

Synergies with country programmes

A link with sector programmes, which addresses market failures from a business environment point of view, can create dynamic synergies. There is a mixed experience in the B2B to what extent projects have been linked to on-going Danida sector programmes in the targeted countries. Some embassies have tried to create linkages or at least create clusters of B2B projects in certain sectors. The conclusion from previous evaluations is that the linkages overall are weak and synergies not apparent, seems also to hold true for B2B. There are merits to foster stronger linkages in a new business alliance programme, especially in thematic areas where a sufficient number of partnerships can be mobilized to support Danida's development engagements under a country programme. In the judgement of the Evaluation, the DBP is not addressing this weakness in B2B.

Forms of partnership

The B2B Programme was rigid in what type of partnerships that were accepted in some countries and had an overall bias for joint ventures. A lesson in the Evaluation is that this rigidity was counterproductive to promote partnerships and common business. JVs are the most complex form of business partnerships with high risk of failure. In a globalised world, business alliances can take many forms and it is not given that one form is better from a development perspective than the other. It is essential that the business alliance programme has a considerable flexibility to allow businesses to form whatever relationship they find useful, formal or informal. The DBP has to some extent taken that lesson into account with less focus on JV creation.

New forms of engagement

In economic theory there is nothing to prove that formal partnerships built on joint ownership in businesses are more effective in stimulating economic growth, private sector development and poverty alleviation than other forms of engagement, such as the establishment of fully owned subsidiaries. The transfer of knowhow and technology, and overall economic modernisation, can equally well be facilitated by fully owned subsidiaries of Danish companies. The concept of *partnership* might therefore be replaced by *commercial engagement* in whatever form the investor thinks is useful. Around successful

FDIs, clusters of local companies can emerge as sub-contractors, suppliers or competitors. The other Nordic business alliance programmes have a more liberal approach in this sense. The DBP is similar to B2B, albeit seemingly more flexible in what types of local partners that can be involved.

Exclusion of micro enterprises

Although large Danish partner companies generally show better correlation with the outcome parameters used in the Evaluation, a lesson is that also the micro enterprises often have been quite effective in providing development impact and knowhow transfers in B2B. A future business alliance programme should not exclude the very smallest companies. Of the number of Danish enterprises, about 70% have less than five employees⁶². A lesson is that a future business alliance programme should be broad-based and not excluding enterprises due to size, and also actively promote the engagement of different types of enterprises keeping in mind which type best can address poverty issues in the targeted countries. The DBP has introduced a weakness in this respect according to the Evaluation by a restriction in terms of size.

A two window model?

A key conclusion of the Evaluation of B2B is that there is a declining return on Danida's funds from the initial matchmaking to the prolonged support in the Project phase. Best practices and economic theory would argue that public subsidies should be applied when there are high transaction costs to enterprises due to uncertainty which make them refrain to explore business which has positive effect on society. Danida might consider a two window approach rather the B2B's three phases: a matchmaking mechanism similar to B2B's Contact phase, and a second window similar to the Pilot, but stretched over a longer period of two to three years and with a slightly higher grant, hence eliminating the third Project phase. If partners have not found a common basis after two to three years for a commercial venture, they are unlikely to find that after more elaborate support. The knowhow transfer and mutual learning is also likely to have a rapidly diminishing return after a period of two to three years. The DBP follows the same approach as B2B in terms of three windows.

The grant levels

The Evaluation has concluded that a subsidy level of 90% risks having effects of unwarranted incentives, i.e. that some businesses may base their decisions to continue partnerships less on the underlying commercial feasibility of a business, and more on a desire to access further subsidies. Danida has already changed the support level in DBP to 50% in the Implementation phase (75% in the earlier phases). It is clear that some highly relevant partnerships in the B2B would not have taken place if the subsidy level had been 50%, for example in the agriculture sector where Danish farmers engaged in B2B sometimes more of altruistic motives than commercial. Also some other more 'technical assistance' forms of collaborations which never intended a long-term partnership, but which provided valuable services, would not have been taken place at the 50% level. An alternative to a blanket subsidy level might be having a varying scale of subsidy, for example, from 30-80%, and dependent on countries (higher rate for 'difficult' countries). This could considerably improve the adaptability of the programme to country contexts and this would also eliminate the one-size-fits-all model.

62 Source: HVR 2014.

Adhering to EU's *de minimis* rules?

The B2B Programme has not adhered to EU's *de minimis* rules of maximum subsidies of EUR 200,000 over three years to commercial entities in the common market, nor is that level introduced in DBP.⁶³ As a Danish company can be engaged in several projects in parallel, the total subsidy level can exceed the maximum in *de minimis* by several factors. In line with the argument above that there was declining returns on the Danida funds in the Project phase Danida might consider the level of support granted to each partnership. The benefits would also be that the risk of market distortions is reduced.

Take country relevance into account

A lesson from the Evaluation is that engagement of the Danish firms varied considerably between the different countries. In order to make a business alliance programme more relevant and effective, it should target countries where the programme can make a difference, i.e. countries, which in relative terms get smaller levels of foreign direct investments in general and Danish FDI specifically. In this way, the additionality of the programme is strengthened especially as the Evaluation indicates that the performance of projects in 'difficult business environments' is not worse than in better environments. B2B might have been successful in creating a large number of partnerships in for example Vietnam, but in the context of the massive inflow of Danish and other FDI to the country, the relative impact of B2B becomes negligible. Targeting might be done by stratified subsidy levels tailored to the country conditions with considerably higher grant rates for 'needed' countries than those already attracting major inflow of investments as suggested above. Countries like Vietnam might be open for matchmaking support, while the support for companies willing to engage in West Africa might be provided with a much more elaborate form of support reducing risks for Danish companies, small as well as large, to initiate business in these nations. This can also be achieved by targeted promotional and marketing efforts. In the B2B Programme, the marketing efforts were focussed on the countries that could be assumed attracted interest, rather than the reverse.

Diffusion of knowhow and good models in the countries

Learning from the Evaluation is that the B2B in its design and implementation was highly micro-oriented, i.e. focussing on what happened to specific commercial entities. There were no mechanisms to diffuse knowhow and learning from projects to a sector or the business community at large in the targeted countries. Such spin-offs when they happened were largely the results of the work of enthusiastic entrepreneurs and companies. A new business alliance programme might more systematically ensure diffusion of learning and good models. This could be done in arranging sector wide events or broader business events, using successful models as cases. This can be facilitated by linking to local business associations such as chambers of commerce or industrial associations, as well as the local institutions corresponding to the Danish business federations. Diffusion of good models might be a part of the grant conditions. In the judgement of the Evaluation, the DBP is not addressing this weakness in B2B.

63 The EC has adopted revised Regulation on small aids amounts that falls outside the scope of EU state aid control because they are deemed to have no impact on competition and trade in the internal market – Commission Regulation (EU) No 1407/2013 of December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis aid*.

Learning between companies and training

While B2B had established some mechanisms at embassy level for increased interaction between companies engaged in the programme for mutual learning, this can be strengthened, e.g. by establishing networks based on sector. A demand from many companies interviewed in the Evaluation, both Danish and locals, was also that there should be some form of introduction or mentor programme for newcomers to learn from experienced companies. The Danish business associations could become more engaged in learning and experience sharing in Denmark. It has been suggested to establish an information-sharing network in each country to assist the business partnerships to relate to the prevailing business environment. Such networks have been attempted established in a few countries. The proposed interactive learning element is relevant for both local and Danish companies. The business alliance programme might also arrange formal training for both Danish and local entrepreneurs prior to start of collaboration such as issues in cultural differences. Such training could, for example, be arranged by the embassies.

The gender perspective

The gender profile of a new business alliance programme could be strengthened through the marketing of the programme to sectors with a higher profile of women, and also with the option to specifically aim at female entrepreneurs both in Denmark and locally. Addressing specific constraints in employment for women in the programme is an option, possibly also having a special window of financing for measures to address such constraints. Promoting success cases in employment of women in non-traditional sectors and highlighting successful female entrepreneurs or business leaders in the programme is another means of lifting the gender issue.

The results-based management system

The deficiencies in the results-based management system applied in the B2B Programme have been discussed at length in this report. The concrete suggestions for a more effective and simpler system are as follows:

- Simplify the application forms and focus on the essentials both to appraise them and to use them as a baseline for monitoring. An application should not be more than 8-10 pages, be of a nature which does not necessarily require the assistance of a consultant to fill in, and be manageable both for Danida and the companies. The focus should be on the viability of the business, idea and its potential development impact.
- Deepen the appraisal and focus on the essentials, not least the potential development impact of the project and potential distortion effects and other negative impacts. Danida might consider separating the due diligence from the management in order to have an objective assessment of the strengths and weaknesses of a project. This might be done by delegating the appraisal process to an external expert in the business sector in questions, or by setting up a simple investment committee.
- Simplify the progress reporting and separate this from request for reimbursement. Reporting every half year, or even once yearly, should be sufficient for monitoring purposes. Use a template for process reporting and assure it is handled electronically.

- Introduce an embassy progress reporting on the portfolio, which in a simple and understandable way for outsiders and embassy management shows progress, especially on emerging outcome, rather than outputs of all kinds of activities.
- Create a simple overall programme reporting using a few key results indicators and assure it is accurate.
- Make the completion reporting meaningful, both for accountability purposes and learning. Build this report in a follow-up of the baselines and targets, and an analysis of reasons for failure or success.

Reduce bureaucracy

The suggested reformulation of the results-based management system above would be a means of reducing bureaucracy and make the system more business friendly. The DBP has not addressed this weakness of B2B, but rather gone the opposite way according to interviews with companies, HVR and DI.

Outsourcing the business alliance?

A lesson on the Evaluation is that B2B at embassy level tends to be seen as demanding on staff resources for, in relative terms to other development programmes, limited grant funds, and also highly demanding on reporting. A means of addressing this might be outsourcing of the programme as the other Nordic programmes have done. This would make Danida's supervision easier and clearer, and allow a stronger focus on results rather than day-to-day administration.

Closer links to IFU

Engaging IFU at an earlier stage of the business alliance programme could help in bridging the gap between the subsidy programme and regular commercial financing. One objective in the design of B2B was to achieve a stronger link between the business alliance programme and the Danish DFI than past programmes had shown. Another option is outsourcing the new programme to IFU for implementation in a similar way has taken place in both Sweden and Finland.⁶⁴ A number of functions have already been delegated to IFU and further delegation may need overall policy and strategic considerations.⁶⁵

64 The legal aspect of this has not been analysed in the Evaluation, for example if Danish procurement law will require a tendering process in a potential outsourcing of B2B.

65 The Danish Trade and Development Minister announced in June 2014 the launch of an Agriculture Investment Fund dedicated to commercial investment in the farming sector in developing countries, especially in Africa. The fund will initially consist of DKK 40 million. The goal is for the Danish pension funds and private funds to contribute to the agriculture fund so that the total investment involving Danish companies will reach up to DKK 800-900 million. The fund will be included in the Government's new export strategy and will be administered by IFU. In early 2014 the Government launched a Climate Investment Fund with an injection of DKK 275 million, also managed by IFU. Finally, a SME Facility has been approved having an annual budget allocation of DKK 60 million – also to be managed by IFU.

Create a missing middle facility

In order to bridge the gap between Danida's business alliance programme and commercial funding with a developmental perspective provided for example by IFU, Danida might consider initiating a 'missing middle' programme providing partly subsidised credits (for example, covering the administrative costs). Such a programme would scale up successful ventures more rapidly. Preferably it should be open also to local companies.

10.5 The Theory of Change

The Theory of Change was reconstructed based on the B2B Programme's objectives, and presented the intended/warranted results of the B2B development interventions at the conceptual stage. Being a development programme, such impact is intended to be positive. However, given the level of investments in each of the B2B Programme countries, the macro-level impact on poverty reduction and in promoting economic growth and social development has been minimal and was thus left out of the analysis. The thrust of the Theory of Change as regards long-term outcomes and impacts is therefore on the local level. The results of the B2B Programme partnerships would not be either all positive or all negative for the programme as a whole, as there is a great variation in performance of the partnerships. The overall result will be between the two extremes – as some collaborations would have positive impact, some mixed, and some negative. For further details see Annex D.

The B2B partnerships succeeded in transferring new technology and knowledge due to the substantial interaction between partners during the Pilot and Project phases. In many cases this led to increased performance of the local company in terms of turnover and productivity, but only to a limited increase in employment. Generally, the performance forecasts were optimistic and were seldom achieved fully. Significant improvements in the internal as well as the external environment were achieved, as Danish companies generally have this high on the agenda in their domestic manufacturing and service delivery.

The partnerships have dealt with CSR quite differently. Some partners have defined *internal* CSR as improving the working environment for the employees, which is an obligation according to most countries' labour laws. Other partnerships have provided socio-economic benefits to their employees that are in addition to improved working environment. As regards the *external* CSR, some partnerships did not consider external CSR; other partnerships mainly focussed their CSR activities on the external environment resulting in better protection of natural resource; and some have conceived interventions that constitute a strategic element of their business vision and concept. CSR is a relatively new concept for most local partners, which was also the case for some of the Danish partners. For some Danish partners the main aim was the *business* perspective, whereas others also appreciated and accepted the *development* perspective of the B2B Programme and took great care to comply with this through CSR interventions.

A number of pilot collaborations were ‘de facto’ projects having the potential to generate long-term outcomes. The positive outcomes of pilot and project collaborations enhanced the performance of the local companies in terms of work conditions, quality of services and products, and improved resource efficiency – all of which strengthened their competitive position. However, only in a few cases – mostly agro-based companies – were there substantial employment spill over effects that benefitted the local community.

The B2B supported local companies did not adequately generate employment and income that enabled the interventions to raise the level of welfare significantly in the local communities in which they were located, except in a few cases. Correspondingly, the contribution to poverty reduction in the local communities has not been as significant as warranted. Despite the significant amount of transfer of knowhow and technology to the local companies, it appears that the diffusion of technological achievement has only taken place to a limited extent. A higher rate of diffusion of technology, management systems, CSR interventions, etc. would have added to the programme’s overall impact.

In monetary terms, the benefits have generally not been substantial for the Danish companies. A number of the Danish companies also had an altruistic perspective in supporting the local company. But the experience and lessons learned have been valued, as these provided insights on how best to expand their markets in developing countries.

11 Conclusions and Recommendations

11.1 Overall conclusions

The B2B Programme facilitated transfer of knowledge and technology to the local companies through well-functioning partnerships, resulting in improved performance as regards company management, productivity, turnover, environmental management, and working environment. Generation of employment in the local companies – as well as upstream and downstream employment – was less than anticipated. The diffusion of technology and management practices to other local companies in the sector or in general happened only to a limited extent. While the majority of B2B supported local companies achieved satisfactory results, the spill over effects to their surrounding local communities did not materialise to any significant extent – except in a very few cases – in consequence of less employment generated and limited diffusion of technology and knowhow. The anticipated socio-economic benefits to the local communities were thus less than anticipated and correspondingly the contribution to poverty reduction was less than warranted. The B2B projects performed equally well in constrained as in conducive business environments. This points to the potential for effective development impact of a programme such B2B if it strongly promoted towards countries where the collaborations make a difference, rather than towards countries where the market forces anyway create substantial FDI flows.

The Evaluation recommends:

1. *The strategic framework for the business partnerships should be broadened to: maximise employment generation and diffusion of technology and knowhow in order to enhance the dissemination of development effects; and incorporate potential positive and negative systemic impacts in the project design.*

There may be a limit to the extent to which an individual business partnership can address potential systemic impacts, but nonetheless an analysis of potential systemic impacts might significantly enhance the sustainability of the project by taking measures that maximise potential positive impacts and minimise negative ones. Many of the new Danida country programmes, introduced in 2013, will have a ‘thematic area’ that concerns private sector and business development, which may deal with national level regulatory issues and business environment challenges. Considerations on and experiences from such thematic areas may provide important information on the country’s business environment and guidance when elaborating the country’s ‘business opportunity profile’ and designing partnership projects – and thus create some element of synergy between the Danish business interventions.

11.2 Conclusions and recommendations for the immediate term

The recommendations for the immediate term could in principle be implemented right away, but the timing could be adjusted to coincide with other amendments of DBP guidelines.

Programme criteria requirements

Small companies – less than the DBP requirement of five employees – have the potential to contribute to significant development effects. They are also more vulnerable than large companies and may thus require a more tight screening process. The multiple partner approach, as introduced for DBP and being applied, could be a means of establishing more robust partnerships and may at the same time increase the diversity of the project design. The reduction of the grant level to 50% for the DBP project implementation phase will imply a higher degree of financial commitment compared to the 90% for B2B projects and also reduce the risk of not well-founded partnerships being approved. This is likely to reduce the risk of failure considerably, although it may also imply that the portfolio size shrinks – at least in the short to medium term. Mutual trust between the Danish and local partners appears to be a fundamental factor for well functioning partnerships. The timeframe provided for the DBP identification and preparation phases appears to be too short to allow that mutual trust can evolve substantially.

The Evaluation recommends:

2. *Future business alliances should not exclude companies due to size. Small companies with less than five employees could be engaged through the DBP multiple partner arrangement;*
3. *The grant level for the implementation phase should remain at 50%, but could be modified at a later stage to provide incentives for specific countries and sectors;*
4. *The duration of identification and preparatory phases should be about one year each to enable adequate time for mutual trust to evolve.*

Project design requirements

The scope of the conceptualisation and design of projects have substantial bearing on the partnerships' wider outcomes and impacts. Positive systemic impacts could be attained by addressing problems related to value chains, logistic systems, technology deficiencies, etc. The focus of most previous B2B projects has been on the local company in a narrow sense – rightly so – but a wider apprehension of the external context could potentially stimulate positive impacts for the local company as well as for the local community through a wider dissemination of development effects. Market distortions have a risk of creating substantial negative development effects and should accordingly be avoided. Appropriately integrated external CSR interventions in the business case have the potential to contribute to the wider development effects in the local community and should accordingly be encouraged.

The Evaluation recommends:

5. *Measures to enhance positive systemic impacts should be considered in connection with the conceptualisation of the business case and design of the project;*
6. *Specific attention should be paid to how technological advancements could be diffused to the business community in a way that doesn't erode the companies' competitive gains, for example through sharing of information in business associations, universities and NGOs;*

7. *The risk of market distortion should be made explicit in applications and measures taken to minimise resulting negative effects;*
8. *Increased attention should be given to how external CSR could benefit the business case and contribute to local level development effects.*

Promotion and marketing of the DBP

The consequence of reducing the support to 50% for DBP Project phase has in the short term implied that the number of applications has dropped significantly. There would thus be a need to promote and market the DBP programme in order to ensure the warranted level of outcomes and utilise the funding set aside for the DBP programme. Marketing plays a strong role of engaging Danish companies, and as projects perform equally well in constrained and conducive environments, the marketing should emphasise where DBP makes a difference, i.e. where there is limited FDI.

The Evaluation recommends:

9. *DGG should launch a promotion campaign for engaging Danish companies in the DBP Programme, with a particular emphasis on countries with low overall inflow of FDI, which will increase the programme's additionality and effectiveness.*

Matchmaking and application

The embassies have been quite resourceful in facilitating the matchmaking and setting-up of the partnerships, but have had lesser resources to assist with the conceptualisation and application processes. Only a few of the Danish companies had the capacity to apply for the partnership support without any advisory assistance and others were heavily dependent on such assistance throughout the whole process. DI and HVR have provided such assistance to member and non-member companies and have accumulated substantial knowledge on business partnerships in developing countries. Danish and local consulting firms have also specialised in providing this kind of assistance. Especially small companies with limited or no international experience are in need of such assistance.

The key challenges for the partners are to build a business case that is feasible and design the project by taking the contextual factors into account, and to decide on the most appropriate form of engagement. It is important to have a binding formal agreement prior to major investments, be it a joint venture or any other kind of arrangement that suits the nature of the partnership. The important aspect is that the partners have access to proper and reliable advice, especially the less experience partners. Networks for information and knowledge sharing between new and experienced partners – that help overcome unexpected problems – have been established with the assistance of the embassies in some countries.

The Evaluation recommends:

10. *Danida (DGG and the embassies) should continue to encourage new partners to seek advice for preparation of applications and facilitate access to consultancy service providers (e.g. business associations or consultants with demonstrated experience) in order to enhance the realism of the business case and the quality of the project design;*

11. *Danida (DGG and the embassies) should consolidate/formalise knowledge sharing networks and introduce a 'mentor' arrangement in which one experienced company could guide new partnerships.*

Appraisal and approval

Currently, the embassies have the appraisal and approval responsibility – most often it is the same programme officer conducting both functions. With hindsight, a number of the B2B partnerships should preferably not have been approved. The tightened screening process, as introduced in connection with the DBP, would in all probability have identified some of the poor-performing companies from a formal point of view. However, a more in-depth appraisal would have singled out those business cases and projects of inadequate quality, which would either need more preparation, or which simply could not fly. The embassies have not and are not likely to get adequate resources for comprehensive appraisals of the partnerships. An independent appraisal function would both augment the embassies' resources and at the same time provide a critical analysis of the business case and the project design, i.e. the commercial and market aspects.

The Evaluation recommends:

12. *An independent appraisal function for partnership applications should be established and operated by a professional and commercial oriented organisation – ideally with presence in the country.*

Implementation

Most B2B partnerships that reached the project stage were implemented with limited oversight from the embassies. The majority of projects were implemented without major problems, whereas some encountered serious problems. The anticipation was that once established the partners could manage on their own. Some of the partnerships had engaged advisers/consultants to assist with the implementation – the quality of which varied from good to less good. The embassies' resource allocation for monitoring project implementation was limited both in terms of time, mobility and technical insight to the multitude of business sectors – and were thus not in a position to capture and deal with the problems that occurred either unexpectedly or which could have been foreseen. As stated above, the embassies are not likely to have additional human resources allocated for managing of business partnerships. A support function that could assist the embassies in reviewing complicated cases on request could thus be a solution.

The B2B quarterly progress reports served as an important means for monitoring of progress with the final progress report serving as the partners' completion report. The B2B project progress was measured against six performance indicators. Regrettably, the management information system did not function well, as some information was incorrectly recorded and other information was hard to get by. The DBP operates with two key performance indicators: 1) new and maintained jobs for the local and Danish partners; and 2) CSR promotion in the local partner company. These two DBP indicators were also B2B indicator, but whereas the B2B CSR indicator focused on the number of people targeted by the activities, the DBP focuses on actual results. As development effects are centred on employment and CSR, these two performance indicators will remain essential. Especially employment and the wider effects of employment generation are essential to monitor – particularly so seen in relation to the relative poor performance of B2B in this aspect.

The financial management of the B2B Programme appeared to be satisfactory from the partners' viewpoint, although some complaints were heard. However, compared to the B2B financial management, the very rigorous DBP accounting and auditing requirements are subject to serious complaints from partners, as these are seen as unnecessary burdensome. DGG states that the outsourcing of financial audits to one audit firm has resulted in lower costs and more efficient auditing.

The Evaluation recommends:

13. *The embassies resources are complemented on an ad-hoc basis for review of critical business cases by a professional and commercially oriented organisation – ideally with presence in the country.*
14. *A review of employment data in completed and ongoing DBP projects to assess the quality of data recording and the magnitude of employment generated – and change of procedures if need be.*
15. *Review of the accounting and audit procedures with a view to simplifying these.*

11.3 Conclusions and recommendations for the medium term

The introduction of the 50% grant level and the rigorous screening process combined, have in all probability enhanced the quality and robustness of the partnerships. However, these measures have also implied that the number of partnerships has been significantly reduced – and consequently also the scale of the development effects in the DBP partner countries. This gives rise to considerations on the future strategic framework for Danida's support to strategic business alliances and how best to promote private sector and business development. The new Danida country programmes open a window of opportunity, which could be explored further in relation to DBP and other Danish business instruments. Anticipating that the DBP will last at least for five years until 2016 – and possibly longer as the Growth and Employment Strategy may be extended beyond 2015⁶⁶ – it would be pertinent to consider how the DBP could be replaced. In Section 10.4, some other options were presented: a) creation of a middle facility that could bridge the gap between Danida's business alliance programme and commercial funding; b) introduction of new forms of engagement, which among others could include support to fully owned subsidiaries of Danish companies; and c) as earlier mentioned a stratified grant level dependent on country and priority sectors.

The Evaluation recommends:

16. *A mid-term review of the overall performance of the DBP facility including the country reviews that have been conducted since 2011;*
17. *Elaboration of the strategic framework for the next generation facility for Danish strategic business alliances – including considerations on harmonisation of the partnership facility with those of other EU member states.*

66 The Government's budget framework for the development cooperation from 2015 to 2018 indicates that the annual allocation to DBP will on average be DKK 240 million.

Annex A: Terms of Reference (short version)

1. Background

Support to partnerships between Danish companies and companies in partner countries has in various forms been an element of the Danish development cooperation since 1993, initially under the Private Sector Development Programme, subsequently under the Business-to-Business (B2B) Programme and latest under the Danida Business Partnership Programme.

In general terms, the Danida support in this area aims at achieving development outcomes by supporting business development in a range of partner countries through the promotion of long-term and mutually committing partnerships between Danish companies and companies in partner countries.

The Danida support to business partnerships, since 2011 named Danida Business Partnerships (DBP), is an element of the Danish support to economic development as reflected in the Strategic Framework for Growth and Employment (Danida 2011). In addition to DBP, the Ministry of Foreign Affairs is subsidising loans for development activities, mainly infrastructure, under the initiative Danida Business Finance (DBF, formerly Danida mixed credits). The bilateral development cooperation within the priority area of private sector development also includes sector programme support in Bangladesh, Benin, Bolivia, Burkina Faso, Ghana, Kenya, Mali, Mozambique, Nicaragua, Tanzania, Uganda, and Vietnam. Furthermore, Danida provides funding to a number of initiatives which were initiated by the Africa Commission (2009) and the Industrialisation Fund for Developing Countries, which acts as an adviser and co-investor for Danish enterprises' investments in developing countries.

A strategic framework for growth and employment guiding Danida development cooperation in this area was established in 2011. Prior to this, the area was guided by the overall development strategy "Partnership 2000" and the "Action plan for private sector development (2006)".

The Business-to-Business (B2B) Programme

Business partnerships were supported by Danida through the B2B Programme from July 2006 to June 2011 replacing the Danida Private Sector Development Programme. With the B2B Programme the developmental outcomes of the programme were emphasised, and more requirements in terms of project documentation and results measurement were introduced. Furthermore, the Public Private Partnership (PPP) Programme and, later, the Innovative Partnerships for Development (IPD) Programme were introduced supporting public private partnerships and partnerships that advance strategic corporate social responsibility (CSR) and socially responsible innovation.

According to the B2B Company Guidelines (last version: Danida, 2010), the overall objective of the B2B Programme was to contribute to poverty reduction by promoting economic growth and social development in developing countries. The immediate objective was to promote the establishment of long-term, sustainable and commercially viable partnerships between companies in developing countries and Danish companies, with an aim of strengthening local business development. The B2B Programme encour-

aged companies in developing countries and in Denmark to form such long-term, sustainable and commercially viable partnerships and supported each partnership with advice and finance. The focus of this support was to ensure a transfer of knowhow and technology from the Danish partner to the local partners thereby strengthening the competitiveness of the local partner and by that, their local and international market presence. In turn, by partnering with a local company, the Danish company could gain access to new markets, raw materials and reduced production costs.

The B2B Programme supported the establishment of contact between companies and the establishment and implementation of partnerships, normally up to a period of five years. The B2B Programme support was divided into three phases: Contact phase, pilot phase and project phase. During the contact phase, the matching process was supported by helping Danish companies to identify suitable companies in the partner country, and vice versa, and by co-funding study visits, workshops, meetings, etc. Until April 2008, the Danish Federation of Small and Medium-Sized Enterprises was contracted by the Ministry of Foreign Affairs to assist companies in approaching the programme and in the matchmaking process. In the pilot phase, the B2B Programme funded expenses related to studies and the establishment of pilot projects of up to two years' duration. By the end of the pilot phase, the concept for business cooperation should be developed. Based on this concept, and a new application, the B2B Programme provided funding for the project phase related to training, environmental efficiency, CSR activities, establishment and, to a more limited extent, equipment of the partnership. The Danida share of funding was normally 90% of the cost in all phases, except for studies (75%) and for equipment (25% for normal equipment and 90% for equipment related to environmental aspects). All projects were required to include CSR/environmental activities in their project proposal. The maximum amount of support for a partnership was DKK 5 million aggregated for all phases of support. It should be noted that B2B guidelines were modified during the period of implementation.

The B2B Programme operated in developing countries with programmatic development cooperation with Denmark, the so-called Danida programme countries⁶⁷, including Egypt and South Africa. Of these countries, Bangladesh, Bolivia, Egypt, Ghana, Kenya, Mozambique, South Africa, Tanzania, Uganda and Vietnam were considered focus countries of the programme. Furthermore, the programme was operating in China and Indonesia where only partnerships related to the environmental sector were supported.

The Department for Green Growth in the Ministry of Foreign Affairs was responsible for policy, coordination and guidelines, whereas the implementation and administration was delegated to the Danish embassies. Full-time B2B coordinators were responsible for the day to day implementation at the embassies in the focus countries.

The total number of projects supported in the project phase is estimated to be around 250 and the total amount disbursed on these projects to date is approximately DKK 756 million. Additionally, between DKK 10 and 20 million have been spent annually for marketing and administration of the programme. The total grant amounts and disbursements for the programme are indicated in Table 1 below.

67 Bangladesh, Benin, Bhutan, Bolivia, Burkina Faso, Ghana, Kenya, Mali, Mozambique, Nepal, Nicaragua, Tanzania, Uganda, Vietnam, Zambia.

Table 1: B2B and DBP project grants and disbursements 2006-2011 (DKK)

	2006	2007	2008	2009	2010	2011
Grant amount	140	238	139	186	173	139
	302	379	656	968	022	768
	120	027	507	850	113	692
Disbursed*	123	174	112	140	133	72
	324	498	840	148	132	257
	693	425	876	469	451	735

* Note: Disbursements are recorded in the year the grant was committed regardless of the actual year of disbursement.

Earlier evaluations

The Business-to-Business Programme in South Africa was evaluated in 2000 and the Danida Private Sector Development Programme was evaluated in 2001 (Danida, 2001). A meta-evaluation of Danida private and business sector development interventions was undertaken in 2004. Furthermore, the Danida country evaluations of development cooperation with Ghana (Danida, 2008a) and Mozambique (Danida 2008b) included aspects of the PSD/B2B Programme. Furthermore, a synthesis of evaluations on support to business development was prepared in 2009 (Danida, 2009). A desk review of the “Action Plan for private sector development” was undertaken in 2010.

2. Evaluation purpose

The Evaluation will focus on both accountability and learning. The Evaluation has a dual purpose of assessing and documenting the B2B Programme as well as providing lessons for future implementation of Danida Business Partnerships.

The Evaluation will document what has worked well and less well in the achievement of the results using both quantitative and qualitative data. The Evaluation is expected to assess the support provided with regards to its relevance, effectiveness, efficiency, impact and sustainability. Furthermore, the Evaluation will identify the most important factors in the programme context and in relation to the characteristics of beneficiary companies that affect the programme achievements, and assess their importance.

3. Scope of work

Evaluation Period

The Evaluation will cover appropriations made under the B2B Programme from July 2006 to June 2011. In some countries, PSD Programme appropriations made just prior to the introduction of the B2B Programme were converted to B2B projects and implemented according to the B2B guidelines. Furthermore, some embassies continued to approve B2B projects in second half of 2011. These few additional projects will also be included in the Evaluation. The evaluation will furthermore take into consideration the changes made under the present programme, Danida Business Partnerships, in order to assess the changes under this programme in relation to partner selection and characteristics of participating companies. Recommendations should, as far as possible, be directed towards the present programme, Danida Business Partnerships, and it is therefore

expected that the Evaluation Team will familiarize themselves with the procedures for this programme.

Type of B2B support

The Danish finance bill budget line for the B2B Programme is 6.32.05.12 which also includes Public Private Partnerships, Innovative Partnerships for Development, Danish support to Global Compact and other funding initiatives related to business development. Only the B2B Programme and expenses related to the management and administration of the programme is included in this Evaluation. B2B projects in contact phase, pilot phase and project phase will be included in the analysis, but when assessing impact and sustainability, focus will be on B2B projects in the project phase.

Countries

The Evaluation will cover the B2B Programme globally and analysis will be undertaken across the entire portfolio. Field work will be undertaken in Bangladesh and Uganda and furthermore an additional number of B2B projects (approximately 30) will be selected for desk case studies.

4. Evaluation criteria and evaluation questions

The overall evaluation questions to be answered by this Evaluation are the following:

1. To what extent and how has the B2B Programme contributed to poverty reduction by creating growth and employment in Danida partner countries?
2. What lessons can be learned for improved design, implementation monitoring and management of future Danish support to strengthen local business development through partnerships with Danish businesses?

The Evaluation will apply OECD/DAC's five criteria: relevance, efficiency, effectiveness, impact, and sustainability to answer the key evaluation questions through a number of detailed questions, some of which are listed according to these criteria below.

It is acknowledged that causal links at outcome and impact level may be difficult to establish and that developments at this level are influenced by numerous factors and may evolve in a non-linear manner. The evaluation analysis should take these factors into account, but should nevertheless – where possible – document outcomes and the wider impact of the programme.

Relevance

The relevance of the overall B2B Programme objectives to Danida policies and to partner country policies should be assessed, but emphasis should be given to programme relevance at a lower and more concrete level in at least the following two aspects:

- To which extent was the B2B Programme relevant for addressing the constraints of private sector companies in the partner countries?
- To which extent did the programme stimulate the creation of international partnerships that would not otherwise have occurred?

- How appropriate was the B2B Programme for – through partnerships between Danish and partner country companies – promoting the overall objectives of Danida support in relation to private sector development, i.e. poverty reduction through private sector growth and employment.

Efficiency

Due to the difficulties in establishing credible data for results at programme level and the lack of benchmarking data, the efficiency at the overall programme level is difficult to establish, and the efficiency assessment will therefore focus on specific issues, including:

- How efficient were the instruments used by the B2B Programme to establish the initial contact between companies in Denmark and in the partner countries (“matchmaking”) and how can this effort be strengthened in future Danida support to establishing long-term, sustainable and commercially viable partnerships between companies in developing countries and Danish companies?
- Under which circumstances did the B2B Programme provide the best results in terms of achieving its objectives in relation to inputs (programme costs)? The response is expected to be based on a comparative analysis of the programme achievements between B2B projects with differences in external factors influencing the programme (local economic factors, enabling environment, sector, etc).
- To which extent was the administration and management of the programme well-balanced between ensuring control of public funds, providing easy access for private companies and providing the framework for an efficient use of Danida/embassy administrative resources?
- Is the documentation and monitoring system of the programme, and the way it has been administered, a useful basis for assessing progress and documenting results at individual project level, country level and programme level?

Effectiveness

Effectiveness is assessed at the following three levels, which relate to specific steps in the theory of change. Where relevant, considerations regarding the counterfactual should be included by testing alternative hypotheses of change and by giving consideration to additionality, i.e. the type of activities pursued with the B2B Programme support that would not have been pursued without the support.

- A number of companies engaged in a preliminary partnership in the contact phase or pilot phase did not take the cooperation further in an actual partnership project. Did any specific factors (for instance company type, motivation, financial incentives, power relationship between partners, type of partnership project, or other) systematically come into play in this process, and how can the rate of companies establishing successful partnerships be increased?
- To which extent and under which circumstances did the support under the B2B Programme lead to adoption of new knowledge or technology in the partner company?

- To which extent did the partnership, through the adoption of new knowledge or technology or otherwise, lead to an improved performance, increased employment and/or increased turnover of the local partner company?
- To which extent did the support under the B2B Programme lead to improved occupational health and safety conditions for employees?
- What was the effectiveness of environmental improvements and CSR activities introduced as part of B2B projects, or otherwise improved conditions for employees or the wider population?

Impact and sustainability

In terms of longer term development effects, the Evaluation should assess both intended and unintended, positive and negative effects of the programme intervention, including:

- To which extent, and under which circumstances, have partnerships been continued beyond the period supported by the B2B Programme, and has there been a transition to other Danida support from sector programmes, mixed credit (Danida Business Finance) or the Investment Fund for Developing Countries (IFU)?
- What were the longer term effects of the B2B partnership on the development of the local partner business, and were there any factors in the country context or company type systematically influencing the longer-term effects?
- What were the longer term effects of the B2B partnership on the Danish partner company in terms of other international strategic alliances, increased access to markets, improved competitiveness, or other? Have this led to other Danish companies investing in international strategic alliances?
- Who has benefitted from the programme and has there been a counterproductive selection bias related to gender, population groups, geography, or other factors.
- To which extent did the programme contribute to poverty reduction, increased employment and growth, both directly through the partner company and indirectly through market changes and effects on the wider economy?
- Were there any discernible longer term effects beyond the local partnership company at national level, sector level or in the local vicinity of the local partnership company in terms of technology adoption, CSR, environmental aspects, occupational health and safety, or other?
- What was the impact of the programme in terms of poverty reduction or sustained changes in livelihood for the people directly affected by the programme through employment, capacity development or CSR activities?

The Evaluation is expected to prepare recommendations to the future implementation of Danida Business Partnerships programme on the basis of the way it is currently being implemented, i.e. taking into account the recent (2013) modifications of the DBP programme guidelines.

5. Approach and methodology

The Evaluation will be carried out in accordance with the Danida Evaluation Guidelines (January 2012) and the OECD/DAC Evaluation Quality Standards (2010). The Evaluation must be based on a sound methodology. The Evaluation design must be methodologically rigorous and credible when judging both the internal and external validity of the results.

Bidders are free to propose the most appropriate designs for responding to the evaluation questions indicated above. This section provides some initial thinking on the proposed approach and methodology which will need to be further developed by the Evaluation Team in the technical proposal and in the inception report through concrete and practical solutions.

The Evaluation may find some inspiration in the literature on international strategic alliances, which is defined as *a mutually beneficial agreement between at least two partners in which resources, knowledge, and capabilities are shared with the objective of enhancing the competitive position of each partner*. (Hansen, H., Klejnstrup, N.R. and Rand, J., 2013). Business partnerships are sometimes considered a mechanism for coping with risk of engaging in new activities. Some strategic alliances are established to facilitate easier access or to create new markets, whereas other alliances may seek to protect existing market positions and share the financial risk of introducing a new expensive technology, which is an investment needed to maintain current market power. Firms may also engage in strategic alliances for efficiency reasons and seek to gain economies of scale by sharing processes and/or production capabilities. As part of these processes business partnerships are often argued to facilitate learning spill overs, which may take place through immediate transfer of new innovative technology or through financial, marketing and production process channels. However, as emphasized in the technology transfer literature there may be limits to these learning effects depending on the nature of the alliance.

For instance, the Evaluation will look into whether the strategy and the motivation behind the decision to enter into business alliances under the B2B Programme are factors influencing the degree of success of the partnership (as included in the evaluation questions above).

Preparatory studies on monitoring data available for the B2B Programme and on the methodological considerations for the Evaluation (Broegaard & Broegaard, 2013) conclude that the data material does not allow for statistical analysis of programme results. Additionally, the counterfactual situation cannot be established in a convincing manner. In terms of effectiveness and impact, it appears to be most feasible to evaluate whether and under which circumstances the B2B Programme interventions worked as intended and led to positive effects. The Evaluation will therefore focus on a theory-based context-mechanism-outcome (CMO) approach. The evaluation questions above are based on this approach and focusing on specific topics of interest in view of the purpose of the Evaluation. The enclosed diagrammatic outline of the theory of change of the B2B Programme is used as the basis for defining the focus of the Evaluation and should be used and refined further in the course of the Evaluation. The intervention logic includes a number of contextual factors and assumptions which may be changed, confirmed or ranked by the Evaluation Team, thereby establishing a solid theory of change to add to the future understanding of the programme. It is expected to be possible to

carry out a systematic analysis of a number of different context-mechanism-outcome configurations.

While aiming at solidifying the broad quantitative foundation as far as possible, a core of case based analysis is called for. This may again build on both qualitative and quantitative information and should have a comparative character. The analysis of cases should where possible identify relative comparison cases and a systematic comparison across different CMO constellations. If results data can be reliably established for the case studies, this may allow for considering different levels of success as part of the basis for comparison.

The following elements will be required in the overall methodology:

- A review of the relevant academic literature and of the available programme documentation. The literature review will serve as an input to determining factors in the country context that should be included in the Evaluation and what type of factors in relation to the companies that would be relevant to include in the Evaluation.
- On the basis of the portfolio overview and the existing monitoring data, an analysis should be undertaken at portfolio level according to specific factors in the country context and in the characteristics of beneficiary companies.
- Interviews with key stakeholders in Denmark and in the selected partner countries, including amongst others the relevant departments in the Ministry of Foreign Affairs, the Danish Federation of Small and Medium-Sized Enterprises, the Danish Agriculture and Food Council, the Confederation of Danish Industry, relevant Industry Associations and relevant government departments in the two field countries.
- E-survey administered to business partners. The E-survey should be used to investigate issues such as their motivation for joining the programme, their assessment of the administrative procedures, the possible effects of the B2B project and the further development of their business after the support has ended. An E-survey may also be directed towards business partners who only participated in contact phase/pilot phase in order to establish characteristics of companies that did not proceed to the project phase. The exact scope and purpose of the E-survey(s) should be determined during the process in agreement with EVAL.
- Focus group discussions (at least two) among Danish business partners to validate findings of the e-survey.
- Field studies for in-depth case studies in Bangladesh and Uganda. The field countries have been selected on the basis of their considerable number of projects and because they are expected to represent a great variety of project cases and of context configurations. During field studies, case studies involving interviews should be undertaken with a sample of not less than 75% of the B2B projects

having reached project phase⁶⁸ in each of the field countries. The studied cases should be selected on the basis of a systematic and deliberate sampling strategy that amongst others include size of local company, geographical location and industrial sector. Achievement of project targets and reasons for deviations should be investigated during the field trip.

A sample of local companies that have engaged in contact or pilot phase, but not in the project phase should be interviewed in order to assess the factors causing them to discontinue the partnership. Furthermore, interviews should be undertaken with programme stakeholders, government and local business associations in order to establish knowledge regarding the national context of the programme.

Where possible, examples of non-supported businesses engaging in international strategic alliances in the two countries should be selected and investigated in the same parameters as the B2B cases in order to discern any marked differences.

The Evaluation Team is expected to interview both responsible embassy staff and partners on their use of the monitoring system and the indicators. It is envisaged that two core team members and one country specific team member participate in each of the two country field visits. Follow-up field work may be required by country specific team members.

- Desk-based case studies supplemented with interviews of Danish partners, video conference with relevant B2B coordinators and possibly other stakeholders involved in the project. The selection of specific projects will be done using a systematic and deliberate sampling strategy, based on the information established during the field studies and the portfolio analysis. The size of the sample is envisaged to be around 30 projects and will be decided on the basis of criteria agreed with EVAL. Based on the initial overview, and the suggested approach it is suggested that the sample should include:
 - A variety of country context, i.e. with regards to
 - Level of economic development (within the range of the B2B countries)
 - Enabling environment for business development
 - Exposure to international markets
 - A variety of partnerships, i.e. with regards to
 - Characteristics of partners (size, activities, etc.)
 - Prior basis for establishing partnerships (prior knowledge or not; how contact was established between partners, motivation for entering the programme, etc.)

68 The number of projects being supported in project phase is approximately 16 for Bangladesh and 25 for Uganda.

- Types of specific objectives for the partnership, in line with the variation mentioned above.
- Different performance patterns
 - From aborted attempts to top performers – and those in between (based on data from the B2B-Indicator Report and progress reports). It should be considered to include a specific analysis of the “best cases”, to assess whether they have any common characteristics.

Preferably, cases identified during field visits of companies that have entered into international partnerships without support should be included in the analysis, in order to have a more complete set of variations in the context-mechanism-outcome configurations.

Annex B: The Methodology of the Evaluation

1. Introduction

The Consultant's outline of the methodology for the Evaluation of the Danida Business-to-Business (B2B) Programme 2006-2011 was first presented in the Technical Proposal (25.10.2013). The methodology evolved further during the Inception Phase – November 2013 to January 2014 and the preliminary version was presented in the Inception Report (31.12.2013). The methodology was tested first during the visit to Uganda in February 2014 and underwent consequently some refinements, and later on during the visit to Bangladesh in March 2014 – resulting in a consolidated version of the methodology. EVAL submitted an *Update of the Evaluation Methodology* to the Evaluation Reference Group (ERG) on 2 May 2014. The comments received from ERG and EVAL were incorporated. The final version was submitted on 12 May 2014. Since then, the random sample survey has been largely completed and the Evaluation has now moved into its final phase – leading to some further refinements of the Evaluation Methodology. This note presents the updated version of the Evaluation methodology as at 23 June 2014.

2. Theory of Change

The Evaluation Team's view is that the 'reconstructed' Theory of Change as presented in the Inception Report still remains valid – representing the '*best case scenario*'. The Theory of Change was reconstructed based on the B2B Programme's objectives. Given the level of investments in each of the B2B Programme countries, the macro-level impact on poverty reduction and in promoting economic growth and social development has been minimal and was thus left out of the analysis. The thrust of the Theory of Change as regards long-term outcomes and impacts is therefore on the local level, i.e. in those urban and rural communities in which the B2B partnerships have been established and functioned; and the extent to which the B2B partnerships have had systemic impact on the business sector in which they operate, such as technology transfer and market development. 'Market access' turned out to be an essential short-term and long-term outcome, and has subsequently been added in the Theory of Change diagram. A further elaboration of the Theory of Change is presented in Annex D.

The application of the '*Context-Mechanism-Outcome*' (CMO) approach in relation to the B2B Programme has been assessed.⁶⁹ There is great variation in contexts between the B2B Programme countries and within the countries depending on location and sector. Based on the experience from Uganda and Bangladesh, the number of contextual parameters has been reduced compared to the Inception Report. The revised "*Contextual parameters and assumptions*" is attached as Annex B.1. The contextual factors are used in the country studies (e.g. size of companies, previous international experience, type of collaboration, etc.) in relation to outcomes. The same was the case for the random sample of collaborations. The contextual factors are especially relevant for assessing a number of judgement criteria in the Evaluation Matrix (attached as Annex C to the Synthesis Report) and for considering how they influence the results chain:

69 Reference is made to the Terms of Reference, Section 5 "Approach and methodology".

1. *Theory of Change Outputs*: The efficiency for promoting partnerships from the pilot to the project phase (Judgement Criterion (JC) 2.2), and how the contextual factors may have influenced the design of the pilot phase (JC 2.3) and the project phase (JC 2.4) to make the collaborations compatible with the local context;
2. *Theory of Change Short-term Outcomes*: The influence on the choice of technology and associated knowledge (JC 4.1), and how this led to improving the local companies' performance (JC 4.2); and
3. *Theory of Change Long-term Outcomes*: How they may influence the long-term results and if possible changes in the composition of the contextual factors over time have had an impact – positive or negative – on companies' business opportunities (JC 6.1).

Country contextual parameters will be used on the entire programme portfolio when this is possible, i.e. number of projects, ratio of projects to total collaborations, grants and disbursements. It has been discussed between the Evaluation Team and EVAL to include sector as a contextual factor at the portfolio level analysis. In the portfolio documentation received initially (B2B database), sector was not listed as a parameter for the partnerships, but DGG has since come up with a list of B2B/DBP projects with an indication of sectors. The Evaluation Team has made an effort to use the information on sectors in the portfolio analysis. Information on sectors is included in JC 2.3, 2.4, 3.3, and 6.1 in the Evaluation Matrix.

The mechanisms that convert B2B interventions to outcomes have: 1) a human dimension where the partners decide and agree on the sequence of interventions leading to the pilot and project phases subject to their respective interests, and ultimately to the continuation or discontinuation of the collaboration; and 2) a market dimension, which the partners can only influence to a very limited extent. Whereas the human dimension has a certain measure of predictability in relation to the prevailing context, the market dimension is much less predictable and market changes may influence the outcomes either positively or negatively – and may in the worst cases result in the partnership to fail. There may be many other reasons for a partnership to fail, which are not due to the market situation, e.g. not understanding the context appropriately, taking unnecessary risk, inappropriate preparation, etc. The Uganda and Bangladesh country studies also showed examples of Danish companies using the B2B as a 'survival mechanism' – in most such cases the partnership failed. The team has assessed what motives drove the partners to engage in international partnerships and how the B2B Programme was seen to support such motives. Furthermore, it will be assessed what type of benefits the partners expected to achieve – either immediate, short term, or long term – and how the motives and corresponding choices influenced the commercial viability of the local company as well as the Danish company. The motivation and risk elements of the partnerships will constitute an important part of the Evaluation.

A results framework "*Ratings and criteria*" has been developed for the partnerships' performance in conjunction with the country studies, please see Annex B.2. Each of the collaboration (pilot and project) that has been assessed will be rated in accordance with the results framework – provided that adequate information is available – obtained through project documentation and interviews. The project ratings will be filled into an Excel sheet by country. The results framework will provide an overview of the performance by project in the sample, which can be extrapolated with some degree

of probability by country and for the entire portfolio. This overview will provide the basis for relating the B2B Programme’s performance to the prevailing contextual factors by locality and country as they evolved over the time span of the evaluation period.

3. The Evaluation Matrix

The Evaluation Matrix as first presented in the Inception Report was prepared based on the 20 Evaluation Questions (EQs) presented in the Terms of Reference (ToR). The number of EQs in the Evaluation Matrix was reduced to nine by transforming 19 of the ToR’s EQs to Judgement Criteria (JC). The main overall EQ from the ToR corresponds to EQ8 in Table 3.1 below. A 10th EQ dealing with ‘Value Added’ was added, which is often used in EU evaluations. However, it was found that there is limited coordination among the development partners engaged in this kind of assistance and thus limited value added. In consequence, EQ10 has been taken out. EQ1 to EQ5 are related to the project period, whereas EQ6-EQ9 are related to the post-project period, i.e. when project funding from the B2B Programme has ceased.

The country visits to Uganda and Bangladesh gave no rise to change of the overall structure of the EQs, see Table 3.1. The structure of the JCs also remains unchanged, except for: 1) JC 3.1 where the indicator has been changed to target B2B stakeholders more broadly instead of companies only; and 2) a new JC 6.4 has been added, “*Unintended negative effects from implementing the B2B Programme*”. A number of minor changes and editorial revisions have been made in the JCs’ indicators and means and source of verification. Notes have been added for the JC 6.1, 6.3 and 8.2 indicators concerning data availability. The E-survey has been maintained as a means and source of information in the Evaluation Matrix, and will be discussed further in Section 8 below.

Table 1: B2B Evaluation Questions by criteria

Criteria	Evaluation Question
Relevance	EQ1: To what extent has the B2B Programme been consistent with private sector development requirements in the partner countries and with Danida’s private sector policies?
Efficiency	EQ2: How efficiently were the B2B Programme instruments used in creating partnerships and how did external factors influence the results?
	EQ3: To what extent did the management of the B2B Programme provide an efficient framework for: delivery of services to companies, utilisation of resources, and accounting for results?
Effectiveness	EQ4: How has the B2B Programme led to knowledge and technology transfer in the local partner company and what were the resulting short-term outcomes?
	EQ5: How has the B2B Programme led to improved conditions for employees and the wider population and what were the resulting short-term outcomes?

Impact	<p>EQ6: What long-term effects have the B2B Programme had on the local partner companies and specific business sectors, and how have these influenced local communities, and the national enabling environment?</p> <p>EQ7: What long-term effects have the B2B Programme had on the Danish partner companies?</p> <p>EQ8: To what extent and how has the B2B Programme contributed to poverty reduction by creating growth and employment in Danida partner countries?</p>
Sustainability	<p>EQ9: To what extent have the benefits derived from the B2B Programme continued after project completion?</p>

4. Country Studies

As part of the Preparatory Phase for the country visits to Uganda and Bangladesh, an Assessment Sheet was developed with the purpose of: 1) stating the basic facts for each partnership (pilot and project) based on available project data; 2) recording the outcome of interviews with the Danish and local partner; and 3) assessing the partnership's performance.

The key uncertainty all through the initial phases has been availability and trustworthiness of data. The availability of data would again determine the factors and the causes that the Evaluation could explore with any likely degree of significance in findings. Uganda was an excellent test in this regard, illustrating a number of important methodological challenges. Most of these were also present in Bangladesh:

- Basic data about partnerships are often lacking, or of poor quality. This includes information about financial results of the cooperation, investments, internal operations and even employment. After the Application process, all data provided in project reporting is based on self-reporting. One can trust or not trust such data, but as the B2B process generally contains few external checkpoints, an evaluator must show great caution in handling this information. It is clear from indicator reports generated from MFA's PDB that the data contains substantial errors (data that missing, yearly figures that have been incorrectly aggregated, etc.). The Evaluation Team will include a comparison of the results from the indicator system with an assessment of results by the team based on the interviews conducted with project partners. This will provide the evidence base for a final 'judgement' of the B2B indicator system.
- Reporting from B2B projects – in the form of Quarterly and Final project reports – is scattered and in many cases only available through extended excavation, taking substantial time. This is partly due to the fact that the embassies are only requested to save such reports in hardcopy at the archives at the embassies. In a number of cases, in particular those that have gone wrong, there is hardly any progress reporting from project operations at all, except a few lines in the embassy's Project Completion Report (PCR).

- Indeed, data regarding investments including those in internal and external environment cannot be used, as they are not only highly susceptible to manipulation, they also suffer from being interpreted differently from case to case. CSR activities are another area where it is difficult to get hard third-party evidence apart from what the team can observe during a visit to the production site.
- Two sets of data that are somewhat more reliable are turnover⁷⁰ and employment. Both can be externally verified, which the team did on some occasions through annual accounts and manpower lists. Of course, the challenge of how much of this can be attributed to B2B support remains an issue, but these two figures at least give “ballpark” numbers for operational status of the B2B collaboration.
- Information is triangulated from four different sources, namely the Danish partner, the local partner, the embassy, and from documents. The views from these sources differ considerably in some cases. The Danish companies and the embassy documents tend to be more positive to the outcome of the collaborations than the local partners’ verdict. This was the case both in Uganda and in Bangladesh.
- Finally, diversity in the portfolio is such that *“one will be hard pressed to find any project with similar characteristics, similar backgrounds, same capacities and working in the same markets. All have their own story to tell, and the outcomes in terms of both business and development impacts are equally diverse”* (Draft Uganda Country Report). The factors that seem to determine success or failure of collaborations are many and varied, often specific for each case. While some are related to ‘soft’, psychological factors such as trust and individual entrepreneurship drive, the destiny of other collaborations are better explained by market conditions and market developments.

In order to make the Bangladesh data sample similar to the Uganda study, the team decided to include all the pilot phase collaboration in addition to those that went to the project phase. As in Uganda, the team was not able to meet with representatives from all the collaborations. Some partners were travelling and unavailable for meetings, some refused to meet the team, and some companies had simply disappeared. Getting hold of Danish partners proved as complicated as for the Ugandan and Bangladeshi partners. Therefore it has not been possible to make a full triangulate of all projects with all four data sources as listed above. However, for most B2B projects the team has at least information from two and often three sources. In those cases where information is highly doubtful, or not properly quality checked, the team has refrained from giving ratings. In addition to meeting B2B partners, the team met with other donors, with sector organisations, with other private companies, and with Funds involved in social business investment. Through these interviews, the team has among other issues tried to establish ‘the counterfactual’ in Uganda and Bangladesh, i.e. what would have happened without the support of the programme.

The lack of well-defined hard data implies that the Evaluation to a substantial degree will have to use qualitative ratings and conclusions. Each partnership is thus rated across

70 Turnover is for most companies a less contentious figure than “profit”. Local companies would only indicate very roughly whether they earned money or not, some refusing outright by claiming profitability figures to be “business secrets”.

a number of evaluation criteria, in addition to being categorised in relation to basic features of each company. A third set of factors is the B2B particulars, as for instance size of B2B support, years of B2B implementation, and which phase each collaboration went through. All these ratings and criteria are entered into an Excel results framework by country.

Power Point Presentation/debriefing note were prepared at the end of the country visits, which formed the basis for the debriefing meetings with the embassy and EVAL – and in Uganda with some of the B2B partners as well. Draft Country Reports for Uganda and Bangladesh have been submitted. The Table of Contents for the country reports is shown in the box below.

Table of Contents for the Country Reports

Summary: Results and Conclusions

Introduction and Background

Methodology

The Investment and Business Environment

The B2B Portfolio in Brief

Key Results

Analysis towards the DAC Criteria

5. The Random Sample

The 20% random sample consisting of 87 collaborations (seven of which were chosen from the Uganda portfolio and seven from the Bangladesh portfolio, which are included in the country studies) has been chosen from the total population. The random sample consists of 36 pilots and 49 projects. No collaborations were drawn from three of the 17 B2B Programme countries (the random process did not select projects from Indonesia, Nepal and Burkina Faso).

Out of the 87 collaborations, the team succeeded in compiling adequate information for 80 collaborations through accessing information from the ExtraNet complemented with additional information from embassies and partners interviewed. Three of the selected collaborations turned out to be PSD projects and inadequate information was available for four projects. Collection of information from the ExtraNet encountered similar problems as for the Uganda and Bangladesh collaborations due to non-availability of the essential documents – in some cases there are few documents related to the implementation of the projects (quarterly reports or embassy PCRs) – the intentions of the projects can only be assessed through applications documents. The outcomes and results were established through interviews with Danish and local partners. Once the overview was attained for the respective partnerships in the Programme countries, an interview was undertaken with the embassy's B2B Programme Coordinator in order to triangulate information, to address specific issues arising from the assessment of the random sample collaborations, as well as general issues of relevance for the country in question.

The same approach for assessing collaborations as applied for the Uganda and Bangladesh portfolios was used for the random sample. The Assessment Sheet was slightly modified based on the experience from the country studies.

The following approach for contacting the partners was adopted:

1. An email was written – using the mail address obtained from the application/EVAL – with an introduction letter from Danida and brief interview guide attached. If the email bounces, Google will be used to find an alternative email address;
2. If no reply has been received within 3-4 days, a follow-up email will be sent;
3. If still no reply is received, a call will be made to the company – using the number from the application or from a Google search.

Once contact was established with a relevant person with knowledge about the B2B collaboration, the interview was conducted and the gathered information filled into the Assessment Sheet. An interview would not be pursued if no relevant contact person was identified after the above three mentioned attempts. The assessment of the random sample will be done by country.

The outcome of the collaboration assessments will be entered into the results framework by country (ref. Section 2) for those collaborations for which adequate information has been gathered from project documents and interviews – the same results framework as applied for Uganda and Bangladesh country studies was used for the random sample. A statistical analysis was undertaken with a view to generalising the performance for the entire population for selected type of results, e.g. turnover, employment, investment, etc. Hence, the evaluation will estimate the aggregated results at programme level through the combination of Uganda and Bangladesh case studies and the random sample.

6. The Success Cases

The industry associations, the embassies, and DGG have selected a number of ‘success cases’, which from their perspective demonstrate good examples of well performing partnerships. The purposes of including the success cases in the Evaluation were to: 1) determine the scope of the development effects; 2) analyse the constellation of the contextual factors; and 3) see how the cases relate to identified important issues, see Section 7.

Regarding the first purpose, selected outcomes of the successful projects have been aggregated, which – together with the other case material – provided an indication of what the B2B Programme has ‘at least’ achieved in terms of outcomes. This was only possible in relation to the outcome indicators: number of jobs and company turnover – and only for those cases where based data was considered reliable. Regarding the second purpose, the team has looked into which contextual factors that in particular prompted the partnerships to be successes. The team has identified success cases as part of the country studies and the random sample, and has correspondingly assessed the contextual factors that contributed to the success. A comparative analysis of the team’s criteria for determining a success case and the externally selected success cases has been made. Some of the externally selected success cases were included in the country study samples and

the random sample and will thus be subject to the general evaluation assessment, whereas those not included will not be part of the overall assessment, as they may distort the evaluation in a positive direction.

7. The Issue Paper

The Issue Paper was prepared following the completion of the country reports from Uganda and Bangladesh. The issues were drawn from the country context and assessment of the case countries' portfolio. The issues were arranged corresponding to the Evaluation Matrix, i.e. EQs and JCs and thus be compatible with the Theory of Change. The country reports have an elaborated Chapter 7 "*Analysis on the DAC criteria*" with summaries for each EQ, which were the main source for formulating the issues.

The first draft of the Issue Paper was prepared in parallel with the assessment of the random sample collaborations. The Issue Paper was submitted to the ERG for comments on 27 May and a meeting was held on 12 June 2014. The paper will be updated if the assessment adds further issues or rectify those already identified. The Issue Paper will also relate to those changes that have been introduced in the Danida Business Partnership (DBP) Programme that replaced the B2B Programme. The Issue Paper has fed into the E-Survey, the focus group discussion, and the Synthesis Report.

8. E-Survey

The E-Survey covers all collaborations in the portfolio and addresses a few essential issues. The issues for the E-survey were relatively few and were selected amongst the most essential issues from the Issue Paper. The team had some doubts about the response rate due to the difficulty of identifying partners that have concrete knowledge of the partnership and their willingness to respond. Those partners that have been interviewed might generally be positive and are thus likely to respond. The E-Survey was sent to 745 Danish and local partners on 2 June 2014 and the response rate has so far been 22%. The E-survey provided an opportunity to have the views of partners that have not been approached previously. The design of the E-survey was made in consultation with EVAL at a time when the assessment of the random sample was near completion.

9. Focus Group Discussion

A focus group discussion was held on 28 May 2014 based on selected issues from the consolidated Issue Paper in order to validate the team's findings. It was agreed to deal with factors that contributed to successful implementation of the partnerships and generated sustainable impacts. DGG, the embassies and the Danish business associations have selected a number of 'success cases' (ref. Section 6). It was decided to invite the Danish partners that had been or still were involved in the selected success cases jointly with representatives from DGG, EVAL, DI and the Danish Federation of SMEs. The discussion suffered from the absence of local partners and their viewpoints. The focus group discussion was arranged in consultation with EVAL. Bilateral interviews will be conducted with staff from the industrial associations and Danida to follow-up on the core issue raised.

Annex B.1: Contextual Parameters and Assumptions

Parameter	Source of information	Measurement	Assumptions ⁷¹
Global parameters			
Global financial situation	World Bank/ IMF	Before-after 2009	Projects started prior to 2008 higher success-rate than after 2008
Partner country related			
General business environment	World Bank Doing Business index for relevant years	Relative position to other countries in same income group; change over relevant years or a combination	Better environment leads to more collaborations and more successful B2B projects Successful local companies can impact the policy level through lobbying ⁷²
Country economic growth	World Bank and IMF for relevant period	Per capita growth of GDP	Faster growing countries lead to more B2B projects and better results in collaborations than stagnant economies
Market size	World Bank	GDP in USD	Larger economies and markets are more attractive to Danish firms and more conducive for success than smaller
Cost and availability of capital and capital-equipment	World Bank Doing business index	Availability and access to capital Interest rates	In countries where specific sectors have difficulties in getting access to capital, companies in these sectors are more interested in B2B support
Level of corruption	Transparency International	Relative place among countries in same income bracket	Less corrupt countries lead to better outcome in B2B and more collaborations
Political risk	Danish Export Credit Agency	Rating category 1-7	Lower risk, greater attractiveness and better results

71 Success measure for example: a measure in between **Very successful**: sustained, profitable, and expanding collaboration with positive ‘externalities’; to **failure** = collaboration that was closed down or failed, with no lasting impact.

72 The extent of development impact in a given country from FDI depends on its bureaucratic quality, governance/ accountability, political stability and extent of corruption. This is an old hypothesis – the better and more fair the business framework, the more development impact (employment, technological diffusion, linkage creation, CSR, etc.) can be expected.

ANNEX B.1: CONTEXTUAL PARAMETERS AND ASSUMPTIONS

Parameter	Source of information	Measurement	Assumptions ⁷¹
Partner company related (at outset of B2B)			
Size of local partner company (employment)	B2B Files	EU definition (employment)	The larger, the more successful and the greater the impact...
International experience of local company	B2B Files Interviews	Degrees of business experience (exports, FDI, etc.)	The more international, the more successful the B2B
Danish company related (at outset of B2B)			
Size of Danish partner company (employment)	B2B Files Web-site	Micro, Small, Medium, Large according to EU definition using employment and turnover	The larger, the more successful and the greater the impact...
Previous international experience of Danish company	B2B Files/ Interviews E-survey	Fully internationalised Partly internationalised No or marginal internationalisation	The more international, the more successful the B2B The more international the less additionality of B2B
Motivation for Danish company for seeking B2B	B2B Files Interviews E-survey	Outsourcing or off shoring to reduce costs, new markets, access to resources, legislation concerning safety, etc.	
Robustness of Danish partner	B2B Files	Turnover, profitability, equity	The more robust, the greater chance for successful collaborations

ANNEX B.1: CONTEXTUAL PARAMETERS AND ASSUMPTIONS

Parameter	Source of information	Measurement	Assumptions ⁷¹
Collaboration related			
Sector incl. business drivers in the sector	B2B files Web-sites E-Survey	A typology required with a limited number of categories (e.g. ICT, agriculture ...)	Knowledge-based service industries better success than traditional manufacturing ⁷³
Form of collaboration (judicial link)	B2B Files E-Survey	Joint venture, trading, informal partnership, technical assistance, other forms	JVs are better performing with higher degree of sustainability and impact than other forms
“Depth” of collaboration (phases of B2B Programme)	B2B Files	Number of years of collaboration	Longer B2B collaboration increases the chance for success
Other parameters			
Language	Danish Business Associations E-survey Interviews	Language barriers	English speaking (as lingua franca) countries more attractive provide netter results in collaborations than French or Spanish
Embassy staff – interest and qualifications	Interviews E-survey	High interest/ competence Medium Low	Strong linkage between embassy interest/competence to number of collaborations and collaboration performance in B2B
Danish level of trade and investment in the country	Danish trade and FDI statistics	Level of Danish FDI, exports, size of business community	The more established as a partner country, the more likely success of new projects

⁷³ There are different business determinants in cement as compared to (computer) programme development. Cement is likely to give you a number of interesting backward/forward linkages plus employment for less advantaged groups, while the programme development may have higher technological impact.

Annex B.2: Ratings and Criteria

Indicator	Criteria/source	Classes/ranking
Location	Location of main production facility of firm Application	Capital Urban Rural Same for Danish and local firm
Company size	Permanent employment at the start of B2B for firm Application	Micro ⁷⁴ – less than five Small – 5-49 Medium – 50-249 Large – 250 and over Same of Danish and local firm
Company age	Year in business before joining the B2B first time Application	Start-ups – less than three years Emerging – 3-9 years Established – 10 years or more Same for Danish and local firm
Financial Robustness	Profit statement year before start of B2B Application: That gives turnover, profit, total assets and equity. To be used where we have sufficient data in the application. These are only guidelines – the final assessment is left to the analyst:	Strong: At least USD 1 million in equity (DKK 6 million), equity percentage above 20% of assets, and profit above 10% of turnover. (If company has had profit last three years, an average of between 5-10% is sufficient) Medium: At least DKK 1 million in equity, equity percentage above 15%, and at least break-even Weak: The rest..... Same for Danish and local firm
International experience	Prior international experience before joining B2B (from trade or FDI) For Danish companies – focus on experience from developing countries. Interviews	None Some Considerable (e.g. more than half of turnover derived outside home country) Same for Danish and local firm
Sector	Main business sector concerning the B2B collaboration Application	Agro-based Manufacturing Services Broken up in sub-sectors as applicable – in Bangladesh there is two sub-sectors: ICT and Marine manufacturing Same for Danish and local firm

74 The cut-off point for micro/small is five employees as this is the limit under the DBP for companies eligible under the programme.

ANNEX B.2: RATINGS AND CRITERIA

Indicator	Criteria/source	Classes/ranking
Other experience B2B	Involvement in another B2B project before or after Interviews	Yes, before Yes, after No Same for Danish and local firm
B2B Phases	Enrolment in pilot and/or project grant phase Danida database	Pilot only Project phase (including DBP is collaboration started in pilot during B2B)
Contact phase	Enrolment in contact phase prior to pilot/project (or similar phase under PD program) Interviews NB: Only in the sheet for random projects	Yes No Same for Danish and local firms
Start year	First enrolment in B2B (or PD) Danida database	Year (2006 to 2011)
B2B grant approved	Total grant for contact, pilot and project Danida database	DKK million
Leverage/support percentage (Ex ante)	Grant as share of total project cost Application	Percent of grant to total cost (DKK)
Project implementation period	Years between start of B2B (Contact or pilot) and end of disbursements Application, Quarterly progress reports and interviews	Number of years
B2B Disbursement	Actual disbursement most recent figure. All phases Danida database	DKK million
Previous experience of the partners before joining B2B	Business relations (such as trade) prior to the programme Interviews	None Some Considerable
Partnership today	Status of partnership at time of Evaluation Interview, PRC	No YesWW – working well YesS – struggling
Sustainability of partnership ex post B2B	Likely on-going partnership when B2B Programme is over in medium term Judgement based on interviews	Yes No Informal

Indicator	Criteria/source	Classes/ranking
Danish business motive to engage in B2B	Why are the Danish company seeking partnership? Interview; application	Market extension; exports Sourcing of raw-material Outsourcing of production for cost-reasons Business environment
Danish entry strategy	What form of collaboration is the Danish company seeking? Application, interviews	JV – Joint venture JVB – Buy-in Buy/sell – Buyer-seller relation Agent – Agency/licensing Fran – Franchise MC – Management contract TA – Technical assistance
Business relation	What relation exist between the production/services of the Danish and local company (Might be deleted at the end)	Horizontal Vertical
Judicial relation now	Form of collaboration at the time of the Evaluation Interview	Joint venture Buy-in Buyer-seller relation Agency/licensing Franchise None NB: In a number of cases the partnership may have ended, but the legal JV lives on as it is difficult to close – In these cases rate it according to actual, i.e. a legal JV.
Other Danish support	Loans from IFU; mixed credits as part of the collaboration at the time of the Evaluation Interview	None Applied, but rejected (which) Yes (what)
Change in turnover	Difference in turn-over from baseline to currently in local company (only with relevance to B2B) Application, progress report, Interviews	Expressed in DKK million per annum
Possible attribution by B2B	Judgement based in material and interviews	None or marginal Some High
Change in employment	Difference in employment from baseline to currently in local company or JV (only with relevance to B2B)	Number of jobs
Possible attribution by B2B	Judgement based in material and interviews	None or marginal Some High

ANNEX B.2: RATINGS AND CRITERIA

Indicator	Criteria/source	Classes/ranking
Change in female employment	Difference in female employment from baseline to currently in local company or JV Documents and interviews	Number of jobs
Possible attribution by B2B	Judgement based in material and interviews	None or marginal Some High
Additionality	To what extent the B2B Programme was critical for the collaboration to take place or for the form it took Judgement	2 = High (very likely) 1 = Medium (probably likely) 0 = Low (probably it would have happened anyway)
Commercial performance of local company	Turnover and profitability of the local company or joint venture as compared to baseline	-2 = Much worse -1 = worse 0 = more or less the same 1 = better 2 = much better
Leverage of B2B	To what extent the B2B triggered Danish investment in local company or JV beyond the mandatory matching contribution	0 = None 1 = Some 2 = Considerable
Collaboration between partners	The extent to which partners had a good and equal collaboration overall – even if the business did not work	-2 = Very bad collaboration, complete breakdown in trust -1 = Bad collaboration, partners disagree and suspect each other 0 = an average, normal business collaboration 1 = a good collaboration, shared perception of business and a reasonable degree of trust 2 = A very good collaboration, high degree of trust and agreement about the business
Spin-off effects	To what extent has the B2B collaboration had spin-off effects?	-2 = Very Negative -1 = Negative 0 = None 1 = Positive 2 = Very positive Any rating except for “0” should be given an explanation at the end of the line for that project

Indicator	Criteria/source	Classes/ranking
Market impact	To the extent the B2B collaboration had an impact on the local market	-2 = Very negative (creation of serious market distortions). -1 = Negative (creation of some market distortions). 0 = neither negative nor positive impact. 1 = some positive impact such as addressing market failure, reduction of price levels, enhancing competition. 2 = Very positive – creation of markets with significant positive impact for business and customers.
Technology transfer	To what extent the B2B Programme provided skills development, knowhow development and better management culture to local partner Interviews and documents (progress reports, PCR)	0 = No such transfers 1 = some transfers 2 = considerable transfers
Poverty Orientation	To what extent has the project potential to impact poorer segments of society as clients, consumers, producers, suppliers, workers, etc.?	0 = No particular poverty orientation 1 = Some poverty orientation; some aspects are relevant for poverty 2 = High poverty orientation; project has potentially great relevance
Environmental impact – external	To what extent the B2B Programme contributed to improvement of the external environmental standards of the local company (emissions, etc.)	0 = None 1 = Some 2 = Considerable (major upgrading as compared to baseline)
Environmental impact – internal	To what extent the B2B Programme contributed to improvement of the internal working environmental standards of the local company (safety, etc.)	0 = None 1 = Some 2 = Considerably
CSR impact	To what extent the B2B Programme contributed to improvement of the corporate social responsibility	0 = None 1 = Some 2 = Considerably

ANNEX B.2: RATINGS AND CRITERIA

Indicator	Criteria/source	Classes/ranking
Impact on Danish company	To what extent the B2B Programme contributed to changes of the Danish company in terms of commercial performance	<p>-2 = Much worse (e.g. from failed major investment; diversion of management focus)</p> <p>-1 = Worse</p> <p>0 = More or less no impact</p> <p>1 = Better (improvement in commercial performance through new markets, higher turnover, better profitability)</p> <p>2 = Much better (significant improvement in commercial performance through new markets, higher turnover, better profitability)</p>
Development impact	Overall impact on the B2B Programme towards poverty alleviation such in terms of direct and indirect employment; creation of farm outlets, business development in impoverished areas; improvements of products and services for the poor; correction of market failures of essential value to poor producers or consumers	<p>0 = None</p> <p>1 = Marginal</p> <p>2 = Good</p> <p>3 = Significant</p> <p>4 = Very significant</p>
Indirect employment	Upstream or downstream employment created	Indication of numbers + explanation
Reasons for failure of the collaboration	What was the main reason for those projects (not pilots) that failed?	<p>An open category – some of the reason can be:</p> <p>Lack of Danish capacity, financial or otherwise</p> <p>Lack of local company capacity</p> <p>Market issues, lack of demand, world prices, etc.</p> <p>Other organisation of collaboration</p> <p>Partner dispute/lack of trust</p> <p>Other</p>

Annex C: Evaluation Matrix

Introduction

The Terms of Reference for the B2B Evaluation specify 20 evaluation questions (EQs) under the headings of the OECD/DAC evaluation criteria. These questions were transformed into nine broad EQs and a number of judgement criteria (JC) related to each EQ – ensuring that the intended scope of the Evaluation was maintained. A 10th EQ concerning value added (often used in EU evaluations to assess the synergy of member states' interventions) was initially included. However, it was found that there is no coordination among the development partners engaged in this kind of assistance and thus limited value added. Consequently, the 10th EQ was abandoned. The resulting nine questions are shown in Table 1 below. EQ1 to EQ5 are related to the project period, whereas EQ6 to EQ9 are related to the post-project period, i.e. when project funding from the B2B Programme has ceased. The Evaluation Matrix was first presented in the Inception Report and has since undergone some refinements as the Evaluation progressed.

Table 1: B2B Evaluation Questions by criteria

Criteria	Evaluation Question
Relevance	EQ1: To what extent has the B2B Programme been consistent with private sector development requirements in the partner countries and with Danida's private sector policies?
Efficiency	EQ2: How efficiently were the B2B Programme instruments used in creating partnerships and how did external factors influence the results?
	EQ3: To what extent did the management of the B2B Programme provide an efficient framework for: delivery of services to companies, utilisation of resources, and accounting for results?
Effectiveness	EQ4: How has the B2B Programme led to knowledge and technology transfer in the local partner company and what were the resulting short-term outcomes?
	EQ5: How has the B2B Programme led to improved conditions for employees and the wider population and what were the resulting short-term outcomes?
Impact	EQ6: What long-term effects have the B2B Programme had on the local partner companies and specific business sectors, and how have these influenced local communities, and the national enabling environment?
	EQ7: What long-term effects have the B2B Programme had on the Danish partner companies?
	EQ8: To what extent and how has the B2B Programme contributed to poverty reduction by creating growth and employment in Danida partner countries?
Sustainability	EQ9: To what extent have the benefits derived from the B2B Programme continued after project completion?

ANNEX C: EVALUATION MATRIX

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
EQ1: To what extent has the B2B Programme been consistent with private sector development requirements in the partner countries and with Danida's private sector policies?			
Relevance	1.1 The extent to which the B2B Programme has been relevant for addressing constraints of private sector companies in the partner countries.	<p>Defined <i>binding constraints</i> in the eligible countries. (Specifically for BGD and UGA).</p> <p>Matching B2B investment profiles against these constraints.</p> <p><i>Hypothesis:</i> B2B Programme is too marginal to address such constraints, except in very specific circumstances when projects have systemic impact.</p>	<p>Business environment reports for BGD and UGA.</p> <p>B2B Country Reviews.</p> <p>B2B project reports by Programme countries.</p> <p>Interviews with partner companies in UGA and BGD.</p> <p>Interviews with informed observers such as WB office, IFC, chambers, etc.</p>
	1.2 The extent to which the B2B Programme stimulated the creation of international partnerships that would not otherwise have occurred.	<p>Degree of additionality of the B2B partnerships – including the additionality of the technology provided and the knowledge attained compared to the local context.</p> <p>Scope and substance of the B2B partners' strategic alliances.</p> <p>Motives for engaging in the B2B Programme.</p> <p><i>Hypothesis:</i> B2B stimulated partnerships in countries that would otherwise not have been accessed by the Danish partner.</p>	<p>Interviews with partner companies.</p> <p>E-survey.</p>

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
	1.3 The appropriateness of the B2B Programme for – through partnerships between Danish and partner country companies – promoting the overall objectives of Danida support in relation to private sector development, i.e. poverty reduction through private sector growth and employment.	<p>The degree to which the intended development impacts are incorporated in the application documents.</p> <p>The degree to which the intended impacts have been attained, e.g. direct and indirect employment generated and level of increase of employees' income and welfare.</p> <p><i>Note:</i> Since the B2B Evaluation is a post-evaluation; the appropriateness of the Programme concept will be compared to the actual development effects as dealt with in EQ8 and EQ9.</p>	<p>Interviews with business sector officers at Danish embassies in programme countries.</p> <p>Review of: B2B applications, project completion reports and annual reports after the project phase.</p> <p>Interviews with partner companies.</p>
EQ2: How efficiently were the B2B Programme instruments used in creating partnerships and how did external factors influence the results?			
Efficiency	<p>2.1 The efficiency in using B2B Programme instruments to establish the initial contact (Contact phase) between companies in Denmark and in the partner countries (“matchmaking”).</p> <p>The efficiency in promoting B2B partnerships from the contact phase to the pilot phase.</p>	<p>Scope of participation of Danish companies in BGD and UGA; yearly basis.</p> <p>Cost for the Contact phase for Danida, direct and indirect.</p> <p>Rate of Contact participants that go to the Pilot phase.</p>	<p>Data from embassies in BGD and UGA.</p> <p>Cost data from Danida/ Embassies (BGD & UGA).</p> <p>Specific analysis of companies participating in Contact phase in Bangladesh and Uganda.</p> <p>Interviews with companies in BGD, UGA and Denmark.</p>

ANNEX C: EVALUATION MATRIX

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
	<p>2.2 The efficiency in promoting B2B partnerships from the pilot phase into the project phase.</p> <p>Did any specific factors (for instance company type, motivation, financial incentives, power relationship between partners, type of partnership project, or other) systematically come into play in this process?</p> <p>To what extent did the prevailing contextual factors influence the transition from pilot to the project phase?</p>	<p>Rate of partners moving from the pilot to the project phase.</p> <p>Reasons for differences in programme countries and systematic assessment against defined context parameters.</p> <p>Company business motivation: Markets, efficiency/resources/costs, competitive factors, or business environment.</p> <p>Scope and substance of the strategic alliances and level of additionality.</p> <p>Business alliance structure: JVs, buy/sell, and agent/franchise/licence, TA.</p> <p><i>Hypothesis:</i> Efficiency dependent on type of Danish companies (size, sector, experience, intentions, motivations, robustness, etc.) and on embassy competence/attitudes.</p>	<p>Portfolio analysis.</p> <p>Review of pilot partnership reports/ completion report.</p> <p>In-depth interviews companies in BGD, UGA and Denmark.</p> <p>Sample analysis from companies in overall portfolio and interviews in person.</p> <p>Questions in E-survey.</p>
	<p>2.3 The partners' efficiency in adapting to external and internal factors in the design of the Pilot phase.</p> <p>The response should be based on a comparative analysis of programme achievements between B2B projects with differences in external factors (local economic factors, enabling environment, sector, etc.).</p>	<p>Appropriateness of identifying relevant contextual factors by country and local area.</p> <p>The degree to which contextual factors have appropriately been applied in the design of the Pilot phase.</p> <p>The strategic choices by the embassies in prioritising certain sectors and excluding others.</p>	<p>Assessment of prevailing contextual factors by country.</p> <p>Assessment of the quality of the CBC (Concept for business cooperation) for capturing the local business environment and in providing the basis for results-based monitoring.</p> <p>Interviews with partnership companies.</p> <p>E-survey.</p>

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
	<p>2.4 The efficiency in adapting to external and internal factors in the design of the Project phase.</p> <p>The response should be based on a comparative analysis of the programme achievements between B2B projects with differences in external factors influencing the programme (local economic factors, enabling environment, sector, etc.).</p>	<p>Appropriateness of identifying relevant contextual factors by country and local area.</p> <p>The degree to which contextual factors have appropriately been applied in the design of the Project phase.</p>	<p>Assessment of prevailing contextual factor by country.</p> <p>Interviews with partnership companies.</p> <p>Questions in E-survey.</p>
EQ3: To what extent did the management of the B2B Programme provide an efficient framework for: delivery of services to companies, utilisation of resources, and accounting for results?			
Efficiency	<p>3.1 The extent to which the administration and management of the B2B Programme was well-balanced between ensuring control of public funds, providing easy access for private companies and providing the framework for an efficient use of Danida/embassy administrative resources.</p>	<p>Stakeholders' perception of Danida HQ's and embassies' facilitating role in providing appropriate facilitating frameworks.</p> <p>The quality and appropriateness of the application system.</p> <p>The quality of the appraisal process.</p> <p>The quality of the monitoring of the programme.</p>	<p>Analysis of embassy systems in BGD and UGA.</p> <p>Analysis of Danida's HQ monitoring system.</p> <p>Analysis of the documentation system in B2B from application to PCR.</p> <p>Interviews with B2B partners.</p> <p>Interviews with Danish business associations.</p> <p>Interviews with GRV and embassy B2B/DGG coordinators.</p> <p>E-survey.</p>

ANNEX C: EVALUATION MATRIX

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
	<p>3.2 The extent to which the documentation and monitoring system of the B2B Programme, and the way it has been administered, was a useful basis for assessing progress and documenting results at individual project level, country level and programme level.</p>	<p>Quality of the results reporting (quarterly reports; completion reports).</p> <p>Degree of coherence of results reporting with reality.</p> <p>Use of system – the number of reports that has been made based on the system.</p> <p><i>Hypothesis:</i> Great variation between countries due to interest and competence of embassies.</p> <p>Too strong focus on the application process with weak progress reporting and monitoring.</p>	<p>Pilot and project progress reporting.</p> <p>Embassies use of progress reporting and establishing the indicator reports.</p> <p>Embassies' annual reports.</p> <p>TSA's Country Review Reports.</p> <p>Concepts for Business Development.</p> <p>Interviews companies BGD and UGA and sample of portfolio projects.</p> <p>Interviews embassy staff and Danida staff.</p>
	<p>3.3 The circumstances under which the B2B Programme provide the best results in terms of achieving its objectives in relation to human and financial inputs (Programme costs/ Value for money).</p>	<p>Share of collaborations, which result in a viable post-project collaboration – and the underlying factors for this.</p> <p>Cost of the collaboration (Contact, Pilot, and Project) in relation to achieved results at the end of the project period.</p> <p>NB: Some projects that continue after the project period may have achieved additional results.</p>	<p>Comparative assessment of B2B projects with differences in external factors influencing the performance (local economic factors, enabling environment, sector, etc.).</p> <p>Assessment of the VfM for BGD and UGA</p> <p>Comparative assessment of VfM in Programme countries in relation to number of pilots and projects.</p>

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
EQ4: How has the B2B Programme led to knowledge and technology transfer in the local partner company and what were the resulting short-term outcomes?			
Effectiveness	<p>4.1 The extent to which the B2B Programme support led to adoption of new knowledge and technology in the partner company – and the particular circumstances that facilitated this process.</p> <p>To what extent did the prevailing contextual factors influence the adaption of new knowledge and technology?</p>	<p>Share of local partner companies that have acquired new technology and knowledge, including management practices – and how this has happened.</p> <p>Process leading to upgrading of staff's skills and competence.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>E-survey.</p> <p>Interviews with partners and staff/ employees.</p>
	<p>4.2 The extent to which the partnership, through the adoption of new knowledge or technology or otherwise, led to improved performance, increased employment and/or increased turnover of the local partner company.</p> <p>To what extent did the prevailing contextual factors influence companies' improved performance?</p>	<p>Short-term changes in companies' productivity, production and marketing resulting in: increased turnover, profit, employment, and investment.</p> <p>Performance of JVs or other forms of collaboration.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>E-survey.</p> <p>Interview with partners.</p> <p>Correlation analysis with selected contextual parameters.</p>

ANNEX C: EVALUATION MATRIX

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
EQ5: How has the B2B Programme led to improved conditions for employees and the wider population and what were the resulting short-term outcomes?			
Effectiveness	5.1 The extent to which the support under the B2B Programme led to improved occupational health and safety conditions for employees.	<p>Measures taken to improve OHS in the production chain.</p> <p><i>Hypothesis:</i> The improvements are related to the sector in which the B2B takes place.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>Physical inspection of the working environment in selected companies in BGD and UGA.</p> <p>Interview with employees and other stakeholders in selected companies in BGD and UGA.</p> <p>Interview with partners.</p> <p>E-survey.</p>
	5.2 The extent to which the support under the B2B Programme led to environmental improvements.	<p>Improvement of the external environment through reduced pollution and waste stemming from adaptation of new technology and knowledge in the local partner company, e.g.:</p> <ul style="list-style-type: none"> – Cleaner inputs – Efficient use of raw materials – Treatment of waste – Achievement of standards compared to local and national regulations. <p><i>Hypothesis:</i> The improvements are related to the sector in which the B2B takes place.</p>	<p>Review of project files BGD, UGA and sample.</p> <p>Physical inspection of the working environment in selected companies in BGD and UGA.</p> <p>Interview with employees and other stakeholders in selected companies in BGD and UGA</p> <p>Interview with partners.</p> <p>E-survey.</p>

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
	5.3 The extent to which CSR interventions, and other measures to improve the general conditions – introduced as part of B2B partnerships – were effective for employees (internal) or the wider population (external).	<p>Increased awareness of HIV/AIDS in the company and surrounding community.</p> <p>Equal employment opportunities for women, men and youth.</p> <p>Adherence to national laws and ILO conventions/ Decent Work Agenda – promotion of workers’ rights and human rights.</p> <p>Adherence to UN Compact – promotion of sound business practices (including the fight against bribery and corruption).</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>Interview with employees and other stakeholders in selected companies in BGD and UGA.</p> <p>Interview with partners.</p> <p>E-survey.</p>

ANNEX C: EVALUATION MATRIX

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
EQ6: What long-term effects have the B2B Programme had on the local partner companies and specific business sectors, and how have these influenced local communities, and the national enabling environment?			
Impact	6.1 The long-term effects of the B2B partnerships on the development of the local partner company (e.g. investment, turnover, income, employment, productivity, and competitiveness); and how country or company contextual factors systematically influenced the long-term effects.	<p>Performance of the six measured indicators in the B2B:</p> <ul style="list-style-type: none"> – Turnover – Investment in the collaboration – Male employment – Female employment – Environmental investment – CSR activities <p>Performance of JVs or other forms of collaboration in realisation of the intended benefits by sector.</p> <p>Note: The degree of the reliability may vary between the indicators, but they will all be maintained in the Evaluation – commenting on their re usefulness.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>Interview with partners.</p> <p>E-survey.</p>
	<p>6.2 Target groups benefitting from the programme and the degree to which these were the intended beneficiaries.</p> <p>Has there been a counterproductive selection bias related to gender, population groups, geography, or other factors?</p>	<p>Target groups – partner company employees and non-company stakeholders</p> <ul style="list-style-type: none"> – benefitting positively and type of benefits; <p>Target groups – partner company employees and non-company stakeholders</p> <ul style="list-style-type: none"> – benefitting negatively and type of inconveniences/ disadvantages. 	<p>Review of project files: BGD, UGA and random sample.</p> <p>Interviews with partners.</p> <p>Interviews with employees and other stakeholders in BGD and UGA.</p> <p>E-survey.</p>

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
	6.3 Discernible long-term effects beyond the local partnership company in the vicinity of the local company in terms of technology adoption, CSR, environmental aspects, occupational health and safety, or other.	<p>Diffusion of knowledge and technology that have been adopted by non-participating companies.</p> <p>Diffusion of OHS, CSR and environmental management practices to the wider community.</p> <p>Spin-off effects in terms of market development or market creation.</p> <p>Changes in industrial standards.</p> <p>Note: The amount of information available may not be adequate for conducting a comprehensive assessment of the long-term effects beyond the local company.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>Interviews with B2B partners.</p> <p>Interviews with embassy B2B/DBP coordinators.</p> <p>E-survey.</p> <p>Country analyses based on information from World Bank, IFC, WEF, etc. in UGA and BGD.</p>
	6.4 Unintended negative effects from implementing the B2B Programme.	<p>Distortion of the local market conditions by favouring a single company.</p> <p>High risk taking due to the high grant percentage leading to untimely dissolution of collaborations.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>Interviews with partners.</p> <p>E-survey.</p>

ANNEX C: EVALUATION MATRIX

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
EQ7: What long-term effects have the B2B Programme had on the Danish partner companies?			
Impact	<p>7.1 The long-term effects of the B2B partnership on the Danish partner company in terms of other international strategic alliances, increased access to markets, improved competitiveness, or other.</p> <p>To what extent did the prevailing contextual factors in Denmark influence the Danish companies' interest for strategic alliances – as offered by the B2B Programme?</p>	<p>Impact of other forms of internationalisations due to the B2B.</p> <p>Market access.</p> <p>Competitiveness.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>Interviews with partners.</p> <p>Focus group discussions with Danish enterprises.</p> <p>Interviews with Danish industrial organisations.</p> <p>Correlation analysis between performance and selected contextual factors.</p>
	7.2 The Danish partner companies' level of investments in international strategic alliances.	<p>Investments in JVs and similar collaborations.</p> <p>Quantitative data of actual investments versus targets.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>Interviews with partners.</p>

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
EQ8: To what extent and how has the B2B Programme contributed to poverty reduction by creating growth and employment in Danida partner countries?			
Impact	8.1 The impact of the B2B Programme in terms of poverty reduction or sustained changes in livelihood for the people directly affected by the programme through employment, capacity development or CSR activities.	<p>Change in number of employees, income levels, and welfare that can be attributed to the programme.</p> <p>Degree of contribution to socio-economic development in local communities where B2B partnerships have been established.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>Interviews with partners.</p> <p>E-survey.</p>
	8.2 The indirect impact of the B2B Programme on poverty reduction, increased employment and growth through market changes and effects on the wider economy.	<p>Systemic effects:</p> <ul style="list-style-type: none"> – Crowding in – Copying – Sector growth – Backward/forward linkage – Technology diffusion <p>Note: There may be a limited number of projects that have continued beyond the B2B project period for which it is possible to determine the contribution to the indirect impacts.</p>	<p>Review of project files: BGD, UGA and random sample.</p> <p>Interviews with partners.</p> <p>Interviews with embassy B2B/DBP coordinators.</p> <p>Assessment of selected ‘success cases’.</p> <p>E-survey.</p> <p>Country analyses and sector analysis in BDG and UGA.</p>
	8.3 The impact of the B2B Programme on business sectors, the national enabling business environment, and economic growth.	Change in business sectors’ perception of new technology, OHS and CSR.	<p>Interview with general and sector-based business associations in BGD and UGA and other selected partner countries.</p> <p>Interviews with non-B2B partners in BGD and UGA.</p> <p>Interviews with local and national officials in BGD and UGA.</p>

ANNEX C: EVALUATION MATRIX

Evaluation Criteria	Judgement Criteria	Indicators	Means and Source of Verification
EQ9: To what extent have the benefits derived from the B2B Programme continued after project completion?			
Sustainability	9.1 The extent to which partnerships have continued beyond the period supported by the B2B Programme, and the particular circumstances that has led to the continuation.	Rate of survival of JVs, TA, Buy/Sell, and agent/franchise/licence.	Interviews with partners in BGD and UGA and sample of projects in the Portfolio. E-survey. Correlation analysis with selected contextual parameters.
	9.2 The extent to which there has been a transition of the partnership to other types of Danida support, e.g. from sector programmes, mixed credit (Danida Business Finance) or the Investment Fund for Developing Countries (IFU).	Number of projects with parallel or subsequent funding from IFU, level of investments. Number of companies attempting such funding.	Interviews with companies in BGD and UGA and sample from the overall portfolio. Interviews with IFU and Danida Business Finance.
	9.3 The extent to which local partner companies have benefitted from the partnership after the partnership has been dissolved following the completion of the project phase.	The continued use of the technology introduced through the B2B partnership and attainment of similar types of benefits as derived from the support during the Project phase.	Interviews with former local partners that continue to operate the local company.
	9.4 The extent to which Danish partner companies have benefitted from the partnership after the partnership has been dissolved following the completion of the project phase.	Increased exposure to the international market and cooperation with new partners in developing countries. Reduction in cost of production due to offshoring or outsourcing.	Interviews with former Danish partners that continue to operate the Danish company.

Annex D: Theory of Change for the B2B Programme

1. Introduction

The following is a reflection on how the conceived Theory of Change corresponded to the actual results as derived at by the Evaluation. The ToR for the Evaluation presented a tentative Theory of Change for the B2B Programme (please see Annex F). With the point of departure in the ToR, the evaluation questions and the preliminary desk analysis, the Evaluation Team presented its version of a Theory of Change in the “Inception Report, 31 January 2014”. The Theory of Change has been amended a few times during the Evaluation, and a consolidated version was presented in the “Update of the Evaluation Methodology, 12 May 2014”.

The Theory of Change was reconstructed based on the B2B Programme’s objectives, and presented the intended/warranted results of the B2B development interventions at the conceptual stage. Being a development programme, such impact is intended to be positive. However, given the level of investments in each of the B2B Programme countries, the macro-level impact on poverty reduction and in promoting economic growth and social development has been minimal and was thus left out of the analysis. The thrust of the Theory of Change as regards long-term outcomes and impacts is therefore on the local level, i.e. in those urban and rural communities in which the B2B partnerships have been established and functioned; and the extent to which the B2B partnerships have had systemic impact on the business environment in which they operate, such as technology transfer and market development. ‘Market access’ turned out to be an essential expectation among the partners, which was subsequently added in the Theory of Change diagram.

2. Theory of Change – The Project level

The total B2B portfolio between 2006 and 2011 comprised 445 collaborations of which 205 went through the pilot phase only and 240 through the project phase. The B2B has funded about 420 pilot collaborations, implying that 215 continued to the project phase, i.e. that about 90% of the project collaborations were preceded by a pilot collaboration. About 25% of all partnerships continued after the B2B support had ceased, i.e. approx. 110 partnerships.

The Theory of Change is indeed a *theory*, as it is based on the Programme’s objectives; hence it presents the expected results of the B2B Programme interventions in the ‘*best case scenario*’. During the country visits to Uganda and Bangladesh and the review of the random sample partnerships, it was realised that not all outcomes and impacts of the B2B Programme interventions were positive, and that there were also cases with either no or unintended negative effects. Once the results have been ascertained it would no longer be a *theory*, but a statement on the actual situation. A diagram depicting typical negative effects was drawn up to mirror the reconstructed Theory of Change – and was termed the ‘*worst case scenario*’. The results of the B2B Programme partnerships would not be either all positive or all negative for the programme as whole, as there is a great variation in performance of the partnerships. The overall result will be between the two

extremes – as some collaborations would have positive impact, some mixed, and some negative. A Theory of Change could in principle be drawn up for each partnership.

3. Theory of Change – The Programme level

There are 445 B2B partnerships with varying results and impacts. The following is an account of the results chain for the programme in general terms – based on the Evaluation Team's findings. The Theory of Change diagram has been amended to indicate the level of results.

Interventions

The key actors engaged in interventions leading to B2B partnerships were: DGG; the embassies; the business community in the B2B partner countries and in Denmark; and the business associations (DI and HVR) and/or consultants. The operational framework for the B2B partnerships were the B2B guidelines and procedures, which were interpreted by the embassies in terms of sectors to be promoted and forms of collaboration. This interpretation varied quite significantly among the embassies from being very flexible to being almost predetermined.

The main contextual factors for promoting partnerships were: the embassies motivation and the resources applied; the quality and scope of guidance provided by the business associations and consultants, and not least the potential partners' motivation for engaging in partnerships. Some countries were more attractive than others from a Danish company perspective due to language, business environment, and investment climate. The global economic crisis prompted a number of Danish companies to seek new markets and to expand their business concepts – and saw the B2B Programme as an opportunity for doing that.

Outputs

The above interventions have prompted businesses in Denmark and in programme countries to enter into the contact phase to have a first impression of the potential partner and to judge the realism of a potential partnership. About 1,300 matchmaking arrangements were undertaken from 2006 to 2011. In those cases where a partnership looked promising, the partners agreed to enter into the pilot phase to explore the business opportunity and challenges in greater detail. Some of the pilot phase collaborations were mostly concerned with the feasibility assessment, whereas others also embarked on testing production technology processes through procurement of 'modern' equipment and TTA. Those pilot collaborations seeking further B2B support had to present a consolidated business concept as part of the application for the project phase. Some partnerships were dissolved at the end of the pilot, but some also continued without the B2B support. The main thrust of those partnerships that continued into the project phase was on transfer of knowhow and technology with a view to enhancing the local company's performance.

The main contextual factors for maintaining the partnerships and thus being able to generate short-term outcomes were: the mutual trust between the partners including an appropriate level of engagement by the partners to sustain the project activities; the robustness of the partner companies in terms of human and financial resources and experience to overcome unforeseen difficulties; the business environment in the partner

country; and that the performance forecasts were likely to be achieved to an acceptable extent.

Short-term outcomes during the project period

The B2B partnerships succeeded in transferring considerable new technology and knowledge due to the substantial interaction between partners during the pilot and project phases. In many cases this led to increased performance of the local company in terms of turnover and productivity, but only to a limited increase in employment. Generally, the performance forecasts were optimistic and were seldom achieved fully. Significant improvements in the internal as well as the external environment were achieved, as Danish companies generally have this high on the agenda in their domestic manufacturing and service delivery. Such improvements have been achieved through introduction of 'clean technology' and improved management systems of resource utilization and pollution control.

The partnerships have dealt with CSR quite differently. Some partners have defined *internal* CSR as improving the working environment for the employees, which is an obligation according to most countries' labour laws. Other partnerships have provided socio-economic benefits to their employees that are in addition to improved working environment. In a few cases the main CSR activity has been provision of information on protective measures to avoid attracting HIV/AIDS. As regards the *external* CSR, some partnerships did not consider external CSR; other partnerships mainly focused their CSR activities on the external environment resulting in better protection of natural resource; and some have conceived interventions that constitute a strategic element of their business vision and concept. CSR is a relatively new concept for most local partners, which was also the case for some of the Danish partners. For some Danish partners the main aim was the *business* perspective, whereas others also appreciated and accepted the *development* perspective of the B2B Programme and took great care to comply with this through CSR interventions.

The main contextual factors for facilitating the transition from short-term to long-term outcomes were: a continuing satisfactory level of performance of the local company in terms of turnover, expanded access to the domestic and/or international markets – which in turn is heavily influenced by the business environment in the partner country and region; and consolidated cooperation agreements securing the Danish and local partners adequate influence over the joint operations.

Long-term outcomes in the post-project period

The long-term outcomes are generated from successful pilot and project collaborations, especially so if the partnerships continued progressively after the B2B support had ceased. A number of pilot collaborations were 'de facto' projects having the potential to generate long-term outcomes. The positive outcomes of pilot and project collaborations enhanced the performance of the local companies in terms of work conditions, quality of services and products, and improved resource efficiency – all of which strengthened their competitive position. However, only in a few cases – mostly agro-based companies – were there substantial employment spill over effects that benefitted the local community.

A number of the Danish companies had previous international experience, some of which also had experience from developing countries – in some few cases gained from previous B2B engagements. Other Danish companies did not have any previous international experiences and were not well prepared for the many challenges they encountered

in setting-up businesses in a developing country. Nonetheless, for the experienced as well as the less experienced companies in foreign operations important lessons were learned at the individual and corporate level that influenced their internationalisation strategies, whether it was adjustment of existing ones or preparation of new ones for companies that wanted to enter the foreign markets – including those in developing countries.

The main contextual factors for facilitating the transition from long-term outcomes to sustainable impacts were the extent to which: the successful local companies were able to maintain their technological achievements and market gains resulting in sustained performance; the local business environment was conducive for the local companies; the spill over effects to the local community increased overtime in terms of increased employment and income; and local government revenues stemming from company taxes and charges supported social welfare in the local community.

Impact

The B2B supported local companies did not adequately generate employment and income that enabled to raise the level of welfare significantly in the local communities in which they were located, except in a few cases. Correspondingly, the contribution to poverty reduction in the local communities has not been as significant as warranted. There may be numerous small-scale, indirect positive impacts that have not been detectable, but which nonetheless could have made a difference. Impacts may also materialise over time and in quite different situations and locations.

Despite the significant amount of transfer of knowhow and technology to the local companies, it appears that the diffusion of technological achievement has only taken place to a limited extent. A higher rate of diffusion of technology, management systems, CSR interventions, etc. would have added to the Programme's overall impact.

The continued benefits for the local company depended on their management's ability to further exploit technological and market opportunities – either through their own doing or through continued interactions with foreign partners, some of which could be the Danish B2B partners. Once local companies have been exposed to the kind of benefits that can be attained from partnering they may proceed along that avenue.

In monetary terms, the benefits have generally not been substantial for the Danish companies. A number of the Danish companies also had an altruistic perspective in supporting the local company. But the experience and lessons learned have been valued, as these provided insights on how best to expand their markets in developing countries.

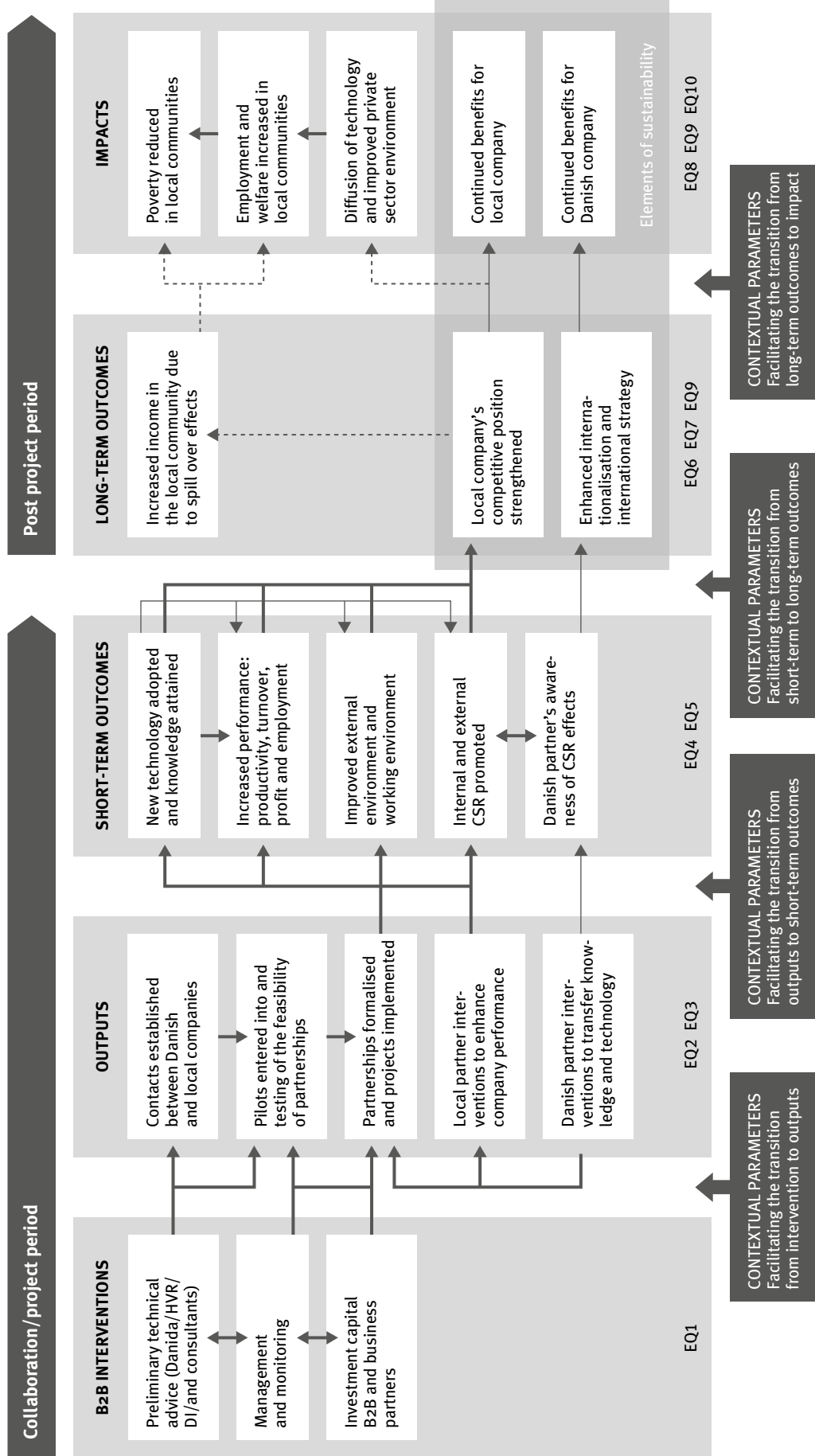
In the Theory of Change diagram on the following page, the weight of the arrows has the following meanings:

-----> Strong link

————> Medium link

————> Weak link

Theory of Change for the B2B Programme



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