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

Bangladesh Country Report

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List of Abbreviations

B2B	Business to Business Programme (Danida)
BASIS	Bangladesh Association of Software & Information Services
BSPS/BSSP	Business Sector Programme Support/Business Sector Support Programme
CMO	Context Mechanism Outcome
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee (of OECD)
DB Finance	Danida Business Finance (former Mixed Credit Programme)
DBP	Danida Business Partnerships
DESCO	Dhaka Electricity Supply Company
DGG	Department of Green Growth (Danida). In Danish: GRV/Grøn Vækst
DI	Confederation of Danish Industry
DKK	Danish Crowns
EQ	Evaluation Question
EU	European Union
EVAL	Danida's Evaluation Department
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HVR	Danish Federation of Small and Medium-Sized Enterprises (Håndværksrådet)
ICT	Information and Communication Technology
IPD	Innovative Partnerships for Development (Danida Programme)
IFU	Industrialisation Fund for Developing Countries
ILO	International Labour Organisation
IMF	International Monetary Fund
JV	Joint Venture
LDC	Least Developed Country
NSAPR	National Strategy for Accelerated Poverty Reduction
OECD	Organisation for Economic Cooperation and Development
OHS	Occupational Health and Safety
PPP	Public-Private Partnership
PCR|	Project Completion Report
PS	Private Sector Programme
SME	Small and Medium-Sized Enterprise
ToR	Terms of Reference
UN	United Nations
UNIDO	United Nations Industrial Development Organisation
WB	World Bank
WEF	World Economic Forum

1. Summary: Results and Conclusion

The B2B Programme started in 2006 and ended in 2011. In that period, it funded 18 pilots that did not go into a project phase under B2B, and 17 full projects (most of these also went through a pilot phase). Most projects were organised as joint ventures (JV), and two JVs had double projects within the individual limit of DKK 5 million. The actual number of JVs getting project funds is thus 15. In addition, a large number of Danish and Bangladeshi companies were introduced to each other in the contact phase. All in all, about DKK 79 million were approved for the different phases, including marketing expenses, but excluding administration costs. Of this, about DKK 52 million has been disbursed as at March 2014. The main reason for the low disbursement rate is the relatively high failure rate among approved collaborations. Indeed, some projects were closed before a single DKK was paid out.

The Bangladeshi B2B portfolio is very sector focussed, with ICT and marine activities dominating. About 1/3 of all supported pilots & projects since the beginning of the programme relate to IT. An additional ¼ are collaborations within the marine and fishery sector.

Results

A key finding ***is that only a quarter of B2B pilots and projects developed into longer-term collaborations***. Of the 15 projects, only four JVs are still in operation and likely to continue. The picture is the same for the pilots, with six out of 18 still having some activity. For the surviving pilots, four continue to do business as agents or buy/sell without B2B support, while the remaining have either not finished yet, or have been transferred to the DBP Programme.

There is a variety of reasons for failed collaborations. Failure is less serious in the pilot phase. Partners not finding common ground is a normal feature of any business process. Ending shaky collaborations before further commitments are made saves both partners and the public purse significant resources and frustrations.

The high failure rates among the B2B projects are more worrying, as these should have passed that first test phase. The main reason for the majority of project failures seems to be limited capacity at the Danish partner end, financial or otherwise. Indeed, the Danish company decided to unilaterally withdraw from at least five project collaborations, because the company went bankrupt, or had other financial difficulties. There is a clear positive correlation between ***limited financial robustness of the Danish partner***, and failure of the JV. The local partners are generally more financially solid than the Danish companies.

There is ***a sector dimension*** to the failures in Bangladesh, as the ICT projects appear especially prone to JV collapse. Out of eight ICT projects, six have closed. Small ICT companies tend to have limited capitalization, and are vulnerable to market changes. There is great fluidity in the sector, and while the barrier to entry is low, so is the barrier to closure.

Given that only one of four supported B2B collaborations is still active, the degree of achieving development outcomes is relatively low.

Generally, the ***development outcomes are relatively meagre*** from the B2B Programme in Bangladesh. Main findings include:

Company performance and competitiveness: Limited impact, as seen from the low survival rate of collaborations. The positive examples are in the trawling/fishery sector, where at least some JVs experience good sales with profits. Some Bangladeshi companies claim they lost considerable money on their failed B2B ventures.

Increased employment opportunities, especially for women: There are possibly an additional 230-250 direct employees in the surviving pilot and project partnerships. There are no more than 25-30 women employed. Indirect employment is more difficult to estimate. There is some B2B contribution to possibly 3000 in the modern fishing sector and another 4,000 in the shipyards. Note that this employment cannot be directly attributed to B2B. Most Danish fishing companies would take issue with any supplier of trawling nets that said it "caused the employment" onboard their boats.

Improvement of the external environment and the working environment: There are visible improvements in most of the surviving JVs, and the consciousness in this field has increased. There is little evidence of any impact outside of these companies, however. Existing JVs are not in high risk sectors.

Promotion of other elements of corporate social responsibility (CSR): While CSR is a part of most projects, there are few signs – with a couple of exceptions – that this is a major element in the operation of surviving collaborations.

In general, the B2B portfolio has ***limited direct relevance for poverty reduction***. The ICT sectors tend to use educated, middle class labour, produce services that are seldom meant for the poor, and provide few linkages to other economic agents from the poorer class. The marine sectors hire more unskilled workers than ICT, but the direct employment impact of making fishing boats and equipment is so far not overwhelming. There are, however, some B2B contribution to the creation of indirect jobs in this sector, as mentioned above.

Regarding other ***positive externalities***, at the sector level, Danish assistance probably played a role in modernising both the ICT and the marine sectors in the early stages of their development. While the B2B collaborations play no major role in the ICT sector any longer, they are key in the fishery equipment/trawler sub-segment. The establishment of this industry sub-sector is clearly a positive economic externality of the B2B, and the existence of the current four to five companies active within the sector can all be attributed to the B2B.

The B2B Programme has been ***generally efficient*** in encouraging and creating partnerships, but the low survival rate implies that it has not been efficient in transforming the support into improved company performance and/or development impact. Indeed, it is an efficiency question that not more pilots were stopped before they became projects. On the role of the embassy, the high number of collaborations is to a large degree the result of embassy initiative and persistence. An efficiency challenge is the substantial resources spent on assisting problematic partnerships.

A key challenge in the administrative framework for B2B is ***the appraisal, reporting, documentation and monitoring system***. In the B2B, the embassy is responsible for organising partnerships, appraising partnerships, monitoring partnerships and then reporting on those same partnerships. The presence of at least one external view in that project cycle seems appropriate. For instance, appraisals are mostly too optimistic and financial forecasts usually unrealistic. After a project starts, monitoring is based on a self-reporting from the collaborations. There are likely inaccuracies in much of the data provided. In general, reporting about projects from the B2B tends to stay on the optimistic side.

Conclusion

In conclusion, the ***immediate objective*** of the B2B (establishment of long-term, sustainable and commercially viable partnerships between companies) has been met to a very limited degree in the Bangladeshi B2B. There may be some contribution towards the ***overall objective*** of the programme (contribute to poverty reduction by promoting economic growth and social development in developing countries) in the longer run, but this is still circumstantial.

The main issue arising from the analysis of the Bangladeshi B2B is the relatively low degree of sustainability of partnerships. It needs to be stressed that each case is different, and that a multitude of factors impact a commercial partnership. Still, there are two B2B design elements that we believe may have affected the "survival rate". The first is the high grant percentage (90%) that may lead companies to accept more risk that what makes sense from a sustainability perspective. The second is the relatively low entry barriers for firms with regard to capacity, financial or otherwise that implies that financially less endowed firms are allowed access.

The third issue that needs attention is the **internal nature of the project cycle**. There has been inadequate identification of weak collaborations in the B2B, and perhaps too much attention to the volume of collaborations. An independent and critical voice is needed in the project preparation and implementation period, to improve quality of partnership portfolios. Relevance, efficiency, effectiveness, impact and sustainability would all improve if the survival rate of partnerships increased.

2. Introduction and Background

This is the second country study scheduled as part of the Evaluation of the Danida Business-to-Business (B2B) Programme. The first country study took place in Uganda in February this year, after the Inception Report for the Evaluation was finalised in January 2014. The Uganda study is available as a separate report.

One reason for choosing Bangladesh is the high number of business partnerships in the country. More than 100 partnerships including pilot interventions have been supported since 1999. However, only the partnerships supported during the B2B period from 2006 to 2011 will be assessed in this report. Danida's support in earlier Private Sector (PS) partnerships and subsequent Danida Business Partnership (DBP) are excluded as are the Public Private Partnerships (PPP) and the Innovative Development Partnerships (IDP). Thus, this B2B review does not capture the diversity and the full experience of Danida's business partnership efforts in Bangladesh.

The Bangladeshi B2B portfolio is sector focussed, with ICT and marine activities dominating. It is a less diversified portfolio than the Ugandan, and more vulnerable to changes in what might be called "sector economics". The ICT sector in particular has gone – and is still going – through major international technological and financial changes, and this has hit the B2B portfolio in Bangladesh hard. There are also other reasons for the high rate of failures – which will be analysed in the following chapters – but the main point in this connection is that the B2B portfolio alone gives a skewed impression of the full Danida business partnership portfolio.

However, for the Evaluation it is clearly useful to be able to compare and assess two B2B portfolios that have different strategic foundations – the sector diversified Ugandan and the sector focussed Bangladeshi. The two also illustrate another key characteristic of the B2B, namely the high degree of delegated responsibility for local implementation of the B2B. Each embassy has substantial freedom to tailor the national programme within the overall B2B framework, and this is an issue that will be pursued further in the final synthesis evaluation report.

The structure of this report follows the same template as the Uganda country study. The first chapter summarises conclusions and main lessons learnt. Chapter 2 explains the methodology applied, Chapter 3 briefly discusses the business environment, while the fourth chapter analyse the B2B portfolio from 2006 to 2011. The fifth chapter provides the key results focussing of the performance of the collaborations and the development outcome of the projects. The sixth chapter is structured around the OECD/DAC evaluation criteria, with a sub-chapter for each criterion.

3. Methodology

The evaluation methodology has evolved in several phases, from the Inception Report to the Uganda field visit. The main uncertainty all through the initial phases has been availability and reliability of data. That would again determine the factors and the causes that the Evaluation could explore with any likely degree of significance in findings. During the Bangladesh field visit, the team identified several methodological challenges[1]:

- Basic data about partnerships are often lacking, or of poor quality. This includes information about financials, investments, internal operations and even employment. After the Application process, all data provided in project reporting is based on self-reporting. As the B2B process generally contains few external checkpoints, an evaluator must show caution in handling this information.
- 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. In a number of cases, in particular those that have gone wrong, there is no project reporting from actual operations, except in the brief embassy's Project Completion Report (PCR).
- Data regarding investments including those in internal and external environment can hardly be used at all, as not only are they susceptible to manipulation, but they also suffer from being interpreted differently from case to case. CSR activity is 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 turnover[2] and employment. Both can be externally verified, which the team did on some occasions through annual accounts and manpower lists. The challenge of how much of this can be attributed to B2B support, remains, 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 partner.
- The difficulty of getting hold of solid data, and the complexities of tracking all four sources of information about a project, has meant that basic data gathering has been substantially more time consuming than envisaged.
- 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. 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.

[1] These have addressed and included in the updated methodology note for the Evaluation.
[2] 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".

The lack of well defined hard data implies that the Evaluation to a substantial degree have to use qualitative ratings and conclusions. Each partnership is thus rated across 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 shown in Annex 1. The results are collected in a common data base for the two case study countries, plus for the full random sample of B2B projects.

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. All in, all, 18 pilots and 15 projects where thus tried visited during the field work in Bangladesh. As in Uganda, the team was not able to meet 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 Bangladeshi, and we have not been able to full triangulate all projects with all four data sources as listed above. However, for most B2B projects we have at least information from two and often three sources. In those cases where information is highly doubtful, we have refrained from giving ratings.

In addition to meeting B2B partners, the team met with other donors, sector organisations, other private companies, and Funds involved in social business investment. The two-week field work in Bangladesh ended with a debriefing note being presented to the Danish embassy the 27th March. The draft Bangladesh country report was sent Danida the 15th May 2014.

4. The Bangladeshi Investment and Business Environment

Bangladesh defies easy characterization. While suffering from a negative international image of floods, cyclones, corruption, child labour, political upheaval and over-population, the country has at the same time moved steadily forward on almost all social and economic accounts. In the more than 30 years since independence, life expectancy has risen from 50 to 69 years, population growth rates of 3% are halved, official unemployment is now less than 10%, child mortality has been cut by 70%, literacy has more than doubled, and real GDP per capita is more than twice what it was in 1975.

Since 1990, when Bangladesh began to implement economic reforms, the GDP per capita has been growing at 3.3% annually, which according to the World Bank is more than double the median country worldwide, and triple that of the median low-income country. The poverty rate declined from 70% in 1971 to 31% in 2010, illustrating the strong links between economic growth and poverty reduction. Bangladesh is likely to achieve the MDG goal of halving poverty by 2015 (the MDG target is 29%). Recently, the economy has been growing on average 6.3% since 2010.

Continued growth in the 6%-7% range could lead Bangladesh to become a middle-income country in a decade. Several structural constraints now facing Bangladesh put that type of growth in question, however. Weak economic governance, serious infrastructural bottlenecks, skills shortages and above all political turmoil limit the immediate growth potential. Pervasive political unrest throughout the country caused large output, employment, and asset losses last year, according to the World Bank.[3]

Bangladesh has exceptionally low Foreign Direct Investment (FDI) levels. As UNCTAD points out in a recent review, "*FDI attraction has been dismal even by the standards of LDCs. Inward FDI volumes in relation to population and ratio to GDP is consistently 80%, less than the average for all LDCs.*"[4] The per capita FDI inflow was a meagre USD 7 in 2011-2012, while the same figure for Cambodia was USD 85, for India USD 25, for Myanmar USD 46, and for Uganda USD 37. The FDI stock was 6.5% of the GDP in 2012, while for instance India and Pakistan has 12.2% and 11.4% respectively. The LDC average is 25.2%, while the FDI stock in Uganda is 34.7% of GDP.

According to the World Bank[5], Bangladesh should have the potential to attract significantly higher levels of FDI. Its attractions include abundant labour supply, proved abilities in large-scale labour-intensive manufacturing, a favourable location between two large economies, India and China, as well as good understanding of English. It has a very entrepreneurial private sector, and its market size is considerable.

However, there are critical constraints to FDI that needs to be addressed, which include availability of serviced land, infrastructure bottlenecks, the asymmetry between local and foreign firms, and also a less than friendly FDI regulatory framework. In the short to medium term, however, it is the political unrest that primarily scares investors. The World Bank mentions several examples from 2013. A Russian telecom company was set to invest USD 2 billion and a German airline company USD 660 million, but the political unrest held them both back. A good number of investors could not invest in shipping, airlines, logistics, travel and some other sectors in last 18 months as they failed to get licenses.

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[3] Development Update, April 2014.
[4] "Investment Policy Review Bangladesh", UNCTAD 2013.
[5] «*Bangladesh Development Update*», World Bank, April 2014.

The problems of attracting FDI can to some degree be blamed on generally bad "marketing", which has not been helped by the regular occurrence of floods and other natural calamities. The collapse of the Rana Plaza and the increased attention world-wide on labour conditions has put Bangladesh further into the negative spotlight.

The perception of high risk is not only a question of image, however. Political risk and weak governance in general make for a very complex business environment. The governance problems foster regulatory uncertainty, corruption, crime, disorder and distrust in the legal system. The confrontational nature of politics in the country exacerbates the governance weaknesses, resulting in flawed procurement, poor financial controls, inadequate quality checks and skewed law enforcement. Domestic entrepreneurs know how to manage in this system, but foreigners find it bewildering and frustrating. When they at the same time have several other countries as potential locations for their investments, they tend to bypass Bangladesh all together.

Under these circumstances, attracting Danish firms to Bangladesh can safely be termed a challenge. At the same time, those foreign investors that have succeeded believe there is great potential for those that have the patience and resolve to find a good partner, and develop a solid business idea. Bangladesh has been likened to a long distance runner with uneven pace, but with stamina that eventually brings it to the forefront. The same required skills apparently apply to a potential investor.

5. The B2B Portfolio in Brief

The B2B started in 2006 as a direct continuation of the PS Programme. A number of collaborations that had started as pilots and studies under the PS continued as projects under the B2B. At the other end, in 2011, some B2B pilots progressed into DBP projects late in 2011. The first DBP was a direct follow-up of a B2B pilot, which we now assess as a positive collaboration – Scan and Fisheries Shipyard's JV in Chittagong.

According to the embassy records, the B2B funded **18 pilots** that did not go into a project phase under B2B (might have done so under the DBP), and **17 full projects** in the period from 2006 to 2011.[6] Most projects were organised as joint ventures (JV), and two JVs had double projects within the individual limit of DKK 5 million. The actual number of JVs getting project funds is thus 15, which is used as the "unit of account" in the following.

The overlapping of the different phases implies that it is not possible to deduce from the numbers of pilots and projects, that this many pilots led to that many projects. In addition, several collaborations changed one or even both partners at some stage from first contact to the end project phase. (Most cases with a high partner turnover ended at the pilot stage.)

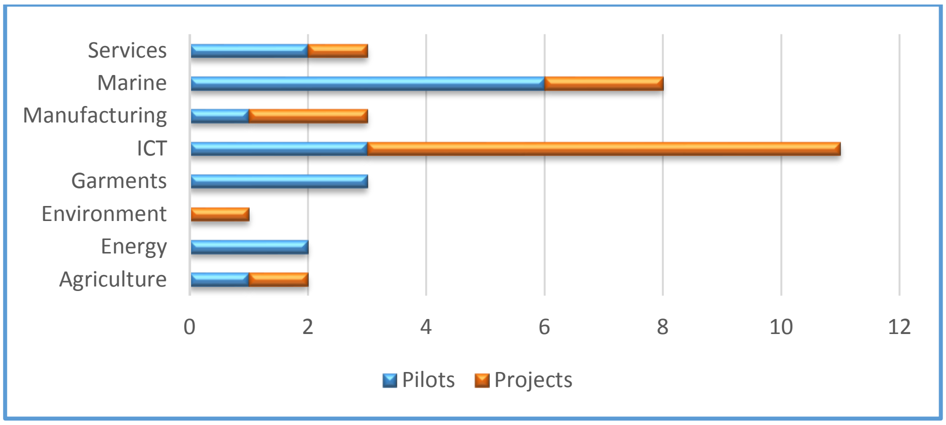
The total approved allocation of grants to the 33 pilot and project collaborations has been about DKK 72 million. Of this roughly DKK 45.5 million (excluding embassy marketing expenses) has been disbursed by February 2014. The disbursement figure is likely to increase somewhat as a few of the collaborations have been slow in sending their claims. The low disbursement rate (63%) is primarily due to a relatively high failure rate among approved collaborations. Indeed, some projects were closed before a single DKK was paid out.

5.1 Size and sector

Collaboration business sector

There is a marked concentration around the marine and the ICT sectors in the Bangladeshi B2B portfolio. This is particularly pronounced among the projects, while there is slightly more diversity among the pilots. According to the Annual B2B Report for Bangladesh in 2008, about 1/3 of all supported projects since the beginning of the programme relate to IT (software programming, graphic design, 3D animation, systems development, architectural design, 3D education etc.).

Figure 1: B2B Sectors – Pilots and Projects (no. of companies)



[6] A Project has also in most cases been preceded by a pilot phase, either in the B2B or in the predecessor, the Danish Private Sector Programme that ended in 2006.

The focus on ICT and marine sectors is a strategic decision by the embassy, supported by Håndværksrådet that had the job of identifying relevant Danish companies for partnerships. There were several reasons, and for ICT these include:

- There are few barriers to entry in ICT, and it generally takes small investments to start a joint business. It is relatively easy to get a collaboration running within a short period.
- There were early successes within ICT, as some joint Danish and Bangladeshi collaborations (seemed to do well.
- The ICT in Bangladesh was identified as having significant potential. Denmark decided to support the sector also with other assistance to for instance the sector organisation BASIS – Bangladesh Association of Software & Information Services. According to the embassy, the IT sector is one where Bangladesh can demonstrate a comparative advantage.

Thus, as the embassy says in its 2008 B2B Annual Report, "*the IT sector is one of the most obvious industries for B2B matchmaking where Bangladesh possesses a comparative advantage and where successful B2B partnerships can be created*". However, the many challenges in the ICT collaborations led to a decision in 2010 to partly shift away from this sector and look into new opportunities.[7]

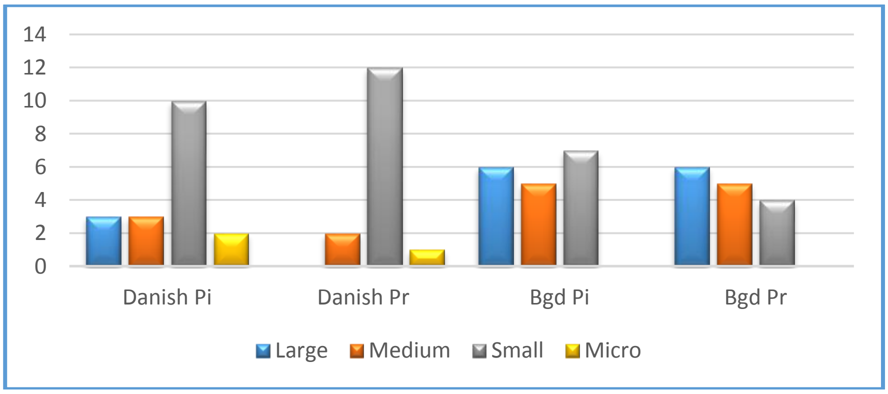
The background to the marine sectors was different, as it started with a group of Danish shipping investors placing orders with two shipyards in Bangladesh, Ananda Shipyard and Western Marine. The embassy at the same time promoted the ship building industry in Bangladesh as a new thrust sector, and in November 2009, 21 companies visited Bangladesh to investigate opportunities in the shipbuilding and fishery sectors**.**

While the introduction was based on shipbuilding, the exposure of the embassy and Danish companies to the marine industries uncovered substantial potential in several sub-sectors. One of these was fishing, as the offshore finishing industry was based on what was perceived as outdated fishing equipment, boats, and methods. Danish companies could offer more efficient fishing nets, better trawls – and indeed trawlers – more efficient processing equipment, and generally more modern designs. Most of it was much more expensive than the Thai equipment hitherto used, but it was also much more efficient, in some cases doubling catches. A number of large Bangladeshi fishing companies took an interest, and this has resulted in an interesting cluster of joint companies within fishing and trawling in Chittagong.

Size of companies

The size of the companies involved in the B2B Bangladesh is as follows:

Figure 2: No. of companies – pilot and project – according to size



Categories: Micro 1-5; Small 6 -49; Medium 50 -249; Large 250+.

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[7] Annual Report B2B Bangladesh, 2010.

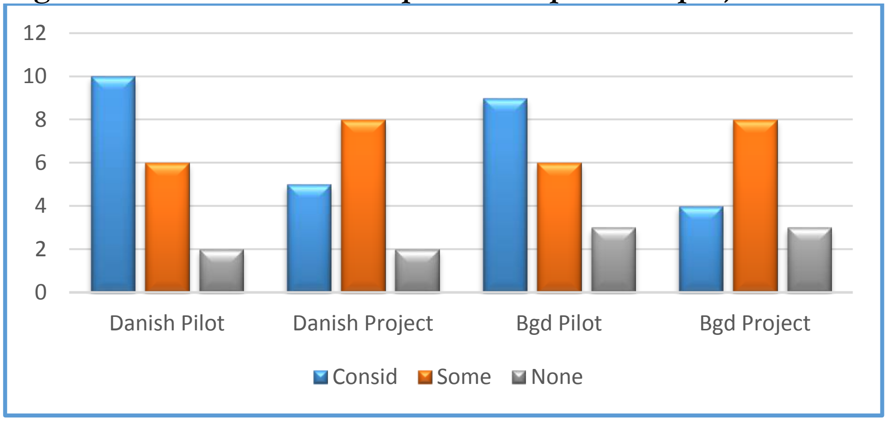
The Bangladeshi companies are on average bigger in terms of employees, with the majority of Danish companies being small and micro. Among those collaborations that went on to the project stage, 13 out of 15 Danish partners have less than 50 employees. Most are in the 10-20 category, and there are no large companies. To a certain degree, this reflects the relative factor cost of production in the two countries, with labour in Bangladesh being cheaper than in Denmark. Companies in Denmark are thus much more capital intensive. As many of the Bangladeshi companies belong to larger conglomerates (at least half of them) with even more substantial resources behind them, the indications are that B2B involves generally larger companies on the Bangladeshi side than on the Danish.

5.2 Experience and motivation

International experience

Do the Danish companies have previous experience from developing countries? For the Bangladeshi, do they have experience with international business for example through exports or imports or joint ventures? The assumption is that the more experience on both accounts, the better the collaborations would work. The distribution in terms of previous experience is as follows[8]:

Figure 3: International Experience – pilot and project – no. of companies



Most companies of both nationalities have at least some international experience. Interestingly, it seems that those partners that only did the pilot stage, have more international experience than those that went into the project phase. This goes for both Bangladeshi and Danish companies. Given that so many of the projects are now closed, it might imply that companies with international experience know better when to stop a collaboration.

Danish company motivation

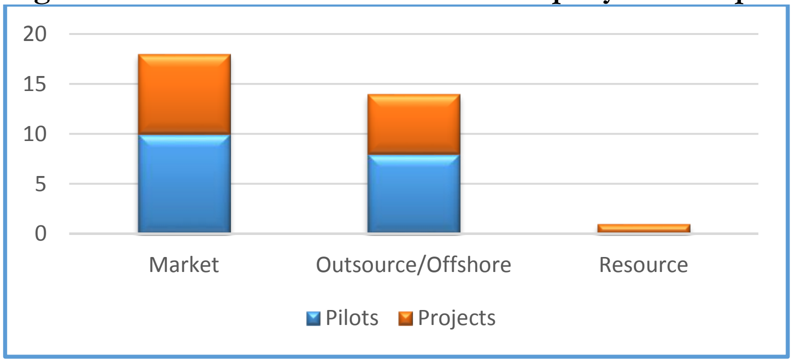
There is a marked difference between Uganda and Bangladesh with regard to what motivated the Danish international venture. Few Danish companies went to Uganda to outsource production (see Uganda report), and almost none visited Bangladesh to access natural resources. There were in both countries a number of companies that wanted to expand their market, but there is a perceptible difference between them. Bangladesh is a bigger and more sophisticated market than Uganda, and the Danish partners generally try to introduce more advanced technological solutions than in Uganda. The challenge is adaptation to local market standards, price levels, and competition. Several do not succeed, even though the products are high quality, highly efficient pieces of equipment. However, there are also examples of those that manage, particularly in fisheries and fish processing. One company gained local market shares with their cooling

[8]For definition of criteria, see Annex 1.

solutions for fish and shrimp processing, and the fishing equipment companies in Chittagong are doing likewise.

While there are exceptions, both Uganda and Bangladesh B2B experiences seem to indicate that the more successful collaborations are in those sectors where the two countries have an overlap of resources and knowledge – agriculture in Uganda and fisheries in Bangladesh. The motivation for the Danish partners is shown in the figure below.

Figure 4: Motivation for Danish Company – no. of pilots and projects



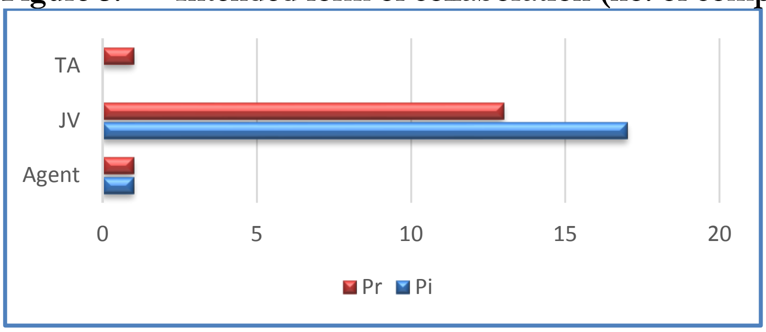
Outsourcing/offshoring has been aggregated in one category, as the difference is blurred for a good number of the ICT companies. Production of textiles and garments for export to Denmark and other international markets is clearly offshoring, but for instance software programme development can be both an outsourcing of internal functions in a company, and production for a third party market.

The single "resource" project is a project within development of diabetic rice variants. It can be debated whether this is really motivated by the resource endowment in Bangladesh, but the country was chosen because it is one of the major rice producers in the world. That made it attractive for testing such new variants. However, the market potential of Bangladesh is an additional likely motivating factor.

5.3 Forms of collaborations

The B2B portfolio is very different from the Ugandan in terms of what form of collaboration is chosen for the partnerships. In Bangladesh almost all say they aim at joint ventures, and most of those that progress into the project phase manage to establish a legal joint venture. There are only a couple of the technical assistance projects seen in Uganda. Any reasoning behind why that is so is purely speculative, but the embassy emphasis probably plays a role, with joint ventures being the norm in Bangladesh. Also, for some Danish companies, working in Bangladesh may be perceived as less attractive than providing advice in Uganda. The figure below shows planned collaborations as indicated in the applications.

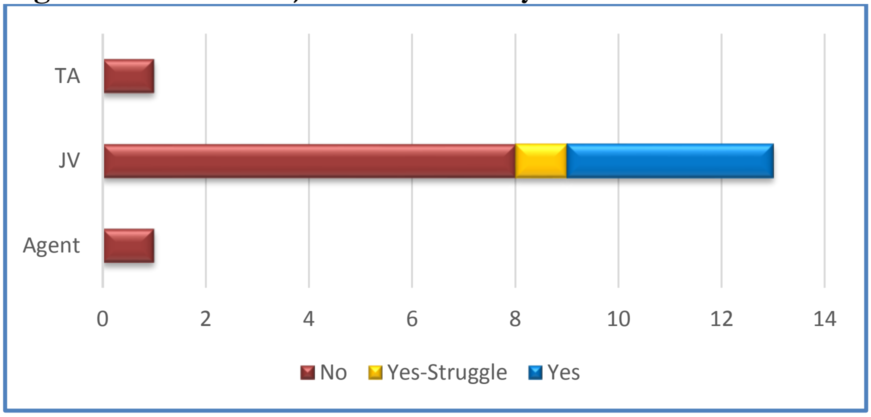
Figure 5: Intended form of collaboration (no. of companies)



Of the 15 collaborations in the project phase, 13 intended to start a joint venture, with joint shareholding. The two exceptions include a collaboration that aimed at setting up an internet travel portal for Bangladesh, where the Bangladeshi company would be an agent in the global net. The other is a complex collaboration around the setting up of a framework for education in animation and 3D. The project did not develop according to plans, however, and today there are two completely different partners involved. This is funded as a new DBP project, while the original B2B is closed after disbursing only about DKK 350,000 out of DKK 2 million approved.

Two of the pilots got as far as establishing a JV. The first got further support from the DBP, while the second did not apply for more support. Of the 13 project JVs, all are apparently legally still in existence. However, as many as eight have stopped working with one additional being doubtful. Four JVs are still operating, while both the TA and the agent projects have stopped.

Figure 6: B2B Projects: Status today



It has proven difficult to legally close non-functioning JVs. Apparently, few if any of the JVs have been closed as a result of a joint Board resolution that both parties agreed to. In most cases, one of the partners has independently decided to withdraw, or been forced to withdraw. It has in most instances been the Danish partner that has quit the collaboration, and there are lingering partner disputes in many of these non-functioning JVs.

6. Key results

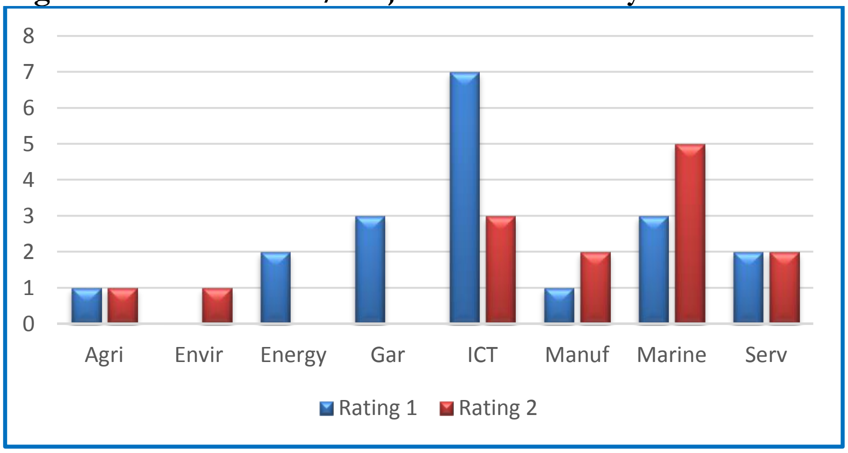
6.1 Additionality

As in Uganda, most collaborations in Bangladesh are unlikely to have taken place without the B2B Programme. However, it needs perhaps to be qualified for some of the projects, particularly those in the ICT sector. Outsourcing and offshoring of activities were for several of the Danish companies an objective already before they encountered the B2B. The main difference is that they chose Bangladesh.

One Danish company says clearly in their application that they would not have considered Bangladesh without B2B, but would have chosen *"…a closer market as the proximity initially has high value. The consequence of moving the operation to Bangladesh is among other things physical and cultural distance.*"[9] More training is needed, business systems must be adapted, and management must spend more time on getting the project going, than if it had been located in for instance the Baltic States. Thus, this and other Danish companies argue that a high grant percentage is necessary to even out the cost difference.

The table below summarises the additionality rating for both the pilots and the projects. Projects where it is "highly likely" that B2B was critical for the collaboration are given "2", while projects where B2B was "likely" critical are given a rating of "1". In none of the 33 pilots/projects do we find that the collaboration would have happened anyway, or a rating of "0".

Figure 7: B2B Pilots/Projects: Additionality and Sector



In sum, we find the additionality as somewhat higher in the marine sectors than in the ICT. Several ICT companies were looking for outsourcing anyway, and some might have ended up in Bangladesh also without the support. On the other hand, most of the marine companies would not have chosen as undeveloped a shipping industry as the Bangladeshi to work with, had not B2B assisted with both contacts and grants.

In other cases, there is no doubt the B2B was critical. The travel portal project was the result of the Danish embassy commissioning a study to look into the tourist sector, and consequent follow-up discussions with Danish travel agencies.

One aspect of additionally is whether the collaboration is designed differently, than what it would have been with without the B2B. With the higher objectives of the B2B Programme in mind, we would in particular look for elements of CSR and internal/external environment.

9 Pilot Phase Application Spinnovation/GBS, 26/11-2007.

Many of the applications for support state that environmental or social improvements in their project proposals would not have been implemented without the B2B support. However, the percentage of budgets being allocated to environmental and CSR activities are not particularly high, with 6% and 5% of total budgets respectively.[10] Further, many of the applications use the exact same phrases when describing their CSR and OHS initiatives:

- Secure workers' rights and human rights;
- Compliance with law;
- Securing internal and external environmental standards are being followed;
- Securing proper OHS standards.

All of these are fine, but should be self-evident in any project in Bangladesh as well as in Denmark. One of the applications writes: "*The consequences of not obtaining B2B support will not mean that those issues will not be dealt with, but that the implementation of the components would be planned over a longer time span thus creating a scenario where the reaching of commercial objectives will require an extended patience from both sides.*" This seems to imply that the project will not prioritise compliance with law, workers rights etc without the B2B support, as it might test the financial patience of partners.

The implications are unfortunately that the CSR and environment activities appear more as appendixes to many of the partnerships, than core company activities. The ex ante additionally of the B2B in several of the projects is assessed as limited in these areas.

6.2 Ongoing and failed collaborations

Of the 33 collaborations started in Bangladesh under the B2B Programme from 2006 to 2011, 9-10 appear to be still ongoing today, while 23-24 have ceased to exist. There are some uncertainties for a few of the pilots, and one project where the Bangladeshi partner is rumoured to have left the country.

Table 1. Sustained and not sustained collaborations in Bangladeshi B2B

	Collaborations likely to be sustained after B2B	***Collaborations which have ended or are likely to end after B2B***	***Total***
Pilot only	5 (6)	13 (12)	18
Project grants	4	11	15
Total	9 (10)	24 (23)	33

A few of the pilots have downscaled the ambitions from making joint ventures to less committed relationships, like agreements based on exclusive sales rights. The transfer of technology and skills might be less in these cases, but the partnership remains. Two of these cases work in the marine sector, the first selling cooling equipment to fish and shrimp processing plants, while the second sells modern electronic equipment as sonars and similar to the fishing industry. Two other pilots also have continued to do business without B2B support, while the remaining surviving pilots have either not finished yet, or been transferred to the DBP Programme.

There are good reasons for why several of the pilots did not go to the project stage. For instance, local partners conducted feasibility studies and found that projects were not feasible. One

[10] "*Input to Evaluation: Overview of B2B projects and data from Bangladesh and Mozambique",* Broegaard, July 2013.

company submitted a proposal to DESCO (Dhaka Electricity Supply Company) to build an efficient electricity distribution and minimize operational costs and losses. Unfortunately, DESCO showed no interest. The Bangladeshi company on their side found that waste-based energy generation was not feasible neither at institutional level (lack of capacity of garbage collection and accumulation of Rangpur City Corporation) nor consumer level (perception problem of using bio-energy among the consumers).

With the regard to those collaborations that went to the project stage, there are two JVs in ICT and two in marine industries that are active today, and that are likely to continue. All four appear reasonably solid, even though there are challenges in the markets. All in all, the ratio of likely continued B2B pilot and project collaborations are similar to Uganda, in the range of 25-30%.

There is a variety of reasons for failed collaborations. Failure is less serious in the pilot phase that is supposed to be a test for the collaborations. Partners not finding common ground is a normal feature of any business process. It may save the partners significant resources and frustrations by ending the collaborations before further commitments are made.

The high failure rates among those collaborations that go on to the project phase are more worrying, as these should have passed that first test phase and have a verified business concept they believe in. Eleven out of 15 collaborations have stopped, with the main reasons being assessed as follows:

Table 2. Reasons for B2B Project Failure

Danish Company Capacity	5
Disputes	2
Bgd Company Capacity	1
Market	3

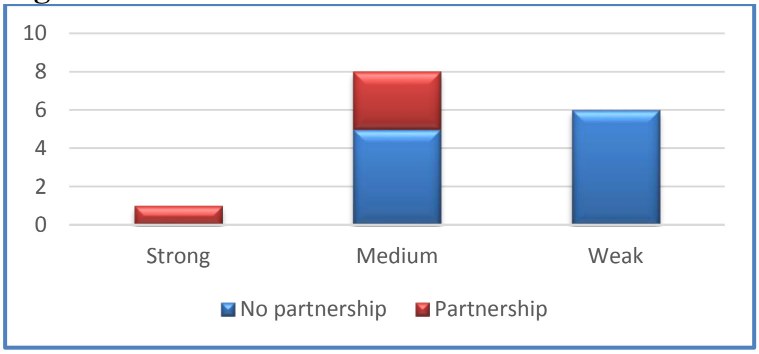
In five of the cases, the main reason was lack of capacity at the Danish end, financial or otherwise. The Danish company decided unilaterally to withdraw from all five collaborations, because the company went bankrupt, had financial difficulties, or went through a restructuring with new owners coming in. A weak local partner seems to have played a role in one JV shut-down. In two JVs, serious disputes between partners seem to be the key reason for the break-up, even though the background for the dispute in one was the inability of the Danish partner to adapt its technology to Bangladeshi standards. For the remaining three collaborations, market problems played a major role in the decision to close business. In only two – possibly three – collaborations does it appear that the decision to close was a joint undertaking, In the remaining closures, one of the partners just quit, often abruptly. There is thus unfortunately a number of remaining disputes between partners in former B2B ventures.[11]

There is a positive correlation between *financial robustness and size* of the Danish partner, and failure of the JV. We have rated all partners for financial strength at the start of the cooperation, according to the data given in the applications. To get a medium rating, a company should have at least DKK 1 million in equity, should have an equity percentage of at least 15% and have gone break even or better in two of three past years. If not these rather accommodating levels are in place, a company is rated "weak" in financial robustness. This is thus not a rating given on hindsight, but one based on financial data at the outset of cooperation. The figure below shows

[11]We have chosen not to name companies and persons in this discussion, as we cannot vouch for the correctness of all stories. Part of the information was given only under the promise of confidentiality.

this rating of financial robustness of the Danish companies, split on failed and surviving project phase partnerships.

Figure 8: Danish Financial Robustness and Status of Partnership today



None of those JVs where the Danish partner is rated financially weak survived. If the applications are to be believed, the local partners are generally more financially solid than the Danish. There are six Bangladeshi companies rated as "strong". In two of the failed cases, both the Danish and the Bangladesh partner were financially weak at the beginning. The implications are obvious, the less financial muscle, the higher risk for a JV collapsing.

There is also a **sector dimension** to the failures in Bangladesh, as the ICT projects appear especially prone to JV collapse. Out of eight ICT projects, six have closed. Small ICT companies tend to have limited capitalization, and are vulnerable to market changes. The ICT industry has seen significant technological and market changes in the last four to five years internationally, as well as in Bangladesh. There is great fluidity in the sector and the turnover of employees are very high. The barrier to entry is low in the sector, but so is the barrier to closure. A lesson is that any effort to focus on particular sectors in the B2B Programme increases the portfolio risk, by decreasing diversification.

While most of the failures are quite explicable from a business point of view, several failed projects could perhaps have done better preparatory work. Indeed, some should possibly have been stopped at the pilot stage. The hubris in ICT was – and is – a global phenomena, but a company specialized in treating Danish sewerage should have tested the feasibility better of using that same equipment to tackle toxics from the Bangladeshi textile dying industry.

It is possible to speculate that the 90% grant element takes away too much of the business risk, and that the high level of support may have led some companies to accept risk that did not make sense from a sustainability perspective.

6.3 Development outcome

Regarding development, the ***immediate objective*** of the B2B is to create '*establishment of long-term, sustainable and commercially viable partnerships between companies*', while the ***overall objective*** of the programme is formulated as '*to contribute to poverty reduction by promoting economic growth and social development in developing countries*'. As discussed in the Uganda report, development outcomes include externalities – preferably positive – where "*the support to a company is reflected in results beyond the company itself, and especially results which are of importance to the poorer segment of society*."

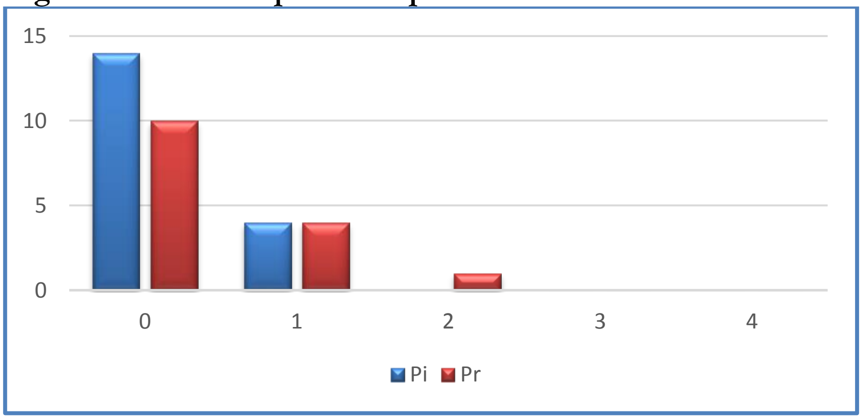
Not all collaboration would have the same potential for development outcomes towards poverty alleviation. The ICT sectors tend to use educated, middle class labour, produce services that are seldom meant for the poor, and provide few linkages to other economic agents from the poorer class. The marine sectors hire more unskilled workers than ICT, but the direct employment impact of making fishing boats and equipment is relatively limited. There is substantial employment within the fishing sector at large of course, but the B2B joint ventures are in general not targeted at the artisanal or non-industrialised fishing. The poor gets much of their protein from fish, and if modernisation of the fishing fleet can reduce fish prices, there would be indirect poverty impact. However, it might also outcompete traditional fishermen that might lose their occupation. In the worst case, one might contribute to overfishing.

The potential effects of two of the agricultural projects are encouraging, as a new high yield potato seed and a new diabetic rice variant may impact poor people's diet. Pilots in renewable energy and environment also have potentially positive benefits for poorer segments of society.

However, the actual development outcomes from the B2B portfolio are meagre. A significant number of projects and pilots are shut down, leaving few traces of development. According to the evaluation methodology, each project is rated according to overall impact towards poverty alleviation 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. The ratings go from "0" - none, to "4" - very significant.

Most collaborations are rated "zero". Four pilots and four projects get a rating of 1, or marginal. The two agricultural projects are among them, even though their products are yet not for sale. However, basic research has been done, and a level of knowledge has been built that is judged as developmentally positive.

Figure 9: Development Impact of Collaborations – No. of Pilots and Projects



The rest of the collaborations in the "1" group belong mostly to the marine sector, as they are part of the building of a marine cluster that already has some impact with regard to modernisation of fishing. This includes the two agreements with exclusive sales rights within refrigerating solutions and provisions of switchboards and distribution panels. At the moment both these collaborations provide technical solution to a large scale export-oriented fish processing plant in Gazipur.

The only "2" rating is given the project between Sea Resources and DanSea that paved the way for several of the other ventures. The collaborations are not rated higher because the results to date are not sufficient to say that this will be a viable long term activity, with sizable economic impact. There are challenges between the partners in several of the partnerships, there are technological issues that needs to be solved, and there are market issues with regard to finding the balance between price/quality. Lastly, the whole fishing sector is threatened by the current regulatory regime allowing a large number of trawlers without knowing the size of the fishing stocks. There are serious dangers of overfishing Bengali waters. There is no doubt, however, that the Danish involvement in trawling has contributed to the creation of a potentially interesting future industry sector in Bangladesh

For shipbuilding in general, there were several spin off projects of the initial contract between Western Shipyard and Stella Shipping. The Danish company was one of the first international customers that ordered a vessel from Western Marine. Other B2B ventures that involved Stella included one aimed at establishing a technical management company, that would manage ships, and one that would do design of ships. All fell through, for different reasons, but a major issue was the fact that the Danish company went broke. However, the Stella/Western Marine connection provided a beneficial first boost to Western Marine's later expansion.

The good news is that Western Marine has continued to thrive, and has now delivered a ferry to Denmark and has just landed new large orders for USA and for NZ. The references in these cases came from Denmark, with the assistance of the Danish embassy. Thus, while the B2B – strictly speaking – may have had limited direct impact on the fortunes of Western Shipyard, the Danish connections and latter DBP work in the shipping sector have in our view made a major indirect contribution to the growth of the shipyard.

Within the ICT industry, Denmark gave support to BASIS and various international arrangements plus the PS/B2B. Some of the early JVs were the first of their kind in the country, and did in all likelihood contribute to increasing the credibility of Bangladesh as an ICT destination. The degree of importance, however, is more difficult to establish. Given the early 2000s trend towards ICT outsourcing to the cheapest countries, the chances are that Bangladesh would have been spotted along the way irrespective of Danish assistance. The World Bank has supported a major project within ICT for a number of years, and says as follows about the Danes under the heading of "Other Donors": "*Danida has been involved on a limited scale in supporting the IT industry over the years; and has recently concluded an agreement with BASIS to provide export training, market visits to Europe, and other capacity building activities.*"[12]

While the B2B might have played a beneficial role 8-10 years ago, it does not play that role now. In 2013, BASIS estimates that the country has 70,000 IT professionals in about 800 companies.[13] Of Danish JVs there may be four to five left, with possibly 100-150 employees. Thus while the Danida may have opened the door initially, they have not been able to adapt and grow the business in line with the growth of the industry in general. In fact, the industry has seen the most rapid export growth in the years 2011/12 and 2012/13, with ICT exports increasing by 56% and 43% respectively. These are the same years that the Danish ICT ventures started to fail. Thus, it is difficult to honour any of the current B2B ventures with a "development" rating above "marginal".

6.4 Important factors for success and failure

Establishing a viable long-term business is not done overnight. Doing so in a less than friendly business environment together with a partner from a very different cultural background add complications and challenges. However, the first rule is to have **a viable business model** with a reasonable chance in a receptive market. Not all B2B projects met that criterion. 'Smoke cabins' were a product in decline dependent on critical imports, and 'travel-portal' did not have any clear and convincing revenue generating mechanism to survive as a business independently.

Selection of partners has also been a determining factor, sometimes partially and sometimes entirely. For local partners, adaptation to Danish business culture seemed difficult at times. The

[12] "Appraisal of Leveraging ICT For Growth, Employment And Governance Project", WB, August 2012.
[13] BASIS Brochure «Bangladesh Next» for CeBIT 2014.

partnerships seemed working better when the Bangladeshi counterpart or (whoever is in charge locally) is well educated and internationally exposed.

Financial health of Danish partners is as already pointed out an important factor in partnership success and failure. Many of the local partners of failed B2B projects/pilots blame it on the Danes. They are left alone to 'pick up the pieces' after sudden closure of cooperation. While sour grapes can be expected after any business failure, the story was surprisingly consistent from a number of local partners: The Danish partners came to a "new business and country" they were never really fully committed.

It has also been a factor whether local partner in Bangladesh had a **clear focus** in the very business that the partnership was working in. In Bangladesh, it is normal to operate a number of SMEs and calling them 'Group of Companies'. To the local entrepreneurs, it is a way of life because of the risk to any one business arising from frequent and unpredictable changes in government policies, political favours in getting business, sharp changes in import price of raw materials and price of substitutes etc. Some of the locals may have seen the JVs as another risk diversification strategy, without willing to fully commit to it.

Some partnerships failed due to changes/difficulties with **government policy** – diabetic rice export from Bangladesh being an example. In 2011, seeing a sudden jump in prices of locally produced scented rice, government in Bangladesh imposed restrictions on exporting all kinds of rice. This has put serious constraint on post research and development of selection of a rice variety for processing as diabetic rice and export of the same.

Bangladesh is also constrained by the lack of good **availability of raw materials**. There are recurrent import complications, raising the costs of inputs from abroad. Partnerships built on the available sources of raw materials are better likely to survive. As we have seen in the case of smoking cabin, constrains in accessing imported wood forced the Danish entrepreneur to shift the business to Indonesia where this input is in abundance.

Having a **correct understanding of the market** is important, as market drivers may be different than initially thought. Not all ventures found the potential market they thought were there. The Danish JV within 3D graphics reported skills shortages among staff, and thought that such education would make good business. The resulting facility is modern and up-to-date. Still, the company finds it hard to recruit interested students. The main obstacle has turned out to be parents that do not see such artistic occupations as real work.

For some, the **main threats to the business** were not well understood and prepared for**.** IT companies "easily" lost their main capital – namely skilled people – without having adequate responses. A significant part of many partnerships was to train local staff from Bangladesh in Denmark from several weeks to several months, in some cases, close to a year. After being trained, a substantial number of trainees chose either to change their jobs, or to leave Bangladesh for developed countries, or even just to start partnership with another Danish venture.

Technology has also been a factor of success. Cooling solutions for frozen shrimps/fishes and for cold storage/warehousing from Denmark will always need a local service agent. Without the B2B, these companies would not likely have ventured to Bangladesh. B2B made it possible for local Bangladeshi enterprises to access modern Danish cooling technology in their warehouse, and in maintaining a cold chain throughout the supply chain. For a technology leader from Denmark, this trading partnership has been tested and is set to widen in future in a country where storage of harvests and pre-processing has been inadequate compared to the high yield and growing local consumers for horticulture produce and processed food. An essential part has been the ability of the Danes to combine advice on design of the cooling plants, with adaptation to Bangladeshi conditions.

Wrong expectations – and even rationale – for joining a JV, in particular from local partners. Many Bangladeshi partners are part of a larger conglomerate. Some decided to form a JV with a foreign company for prestige, image and portfolio growth (one initiative may lead to many, as is the tradition in Bangladesh). A good number now say they fully trusted companies presented by the Danish embassy to be solid and trustworthy, and that they thus did not mind accepting a greater Danish controlling stake, and that the Danish company exercised control over the JV. This mind-set left the Danish counterpart at ease of running their operation. For some this turned out to be a good solution. In others, it meant substantial challenges for the local partner.

Generally, an important, albeit qualitative, factor is what can be termed **management skills and mind-set** of the business partners. Managers that 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.

6.5 Influence of contextual parameters

The Inception Report identifies 26 contextual parameters which were considered to have an influence on outcome of the collaborations. As for Uganda, we have tested some of these against two broad results criteria: 1) the *performance of the collaboration*, measured whether it is likely to be sustained or not; and 2) the *development impact* (rated as spelled out in Section 4.3.Both pilots and projects are included in the data analysis.

Table 2. Contextual parameters, hypotheses and assessment in Bangladesh

Parameter	Hypothesis	Test of hypothesis in Bangladesh
Global parameters		
Global financial situation (Before-after 2009)	Projects started prior to 2008 higher success-rate than after 2008.	There is not much difference between the two in Bangladesh, neither for pilots nor for projects. The hypothesis is not supported in the Bgd case.
Globalisation	Specific issues related to globalisation (e.g. the Chinese presence in Africa) have influenced the behaviour of Danish and local companies.	Not possible to test. Some global industries may change more rapidly than others – like ICT – and that may have hit the portfolio in Bgd.
Partner country related		
General business environment	Better environment leads to more successful B2B projects. Successful local companies can impact the policy level through lobbying.	Bgd's business environment is ranked in the second quartile among 19 B2B countries, or 119 of 183 in the total DB rating. Bgd needs to be compared to others to test.
Country economic growth and market size	Larger economies and markets are more attractive to Danish firms and more conducive for success than smaller. Faster growing countries beneficial for B2B investments than stagnant economies.	Bgd in the first quartile among the B2B countries in market size, and in GDP growth. The interest in Bangladesh has been good, but needs to be tested with the other B2B countries.
Recent structural changes in the economy	Extractive industries have become big business in several Danida partner countries which influences the traditional sectors and the way businesses act.	No evidence in Bangladesh of this.

Parameter	**Hypothesis**	**Test of hypothesis in Bangladesh**
Level of corruption and political stability	Less corrupt countries lead to better outcome in B2B.	Corruption: Bgd is ranked in the fourth quartile, and is the third worst B2B country. Some projects may have been directly affected by corrupt practices – not possible to prove or test. Rather compare on the global portfolio.
Local conditions for the collaboration		
Quality of infrastructure (energy, transport, etc.)	Better quality, better probability for positive results	Access to power and infrastructure are key constraints in Bangladesh. It may have hindered Danish companies in some sectors from applying.
Quality of vocational education and training	Better access to quality education means better options for building technological capabilities.	This factor has played a role in Bgd, in several ways. Firstly, there are skills shortages overall, in particular in handling technology. Secondly, it is a competitive factor in ICT, and a reason some have failed. Thirdly, training is a key element of all projects, but seems to have met challenges. Some companies apparently thought the skills level was higher than what it really was.
Government regulations concerning specific sector	"Sensitive" sectors have negative impact of collaboration performance.	As in Uganda, agriculture is a sensitive sector – export of rice is not allowed.
Cost and availability of capital and capital-equipment	In countries where specific sectors have difficulties in getting access to capital, companies in these sectors are more interested in B2B support.	While the cost of capital is high also in Bgd, access to foreign capital does not appear to be a main motivational factor for the majority of local enterprises. Many come from well-capitalised conglomerates. Danish companies in financial trouble, on the other hand…..
Partner company related (at outset of B2B)		
Size of local partner company (employment)	The larger, the more successful and the greater the impact…	Not a clear correlation with local company size. There is an approximate equal number of small and large partnership that a) have failed (8-9), and b) that still works (3-3).
International experience of local company	The more international, the more successful the B2B.	There is marginal support for this hypothesis – but not convincing. There are several survivors without previous international experience.
Danish Company related (at outset of B2B)		
Size of Danish partner company (employment)	The larger, the more successful and the greater the impact…	Surprisingly, no clear correlation. Employment wise, the size-profile is quite similar between those collaborations that have stopped, and those that continue.
Previous international experience of Danish company	The more international, the more successful the B2B. The more internationalised, the less additionality of B2B.	Tendencies, but no clear correlation in the material. Additionality is generally very strong in all cases. The hypothesis is not supported.

Parameter	**Hypothesis**	**Test of hypothesis in Bangladesh**
Situation of industry in Denmark	The traditional markets are gradually improving.	No test of hypothesis possible due to the wide spread on sectors. Hypothesis poorly formulated.
Motivation for Danish company for internationalisation	Continued emphasis on new markets.	Unclear formulation of hypothesis, but some support for the marine industry. Not really for ICT– as outsourcing/offshoring was part of international sector trend.
Profitability of Danish company	Financially poor performing companies at home will have lower success rate. H: B2B used as a as 'rescue plank' by poorly performing Danish companies.	Hypothesis fully supported. None of the financially weak companies survived. Anecdotal evidence from interviews with Bangladeshi companies support the hypothesis – difficult to prove.
Collaboration related		
Sector incl. business drivers in the sector	Knowledge-based service industries better success than traditional manufacturing.	Hypothesis not supported at all – ICT is close to a disaster, while marine manufacturing does well.
Form of collaboration (judicial link)	JVs are better performing with higher degree of sustainability and impact than other forms.	In Bangladesh, almost all collaborations are JVs – thus difficult to conclude either way.
Form of collaboration (production related)	Horizontal partnerships are more sustainable.	Hypothesis not tested – and the successful type of integration strategy is highly dependent on sector.
"Depth" of collaboration (phases of B2B Programme)	Longer B2B collaboration increases the chance for success.	The hypothesis is self-evident in the sense that pilots are short in duration. However, long collaborations are no guarantee for success.
Inter-partner trust	Higher degree of trust between the partners gives a better relationship and yield better results.	Probably true, but impossible to measure. The benefit of hindsight skews partner current observations.
Goal congruity	Common goals with the partnership give better performance.	The real intentions of partners difficult to identify and verify. In many failed collaborations the real expectations appear not well communicated between partners. A key problem is that the grant-seeking often dominate over the business interests.
Other parameters		
Cultural distance	Large differences in culture impede an effective collaboration, especially differences in organisational culture. Cultural similarity has a positive influence on conflict resolution and on the general level of trust between partners.	This hypothesis cannot be tested in one country only, but concerns the whole portfolio. However, business culture issues are mentioned as challenges in many failed as well as ongoing partnerships.
Embassy staff – interest and qualifications	Strong linkage between embassy interest/competence to collaboration performance in B2B.	This hypothesis cannot be tested in one country only, but concerns the whole portfolio. While an active embassy increases the number of likely partnerships, it cannot fight bankruptcies and bad market trends.

Parameter	Hypothesis	Test of hypothesis in Bangladesh
Danish level of trade and investment in the country	The more established as a partner country, the more likely success of new projects	Possible, but needs to be assessed on the whole portfolio.

There are interesting differences as compared to Uganda, in particular that the different partner characteristics of the local partner play less of a role in explaining failures and successes. One reason might be that it is the Danish firm that tends to break the cooperation, and that they are generally weaker in Bangladesh than in Uganda. The financial and organisational robustness of the Danish firm comes out as the key factor explaining partnership survival ability.

The heavy concentration on a few sectors in Bangladesh also skews the analysis. The general problems in the ICT industry apparently overrules any other statistically significant factor in the analysis of the whole portfolio.

6.6 Country context parameters for Bangladesh

The Uganda report explained how the suggested context parameters in the Inception Report would be operationalised. To quickly recap, the following proxies are used:

Business environment: the World Bank/IFC's Doing Business reports which assess the business environment according along ten criteria and based on this, ranks the 180+ countries included. We suggest using the 2010 report reflecting the situation 2009.[14]

The Doing Business report has *getting credit* as one criteria which we suggest using as one country parameter as a proxy for ease of *access to credit*.

Market size and *economic growth* are readily available data for all countries from IMF and the World Bank. We suggest using World Bank data reflecting 2009-2010 as proxies.

Transparency International (TI) makes annual assessment of *corruption* in 180 countries based on perceptions among businesses. We suggest using TI's index for 2010 (reflecting conditions 2009).

Political risk is assessed by a number of organisations. We have used the Danish export credit guarantee agency, EKF, which classifies countries in seven risk categories 1-7 with 7 as the highest risk. We have used data for 2012 concerning credits of 1-5 years length as a proxy.

Table 3. Assessment of country contextual parameters

Parameter	***Proxy indicator***	***Bangladesh***
General business environment	The World Bank/IFC's Doing Business index for 2010 (reflecting conditions 2009). In total 183 countries.	Bangladesh ranked 119 among 183 countries. Bangladesh ranked 10 among the 19 B2B countries.
Market size	GDP USD billion in 2009 World Bank.	Bangladesh's market size (GNI 2009) was USD 82.6 billion. Bangladesh ranked 5 of 19 B2B countries.
Economic growth	Annual growth GNI/capita 2010 World Bank.	Bangladesh growth 5%. In the B2B country group Bangladesh is ranked number four of 19 B2B countries.
Inflow of FDI	USD billion 2010 UNCTAD/	USD 0.9 billion. Bangladesh ranks 10 of 19

[14] We suggest using one year for proxy as calculating an average for the period 2006-2011 of practical reasons.

	World Bank	B2B countries
Level of corruption	TI's Corruption perception index 2010 (In total 178 countries).	Bangladesh ranking 134 of 178 countries. Bangladesh ranks 17 of 19 B2B countries.
Political risk	EKF's land classification 2012 (1-7).	Bangladesh rated as high risk in EKF's rating (class 6 of 7)
Access to credit	Doing Business sub-index Getting Credit 2010 (reflects 2009)	Bangladesh ranked 71 of 183 countries, and six among 19 B2B countries

Among the 19 B2B countries, Bangladesh and Uganda share quite similar ratings – with one particular exception. The Bangladeshi market is much bigger than the Ugandan, which might explain why "market" is the motivation for the majority of Bangladeshi B2B collaborations. The 160 million people are a potentially enormous market with a rapidly increasing middle class.

There appears to be a slight difference in how the Danish companies approach these two foreign markets. While the Ugandan collaborations seem to aim at filling gaps in the markets and the value chains where no products existed before (ice cream, cold chains, management consultancy, road signs), there is in Bangladesh more an effort to introduce sophisticated products based on more modern technology. There are already products in the specific market that one tries to attack, but often these are old fashioned and technologically cumbersome. Examples include the whole fishing and trawling industry, the water bottling plant, and the cooling and equipment suppliers. This indicates that while the key challenge in Uganda is to get customer acceptance and simply establishing a new operation, in Bangladesh there will also be domestic competition – some of it fierce. There is the additional challenge of adapting western - and northern – technology to Bangladeshi market realities and expectations.

As pointed out in Chapter 0, Bangladesh struggles with attracting FDI, even though the country scores just a little below medium in terms of general investment attraction in worldwide statistical comparisons. Still it is one of the more popular B2B destinations among the B2B countries as measured by number of collaborations – the country is 6th of 19. Our hypothesis from the Uganda report stands supported in our view, namely that the activities by the embassy (and other stakeholders) in promoting the B2B Programme in Bangladesh has played a more central role than the Danish companies' assessment of the investment environment.

7. Analysis towards the DAC criteria

This chapter follows the same structure as outlined in the Uganda report. The discussion is focussed on the Bangladeshi experiences, to avoid overlaps with analysis that have already been presented and discussed in previous reports.

7.1 Relevance

This is mainly a question if the objectives and design of the programme are consistent with current challenges and concerns for private sector development in Bangladesh, and the needs and priorities of the intended beneficiaries.

The main evaluation question for relevance is formulated as follows:

EQ 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 basic assumptions underlying the B2B, that economic growth is linked to poverty reduction, has to a large degree been supported in Bangladesh. Good economic growth and reduced poverty rates have gone hand in hand the last 15 years.

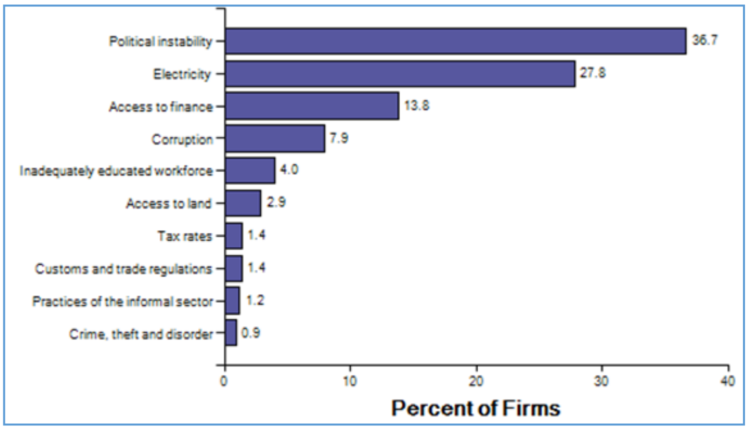
Bangladesh has been committed to private sector development and to private sector-led growth, irrespective of government. There is no dedicated strategy on private sector development, but several policy documents address PSD indirectly. The National Strategy for Accelerated Poverty Reduction (NSAPR) emphasise that poverty reduction will require an open and competitive environment that is conducive to private investment, with a particular emphasis on exports and rural development.[15] The three key policy areas in the "road map for accelerated poverty reduction" are: Pro-poor economic growth, human development and governance. According to the NASPR rapid growth will be ensured by particular focus on stable macroeconomic balances, improved regulatory environment, higher private investment and increased inflow of FDIs, effective trade and competition policies, and, poor and gender sensitive budgetary processes.

The B2B focus on increasing FDI to Bangladesh is thus clearly relevant in relation to Bangladeshi economic priorities, and in relation to the challenges facing the country with respect to attracting investments (ref. Chapter 4) from abroad.

A second question is if the B2B has been relevant for addressing constraints for the private sector more directly. A recent Enterprise Survey from the World Bank lists the top 10 business environment constraints as show below.

[15] General Economics Division, Planning Commission, Government of People's Republic of Bangladesh. 'Steps Towards Change: National Strategy for Accelerated Poverty Reduction II (revised)' (version 12-2009).

Figure 10: World Bank Enterprise Survey 2013: Top 10 Business Environment Constraints



Source: http://www.enterprisesurveys.org/Data/ExploreEconomies/2013/bangaldesh.

The all-encompassing worry for the private sector is political instability, and 2013 was a particularly bad year in that regard. The three next factors – electricity, access to finance and corruption – are quite similar to those found in Uganda, and typical of many economies in the developing world. The energy crisis in Bangladesh is very real, even though the situation has improved somewhat since 2010 when total production of electricity met less than two thirds of the total demand. There is no feature of B2B that directs collaborations towards energy and finance – and there are indeed no surviving partnerships in those sectors – that makes the B2B particularly relevant for addressing those constraints.

The B2B does have relevance for the fifth issue however, as skills development and technology transfer is an important part of the rationale for the B2B. Has the actual skills transfer been relevant to Bangladeshi enterprises? Given the limited rate of survival of the joint ventures, not all technologies and trainings appear to have improved the performance of the local companies. While training probably has benefitted a number of individuals, it does not – with some exceptions – seem to have been notably relevant in improving the overall competitiveness of the enterprises.

Most of the obstacles cannot easily be addressed by private businesses. Political unrest and corruption are outside of what typical PSD Programmes and efforts can influence. The B2B was not designed with this in mind.

Danida Policy Objectives

According to the recent Danida Strategic Framework for Priority Area – Growth and Development: *"International development cooperation has sometimes been too broadly focused, with too little attention paid to private sector development. This will now change. Private sector development will from now on be central to Danish development cooperation.*"[16] Denmark emphasise promotion of market-based economic growth and employment creation. The strategy outlines six focus areas, of which "innovative partnerships" is one. The business community is seen as an important partner (Section 3), and the B2B is in this policy context a fully aligned and relevant programme.

Support to partnerships is conditioned on additionality, and should according to the strategy only be given to activities that otherwise would not be carried out. In Bangladesh, the B2B is found to be very relevant with regard to matching business partners that would otherwise had little chance of meeting up.

[16] Danida Strategic Framework for Priority Area – Growth and Development 2011-2015, Danida.

So far, the B2B is in full compliance with the strategic guidelines. However, the B2B seems to lack design features that ensure that the general priorities listed (page 33) are followed when assessing partnerships. These include:

- Increased focus on a more strategic applications of the individual instruments and on the interaction between these instruments.
- Partnerships and investments that can transfer knowledge and expand the use of green technology and contribute to increased food security will have a high priority.
- High priority will also be given to efforts where the greatest development effect is achieved and where the multiplier and distribution effect to the local society is deemed to be greatest.
- Large enterprises are also encouraged to enter into partnerships under Danida business instruments.
- Efforts that can contribute to employment for the poorest segments of the population at the bottom of the pyramid, the BoP segment, will be given high priority.
- Danida will focus its assessment of proposals on activities that rectify market failures and make environmentally friendly and innovative approaches possible. The assessment of applications and the corresponding support will be managed in a way that causes the least possible market distortion.

While the relevance of the design should not be judged on actual results alone, it cannot be escaped that very few of the collaborations that exist in Bangladesh today, or indeed were planned for, adhere to these priorities. This is particularly so in relation to the priorities concerning the "bottom of the pyramid" and the development effects of collaborations. Of course, these priorities were made after the B2B was initially designed, and it would be unfair to judge the B2B relevance on these alone. However, the B2B does not seem to fully comply with current Danish PSD policies, and this limits its relevance to current Danish development objectives.

Relevance for promoting overall support to private sector development

According to the Guidelines for the B2B, the overall objective of the B2B Programme is to "*contribute to reducing poverty through the promotion of economic growth and social development*." For B2B to be a relevant, it needs to be designed such that it promotes projects that are relevant for the overall objective. In other words, whether the B2B Programme in the way it has been designed and implemented has the potential to promote private sector growth, poverty reduction (including consideration of gender equality, environment, etc).

As it is the actual B2B collaborations that are the "products" of the programme, the criteria for choosing these are key design elements. In project selection, B2B applies the following four development impact criteria:

1. Strengthened competitiveness.
2. Increased employment opportunities, especially for women.
3. Improvement of the external environment and the working environment.
4. Promotion of other elements of corporate social responsibility (CSR).

Strengthened competitiveness is an important and relevant factor for developing a viable private sector in Bangladesh. However, as the B2B has been practiced, it seems it has had limited relevance in actually managing to improve competitiveness. The financially challenging circumstances that most Bangladeshi B2B collaborations have experienced indicate that not all of the partnerships managed to transfer B2B support into increased competitiveness.

Employment and employment for women is a high priority objective for governments and donors alike. The practicing of the B2B, however, seems to have limited the relevance for employment. The choice of sectors – ICT and marine industries – may not have been the most optimal businesses to work with from an employment perspective, in particular for women.

External and working environment. This is a relevant and appropriate part of the B2B Programme. In a business environment where environmental and labour conditions standards are generally low, and implementation even worse, such a programme element is highly relevant. This is also an area where the granted capital in most cases is additional – local companies are not always willing to prioritise such measures. All projects and most pilots have such activities included in the project budget.

CSR elements. As an element of a programme that aims at fighting poverty, CSR activities are considered appropriate. These activities are in themselves important for poverty mitigation, but even more significant is the "technology transfer" of the ethical responsibilities of doing business.

The applications for B2B support all have CSR activities included. As commented above, in some cases it might be mostly ornamental. In cases where the CSR is integrated into the business itself it seems to have a higher chance of being sustainable. In other cases, CSR activities ended when the cooperation with the Danish company ended.

Summary of assessment of the evaluation questions

Evaluation questions	***Summary of assessment***
1.1 The extent to which the B2B Programme has been relevant for addressing constraints of private sector companies in the partner countries.	B2B is relevant in relation to overall Bangladeshi PSD objectives. It has more limited relevance for particular business constraints. The B2B was not tailored in any specific way to address these particular challenges.
1.2 The extent to which the B2B Programme stimulated the creation of international partnerships that would not otherwise have occurred.	B2B is found relevant for creating additional partnerships that would not otherwise have happened in Bangladesh.
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.	The B2B is generally relevant in relation to current Danish development objectives and strategies. However, it has not integrated features that ensure that current partnership priorities are followed.

7.2 Efficiency

The Evaluation Matrix has two main questions on "Efficiency". The first is related to how efficient the B2B was in encouraging and creating partnerships, and the second asks about the efficiency of transforming the support into improved company performance and in transferring technology and know-how from Danish to the local partner.

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

Efficiency of partnership creation

The first stage of a potential cooperation project is the contact phase, where the companies can apply for funds to visit potential partners in their home country. A good number of these visits are organised as delegations and tours, and the exact content of each vary. While embassy in Uganda published the number of contact phase projects each year, Bangladesh did not do so consistently over the whole period. Rather, in Bangladesh, the embassy had a total contact phase budget at its disposal that it to a large degree was used to organise thematic country visits for delegations. This ensured that a substantial number of interested companies were involved in the different match making events. Using delegation more than individual visits probably increased efficiency, in that administrative cost per potential match-meeting was lower.

The approved grant support in the different phases were as follows in Bangladesh.

Table 4 Annual Approved Amounts, per phase (DKK)

Phase	2006	2007	2008	2009	2010	2011	Total
Contact phase	1,000,000	1,200,000	1,500,000	900,000	533,078	500,000	***5,633,078***
Pilot phase	-	3,984,124	6,238,600	5,684,145	4,643,566	3,238,681	***23,789,116***
Project phase	9,781,219	4,907,213	7,987,790	9,980,228	11,430,444	4,926,353	***49,013,247***
Marketing	-	4,575	123,303	300,000	150,000	100,000	***677,878***
Total	***10,781,219***	***10,095,912***	***15,849,693***	***16,864,373***	***16,757,088***	***8,765,034***	***79,113,319***

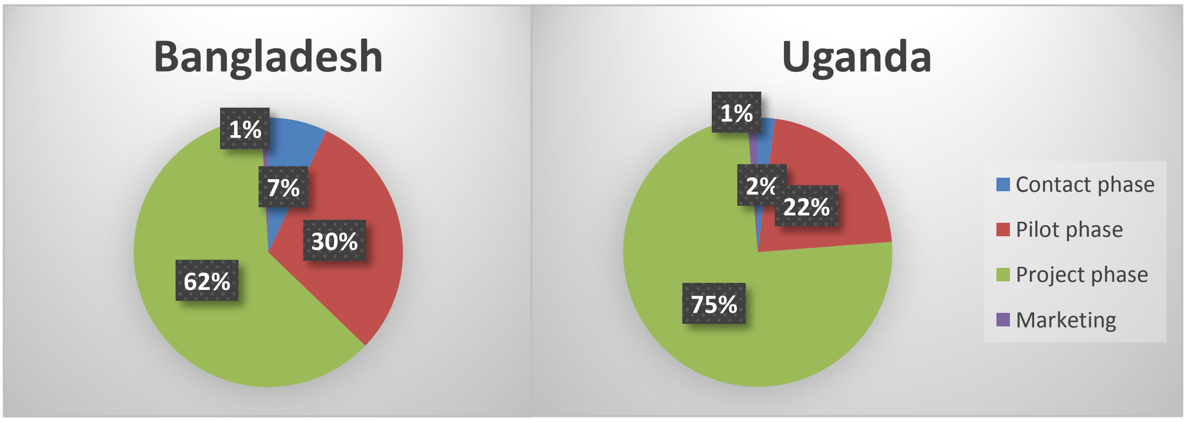
Source: B2B Review Bangladesh, 2012, Danida.
Note: These are approved amounts – not actually disbursed.

The top year for the contact and pilot phase was 2008 when more funds were used on the two combined, than on the project phase. Both 2007 and 2008 were years of great expectations as can be read from the Annual Reports from those years. Less money was spent on both the preparatory phases thereafter.

Was the contact and pilot phase support efficient in promoting partnerships? The embassy in Bangladesh worked similarly to the one in Uganda, in that staff were highly proactive in trying to match partners. The most effective method is having direct contact with potential partners, and as in Uganda, this is highly demanding on staff resources. Bangladesh had theoretically more staff involved, as the embassy after 2010 was also given a trade council role. This further increased the interface with Danish businesses. The exact use of administrative resources cannot be estimated, unfortunately. Administrative costs are not split on the different phases.

If the approval of funds for each phase is compared between Uganda and Bangladesh, the profiles are as follows:

Figure 11: Approvals 2006-2011, per B2B phase



The total funds approved were DKK 79 million in Bangladesh and DKK 108 million in Uganda. In relative terms, more funds were spent on the pilot and contact phase in Bangladesh than in Uganda. This can to a large extent be explained by the higher number of projects in Uganda – 22 as compared to the 15 in Bangladesh. There were 18 pilots in Bangladesh, and 15 in Uganda. The average approved amount per collaboration (project and pilot) was consequently also lower in Bangladesh than in Uganda. In both countries, about DKK 23 million was approved for the pilot phase, while Bangladesh spent DKK 5.6 million compared to Uganda's DKK 2.2 million on the contact phase. This resulted in marginally more pilots in Bangladesh than in Uganda. The efficiency of the contact/pilot work seems in general about the same in the two countries.

However, there are markedly fewer projects in Bangladesh than in Uganda. Was thus the "transfer" from contact/pilot phase in Bangladesh to project less efficient than in Uganda? That would be too simplistic a conclusion, as there are differences in attraction between the two countries. It may be more difficult to get Danish companies to commit to Bangladesh, than Uganda. Other factors may also have played a role, for instance, what judicial form collaborations take. It seems that companies were encouraged to do joint ventures more in Bangladesh than in Uganda, which accepted more open partnership forms like TA and buy/sell relationships. Without having access to each interview between embassy staff and Danish partner, such a hypothesis is impossible to prove, however.

In general, it is not possible to find a good proxy for such "ease of selling a country", as it depends on qualitative factors like image and the level of knowledge in Denmark about each. There is not much difference between the two countries in international investment indices – in the Doing Business Report from 2010, Uganda is rated 112 and Bangladesh 118 – but the investment experience in each is very different. Our initial perception is that the level of embassy initiative plays a huge role, and that Uganda and Bangladesh probably score among the better of the 19 countries that were included in the B2B.

The actual disbursement of funds compared to the approved is relevant for efficiency, and in Bangladesh about DKK 52 million out of total approved DKK 79 million had been disbursed to different partnerships by March 2014. Given that the B2B ended in 2011, this appears as a low rate of disbursements. However, in our view, this is a positive indicator for both efficiency and effectiveness, because the main reason has been embassy initiatives to stop non-performing projects. The embassy appears to have had a realistic and proactive policy in ending support to partnerships that did not develop according to plan.

Of the 18 pilots that did not go to the project stage, six still have collaboration of some kind. There are two agent relationships, one TA and three joint ventures. One of those JVs is non-performing with the workers integrated back into the Bangladeshi mother company. Another JV has gotten support under the DBP. It is noteworthy that the "success rate" of the pilots is on par with that of the projects, about 30%. For some collaborations, the initial matching through the pilot phase was sufficient to establish a longer term working relations.

Otherwise, the actual reasons for pilot failure are familiar features of any business partnership process. As in Uganda, the efficiency question is less why not more pilots resulted in a project, than why not more projects were stopped as pilots. The survival rate of projects should be significantly higher than for pilots given their more committed nature. Stopping likely failures earlier would constitute a significant efficiency gain for the public purse.

The same two reasons as was mentioned in the Uganda report may have played a role:

- A 90% support element leaves very little risk at the hand of the investor. Some partnerships might have continued even if the business itself was not likely to be viable.
- The internally driven process of matching, appraising, monitoring and reviewing the partnerships. It is good practice to have different stakeholders involved in different phases of project preparation and implementation, which has not been the case in B2B.

While almost impossible to prove, the first reason is possibly a key factor – partners have incentives to continue collaborations into the project phase as somebody else covers most of the financial risk. No interviewed Danish partner has agreed to the 90% being a problem, however.

Efficiency in Adapting to Internal and External Factors

Of the 18 pilots and 15 projects, there are five (six) pilots and four (five) projects that have a partnership today. (We are unsure about two of the companies, thus the brackets). One pilot has been impossible to reach, while in one project the Bangladeshi owner is rumoured to have left the country). Of the 33 B2B pilots/projects altogether, perhaps 9-10 are thus likely to continue a commercial partnership after 2014. A few others may continue on an informal basis, buying from each other from time to time.

Responsibility for pilot failure is equally shared between partner disputes, and market challenges. It is difficult for an outside external agent to influence these factors, as the key to successful partnerships is the building of trust and a joint business vision. A donor might fund more joint workshops and "understand-your-partner" sessions, but it is in the end the responsibility of grown up businesses to find common ground. Rather, in our view, there should have been more pilot failures as a number of projects probably did not have the sufficient financial and development potential to go on.

The efficiency of "adapting to external and internal factors" in the design phase, and indeed in the implementation phase, of pilots and projects has thus been low. The high failure rates imply limited adaptation ability overall. A highly illuminating example is 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. The lack of adequate internal financial and staff resources meant limited capacity to adapt to changing international markets. The Danish investors were all too occupied with surviving back home – and several did not succeed – to probably attach the Bangladeshi operation priority.

The key issue with regard to adaptation is whether there are good incentives in the process for partners to adjust. Unfortunately, the fact that 90% of all expenses are covered by grants may dull the incentive mechanism. It takes away substantial risk, and may leave less motivation to make necessary changes in any phase. A second factor is that the B2B may touch only parts of the business in question, and that the B2B process only scratches the surface of all the business issues that partners have to solve. After a while they then find out that they actually do not have a common understanding of what they want to do together.

Is this a question of adaptability? Not necessarily, but the issue raised earlier of whether more of these JV projects should have ended in the pilot phase, rather than at the project stage, remains. Possibly, an extended and more comprehensive pilot phase might have managed to split the chaff from the wheat at an earlier stage. In conclusion, we find the efficiency of adapting to external and internal factors in the B2B Programme as relatively limited.

Summary of assessment of the evaluation questions

Evaluation questions	*Summary of assessment*
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 ("match making").	While a qualitative assessment, the efficiency of the contact phase appears to have been reasonable in Bangladesh. A substantial number of interested companies were involved from both countries. Using delegation more than individual visits likely increased efficiency.
2.2 The efficiency in promoting B2B partnerships from the pilot phase into the project phase. 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 what extent did the prevailing contextual factors influence the transition from pilot to the project phase?	The efficiency of the B2B process could be improved, as a number of projects might have been stopped earlier, in the pilot phase. Responsibility for pilot failure is equally shared between partner disputes, and market challenges. It is difficult for an outside external agent to influence these factors. The 90% grant element may skew incentives in all phases, leading to a number of collaborations based on shaky financial foundations. To some degree, as in any type of business. In some cases difficult government import restrictions and regulations played a role. See Section 6.5 for a closer analysis.
2.3 The efficiency in adapting to external and internal factors in the design of the <u>pilot</u> phase. 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.).	Given the relatively low number of sustainable partnerships, the efficiency of "adapting to external and internal factors" in the design phase of pilots and project has been low. The ICT JVs is an example of a sector that did not manage to adjust to changing markets. The 90% grant may dull the incentive mechanism for adaptation. This needs to be done on an overall B2B portfolio basis.
2.4 The efficiency in adapting to external and internal factors in the design of the <u>Project</u> phase. 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.).	Same as under 2.3.

EQ 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?

This question was comprehensively addressed in the Uganda report. To a large degree, the Bangladesh field visit reinforced the main conclusions from Uganda.

Delivery of services to companies

Bangladesh as Uganda had a very active embassy promoting the B2B Programme, resulting in a large number of interested companies. There are, however, differences between the two countries, with the most perceptible being that Bangladesh focussed more clearly on distinct business sectors. It started with ICT, and then in 2008/09 moved to shipbuilding, fisheries and clean technologies. In administrative terms, it meant that Bangladesh used delegations and thematic missions more than Uganda, within those same sectors.

In terms of efficiency there are economies of scale involved in concentrating on certain businesses only. In Denmark it means that events can be tailored and that you reach a good number of companies through one-off sector meetings. It is easier to make "a business case" to a limited number of companies within the same market, than to a very wide group of companies with all sorts of business drivers. It also probably provides comfort to potential investors that they are among peers – for many Bangladesh will be an alien business environment. Some of those same effects are also likely on the Bangladeshi end, in particular with regard to the gathering of companies within the same business. There are scale effects in the matching – both sides will meet a large number of companies within broadly the same sector, possibly providing sparks to business ideas that might otherwise not have occurred.

The Danish companies are generally very complementary towards the work done by the embassy. As the Annual Report for 2010 says: *"The visiting companies have all been extremely pleased with the work carried out by the embassy. All the participants of the April delegation were satisfied with the work done by the embassy and 96% of them were very satisfied. 100% of the participants mentioned that the meetings arranged by the embassy were of great value to them."* For this renewable energy delegation, B2B organised 90 meetings with approximately 45 Bangladeshi companies for the 10 Danish companies participating. The opening of the Danish Trade Council in 2010 also boosted the B2B-Programme. The two sections supplemented each other, and the embassy moved from a "*two-man B2B Programme to a six-man Private Sector Section*", according to that same 2010 Annual Report.

The feedback from the Bangladeshi companies is more nuanced:

- Partners of failed collaborations are generally less than happy with being presented to less robust Danish companies. They thought the Danish companies carried a stamp of approval from the embassy, and were later disappointed to find out that this was not the case.
- When problems arose, several felt that the embassy took the side of the Danish partner. It is for instance claimed that the embassy were aware of issues with the Danish partner, without informing them about it. However, there were also cases where the local partner admitted that the embassy assisted them well in partner disputes.
- As in Uganda, some Bangladeshi companies said the embassy had not properly explained the programme to them. It seems that some had higher expectations with regard to what the Danish partner would contribute with – and that this was the embassy's responsibility to ensure – than what they ended up with.

"Sour grapes" is a normal part of any business failure. Indeed, the embassy has quite likely saved a number of partnerships that would otherwise have been on the rocks. What it illustrates more than anything is the thorny and problematic situation a matching agent finds itself in when a partnership becomes difficult.

Indeed, this is an efficiency issue, as substantial embassy resources are spent on fire-fighting in problematic partnerships. It is an energy intensive exercise, and anybody that has been involved in such arguments knows how exhausting it is for involved staff. The extent of involvement of embassies in partner discussion varies, but as success of partnership hinges on their survival, most apparently do engage in partner discussions.

It is probably counterproductive to set strict "rules of engagement" for embassy staff in this regard. After talking to partnerships both in Uganda and Bangladesh, we believe that the mediation and assistance from the embassy have been absolute crucial to partnership survival in a number of cases. However, there are two suggestions that might both reduce some of the workload on the embassies, and also improve partnership workings. The B2B could dedicate a portion of the annual funds for:

a) Access to independent legal advice, for instance in connection with shutting down joint ventures. Embassy staff are not legal experts, and as almost all problematic partnerships include legal disputes, having access to legal resources may benefit partners and embassy alike. Legal advice could be available also before a partnership is formally joined.

b) Access to professional mediators that might even be organised within the B2B Programme. The point is that an embassy can assign problematic cases to a specialised unit outside of the embassy itself.

There are arguments against the use of a fire-fighting brigade as suggested under b) above. The main is that Danida as a public actor should be very careful of involving itself in private partner disputes which it may not have the best assumptions for understanding. It is after all a business, not a marriage. The second reason against is that such mediation only adds extra bureaucracy – flagging a dead horse. Thirdly, it further mixes the public and private roles in a programme where these roles are complex enough as they are. Private partnership survival should not be public responsibility.

However, access to mediation can be done on a purely voluntary basis, using only outside agents. One benefit from an independent mediation might be that local partners feel more equal in the partnerships than what many say they believe they are now. Before concluding, this discussion needs to be put in the context of the future DBP, and what that programme will aim for. More involvement in the partnership itself will for instance bring the DBP closer to existing PPP models.

Coming back to Bangladesh, we find in sum that the B2B in Bangladesh has shown good efficiency with regard to being service oriented, being accessible for private companies and in supporting partnerships afterwards.

Accounting for results: documentation and monitoring

The basic monitoring system in Bangladesh was the same as in Uganda, consisting of:

- Application from partners, and subsequent appraisal by the embassy.
- Quarterly Reports (QR) from the partnership.
- Embassy annual report on the whole portfolio, plus an annual indicator report.
- Review by Danida.
- When the project/pilot is finished, the project should provide a final report, while the embassy will write a Project Completion Report.
- The embassy was also to do site visits and meetings with the partners at regular intervals.

There is no significant difference between the two countries with regard to procedures and systems. The same issues with inaccuracy and incompleteness of the Quarterly and Final Reports from the collaborations unfortunately remain. For something like 1/3 of all pilots and projects, there are no reporting from the actual project implementation at all. The main reason appears to be that the collaborations broke down before any report was sent.

Some of the other existing reports contain information of limited value. Figures are not properly defined (for instance regarding investments and employment) making comparison from year to year difficult. Some only contain the barest of factual descriptions of activities, like "85%

participated in anti-corruption workshop". There is no proof or any collaborating evidence that this workshop actually took place.

Programme indicators as reported from these Quarterly/Final Reports have limited value. One issue is that they are self-reporting, the other is that projects differ in how they interpret the indicators. This is unfortunately transferred into the B2B indicator reports that the embassy compiles for each year, and further exacerbated when these annual reports are aggregated into B2B summary report for all years.

One example is Project 74, which is now closed as the Danish partner did not want to continue the venture due to financial pressure back home. The aggregate Indicator Report that summarises indicators for all years of the B2B shows that Bgd-74 has resulted in a reasonable amount of turnover, investments, employees and CSR activities. However, if this is compared to the actual Final Report from the project, there are several inconsistencies.

- **Investment:** Apparently, according to the Indicator Report, a total of DKK 1.47 million was invested in the joint company. The final report from the project disagrees – no investment at all is listed. The figure of DKK 1.74 million appears to come from what is reported as purchases by the Danish mother company – implying an outsourcing business. In fact, the combined turnover is given as the exact same figure as the investment – DKK 1.74 million. That there has been no external investment was confirmed in interviews with the local partner.
- **Employment:** The total figure is given as 34, with 12 women. According to the Final Report, there were 11 male and six female employees in 2010 and the same in 2011. The employment in company was thus 17, and not 34. The Indicator Report simply added the two years.
- **CSR activities:** This lists the same 34 as being trained in CSR – they thus had the pleasure of being trained twice.

These inaccuracies in the indicator reporting are brought into the Annual Report from the embassy when reporting the results from the portfolio. For Project 74, the Annual Report 2011 reports 80% target achievement for turnover (correct according to projects own reporting is 10%), investment targets are supposedly achieved by 90% (0% is correct as far as we can see), female employment by 120% (even though the project actually reports that six women out of a targeted 13 were employed in 2011 at the time the project closed.)

In that same annual report, Project 77 is reported to have 120% achievement of local male full time employees, and 85% employees trained in CSR. An interesting result given that only one man was employed during the short period the project was in operation. The latest Quarterly Report from this project is at least clear how it counts investments: "*The investment in the local company is not in terms of capital injection but the amount of running costs of the local organisation and the employees."* Still, the resulting DKK 70,000 is reported as investments in the indicator report, and the Annual Report estimates a 70% achievement rating on this indicator.

In the Project Completion Report, Project 74 is given the best score in terms of technical transfer – "Very Satisfactory" – and then "Satisfactory" with regard to long-term cooperation. The Bangladeshi counterpart provides a different picture. While the technology transfer was good, they cannot now use the knowledge because they do not have the intellectual property rights to the product they worked with. Regarding long-term cooperation, the only issue they have had later communication about is how to close the JV. The local partner refuses to do this until the Danish partner pays for the salaries of the workers in their notice period – they are now laid off – plus several other expenses that the local partner maintains the Danish owes him. While it is not possible to verify any of these charges, there is little doubt about the observation of an annoyed local partner.

Project 74 is not the only one where questions can be raised with regard to the reporting. Investment and employment figures in particular appear as unreliable, and with imprecise definitions. Everything tends to be aggregated, and a successful cooperation – Project 62 – reports 108 full time employees in the "New Indicator Report". The latest project report from 2011, on the other hand, cites 45. We have not been able to go through every hard-file of all the projects – but our suspicion is that a number of these projects contain flawed data.

In general, reporting about projects from the B2B tends to stay on the optimistic side. Disbursements and commitments are noted, but a realistic assessment of issues like sustainability and partnership quality is less prominent. Less than realistic B2B reporting is thus a finding that Bangladesh shares with Uganda.

The key culprit has been identified already in the Uganda case, namely a process where the same stakeholder is responsible for organising partnerships, appraising partnerships, monitoring partnerships and then reporting on those same partnerships. This does not conform to a "best project management practice". The presence of at least one external input in that project cycle seems appropriate.

In addition, basing assessments on self-reporting from the collaborations will always risk being tainted unless there are:

a) undisputed and clear definitions of what to report, and
b) an undisputed and clear method of verification of those same indicators.

There is less need to report every quarter, than having one good annual report with trustworthy data. As it is now, the numbers and figures collected have limited value for the assessment of achievements towards key objectives.

The administrative balance between control and access for private companies

The companies themselves mostly reported that monitoring and reporting routines were onerous, but manageable. A few felt the payment routines were inflexible, and not well suited to small companies with limited liquidity. Otherwise, the administrative apparatus gets good scores from Danish companies.

In general, from an efficiency point of view, the administration of the B2B in Bangladesh was good with regard to servicing of private companies, in particular the Danish. The efficiency in controlling results and outputs was less, as assessed from the actually available documentation. The administrative balance has thus perhaps erred slightly in favour of access to B2B, compared to the control and monitoring aspect, as seen from the substantial number of projects that do not meet the objective of continued cooperation.

Summary of assessment of the evaluation questions

Evaluation questions	***Summary of assessment***
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	The embassy in Bangladesh has provided a highly valued service to private companies, and easy access. Control and monitoring have on the other hand some weaknesses. The question of efficient use of embassy resources is yet to be addressed, as it will need benchmarks from other embassies to

resources	assess fairly.
3.2 The extent to which the documentation and monitoring system of the B2B Programme, and the way it has been administered, was useful basis for assessing progress and documenting results at individual project level, country level and programme level.	There is substantial room for improvement in the documentation and monitoring of the B2B. Current systems do not provide fully reliable information to B2B management.
3.3 The circumstances under which the B2B Programme provide the best results in terms of achieving its objectives in relation to inputs (Programme costs/ Value for money).	This is discussed in Section 6.2 in terms of sustained collaborations. The best results are achieved in collaborations with solid and robust partners. In terms of development outcome – discussed in Section 6.3 – it is those collaborations which *ex-ante* had a considerable opportunity to have such impact – which are fewer in Bangladesh than in Uganda.

7.3 Effectiveness

The different Evaluation Questions under effectiveness are briefly commented in the following.

Knowledge and technology transfers

EQ4: How has the B2B Programme led to knowledge and technology transfer in the partner company and what were the resulting short-term outcomes?

Transfer of knowledge and technology from the Northern company to the Southern is a fundamental objective for most types of B2B support programmes. In the following we use the term *technology transfer* to include all forms of transfers such as technology proper, i.e. hardware, but also software transfers including management procedures, accounting, strategy formulation, vocational skills, and other forms of knowledge. Overall, change in management culture in the sense of keeping accurate accounts and other key administrative tools are essential parts of such technology transfer.

Technology transfer can be difficult to verify. The easy cases comprise those projects where new equipment is installed, and where this equipment is now in full use. Partnerships that deliver new products requiring different technical and operational skills from what the local company had before are also relatively straight forward cases. This includes partnerships where the operational and office routines are visibly changed since the Danish partner came into the company. The difficulty starts where there are few outward signs of technology transfer, but where training and technical assistance were an integral part of the project. In these cases, an evaluator has to trust the opinion of the local partner – he/she is after all the subject that is supposed to have benefitted from the support.

However, the fact that so many collaborations have ended in rather acrimonious disputes, risks skewing local partner impression. For instance, in the case of the vast majority of ICT partnerships, the Bangladeshi counterparts claim there was no such technology or knowledge transfer. "*We had them all, we just needed to access the market*". One even maintained that they had to teach the Danish partner correct software development. Thus, the local partners are generally unimpressed by what they have learned.

We still think it likely that there were transfer of knowledge from the Danish company in most partnerships – but more to individuals than to companies. The turnover of employees is very high in the ICT industry, and a good number of staff appears to have joined new companies as soon as they returned from training in Denmark. Some just stayed in Denmark, or went to the US, the UK or Canada. We thus find it difficult to credit some of these B2B partnerships with "technology transfer" just because some staff, for instance, was trained in Microsoft product programming for a couple of months. Technology transfer in a business context needs to be institutionalised to have lasting commercial impact. The B2B has wider objectives than being a basic training programme.

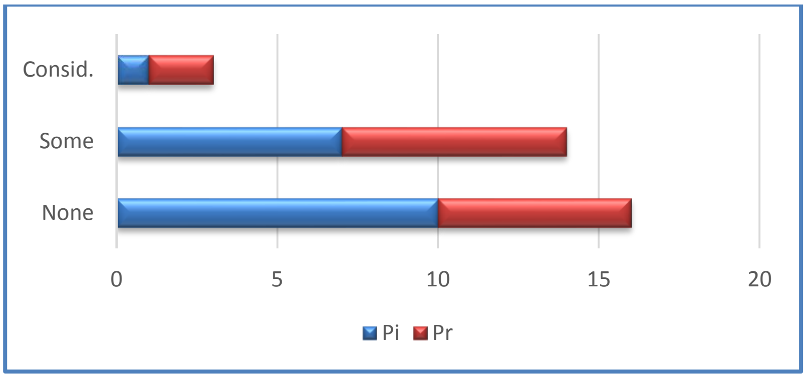
In failed collaborations it is not possible to test whether office routines and business practices have changed. Local partners generally say no. There is in terms of business behaviour and work culture huge differences between Bangladesh and Denmark. A number of partnerships ended with basically 'difference of opinions', with neither party apparently willing to fully adapt. One successful example, on the other hand, is Bording Vista, which has a resident Danish manager. More flexible working routines and delegation of authority is something that local staff appreciates, and that increase efficiency. Indeed, the manager said that they had little staff turnover compared to similar ICT companies, with the reason being good labour conditions. Bording Vista is a great example of a company that has long-term commitment and that takes the cultural challenges seriously. It has for instance had specialists from Denmark to teach staff communication skills, like how to reply to emails, responding to any query immediately, writing etiquettes and style. The Bestec cooperation points at one additional transfer factor of importance, namely the specific knowledge concerned with end-user expectations such as Danish architect cultural issues. This is something Bestec could only get from a Danish company.

A second challenge is that while the Danish technology was modern and complex, it was not always fully adapted to Bangladeshi conditions. Some of the tech transfer was tied to particular products that the local partner is now barred from employing due to property rights. Even in the fishery companies, the perception is that the Danes only transfer parts of the technology. Given the risk of training possible future competitors, that is perhaps understandable. It is clear that having Danish managers present in the JV makes a huge difference in managerial, communicational and administrative practices. Whether this "soft" technology is sustained after the collaboration stops, or after the Danish manager goes home, is a different matter.

In some of the non-traditional industry (e.g. Shimizu, Cosmos Trawl, AS Scan) knowledge and skill transfer is undeniable. It is the B2B Programme that made it possible to train a considerable number of workers and then utilize these skills back in factories in Bangladesh. These are examples of proven, applied new technologies in Bangladesh resulting in new, modern products. In addition, some of the supplier-agent cooperations have also benefitted from training and education, like the Kolemadsen and KM Marine projects.

In the assessment of the 33 collaborations in Bangladesh we have rated the apparent transfer of technology on a scale 0-2 with 0 indicating that no such transfer appears to have taken place; 1 that some transfer occurred and 2 that considerable transfer is evident.

Figure 12. Technology transfer in Bangladesh B2B (no. pilots and projects)

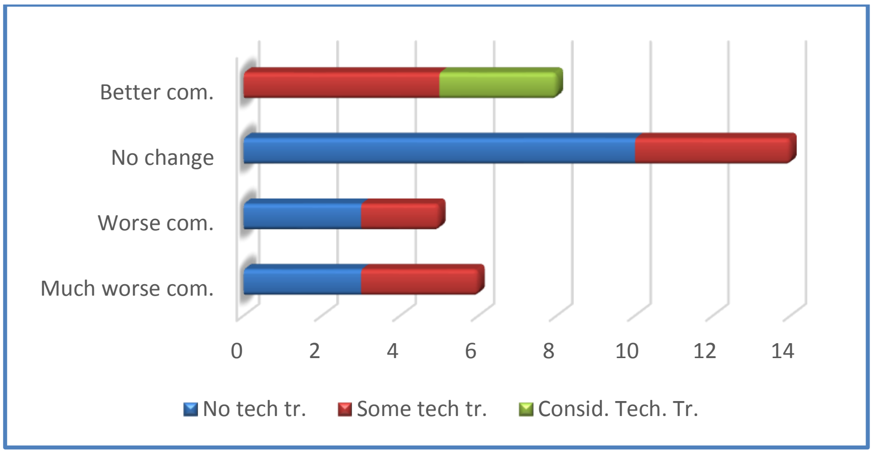


In accordance with the discussion above, we find that no transfer of technology took place in a little less than half of the collaborations. The three "considerable" ratings are all in the fishing/trawling sector as these are part of a nucleus of manufacturing of more modern fishing equipment than what was available in Bangladesh before. The tech transfers both in "hard" and "soft" categories are clearly visible in these cases. The 14 projects which we rate as having had "some" transfer include collaborations where we believe it is possible to concretely identify at least minor changes in aspects of the local operation. Statements of training of so-and-so number of employees in a Quarterly Report are not considered proof of technology transfer.

Impact of technology transfer on company performance

There is a clear correlation between the commercially performance of the local company and the degree of technology transfer which took place in the B2B Programme. Local commercial performance as a result of the B2B Programme has likewise been rated for all collaborations, from -2 "much worse", to 2 "much better". Relating the technology transfer with the commercial performance rating gives the following results.

Figure 13: Technology and commercial performance in Bangladesh B2B (no. of pilots and projects)



All collaborations with considerable technology transfer have a positive commercial development. On the other hand, those collaborations having experienced no tech transfer all have seen worse or no change in commercial performance. There is an aspect of mutual dependence in these two ratings. Well performing and well managed companies tend to have better ability to and possibly greater interest in absorbing new technologies.

Summary of assessment of the evaluation questions

Evaluation questions	*Summary of assessment*
4.1 The extent to which the B2B Programme support led to adoption of new knowledge or technology in the partner company - and the particular circumstances that facilitated this process. To what extent did the prevailing contextual factors influence the adaption of new knowledge and technology?	There has been a transfer of technology in about half of the collaboration, counting both Pilots and Projects. The range of technologies varies, from hardware to soft matters such as management cultures. While circumstantial, it appears that technology transfers which include both soft and hard elements – equipment and training – have a better survival chance. The relation between the partners also plays a major role – one does not transfer technology to a partner one does not trust.
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. To what extent did the prevailing contextual factors influence companies' improved performance?	It seems that good technology transfer is correlated to some degree with improved company performance. There is about 230 extra employment, and some increase in turnover for surviving partnerships. See the analysis in Section 6.5.

Conditions for employees and for the wider population

EQ5: How has the B2B Programme led to improved conditions for employees and the wider population and what were the resulting short-term outcomes?

Occupational health and safety for employees

Occupational health and safety for employees is a focus area in the B2B Programme, and one of the six Programme Indicators. Most applications explain what they intend to do in elaborate detail, and the impression from visits to existing joint ventures indicate that this is also seriously implemented.

Workplace environment, health and safety remain at a high standard in most of the joint ventures and pilots visited that still do business. AS Scan in Chittagong have a well-organised workforce in clean uniforms, unusual in most Bangladeshi factory set-ups. In Shimizu, the work space is clean, with orderly storing and tidy floor space with good natural light and air-circulation. Bording Vista has for instance a very good office canteen with the interior inspired by Danish/Scandinavian designs. The flexible working hours – actually quite uncommon in Bangladesh – were much appreciated by staff. The company also employs a good number of women and high-skilled professionals in this industry of high turnover and migration. In the ship/trawler cluster the workers observed had had basic safety gear like hard hats, gloves and work dress, but we cannot verify that this equipment was used also after we left the premises.

For those JVs that no longer exist, we cannot vouch for the practices of the local company ex-post B2B. We were also not able to visit the few garment/textile pilot projects that had been supported, and any conclusion on those is pending. The main sector – ICT – is not the sector most exposed to occupational health risks.

We saw scant evidence that improvements in the partner companies in terms of occupational health and safety have been diffused to the business sector as a whole, or that the B2B

Programme in this respect has had any perceptible impact on the overall treatment of OHS in Bangladesh.

Environmental standards

Environmental standards are another focus area in the B2B Programme. Again, the general impression is that the few manufacturing JVs that operate do so in accordance with acceptable standards. There was no time to do a full environmental scan of all the shipping/fishing companies in Chittagong, but the initial impression of the JVs was positive.

There may be an indirect issue with regard to overfishing, as more modern trawlers might further tax existing fishing stocks, particularly as good regulations are missing. The question of overfishing is too complex to fully address in this report, but all stakeholders interviewed maintain that the situation has gotten worse. 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. Apparently, new licences for trawlers have for the past years been issued on political grounds, without any knowledge of the size of the fishing stocks.

However, 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. The fishing partner Sea Resources says that getting the ability to construct deep sea trawlers was his main motivation for the B2B partnership. If the Danish equipment can ease the pressure on the coastal fishing, it would have positive environmental effects. However, the team includes no fishing experts and this issue of potential overfishing is left to future reports and analysis to address. It might be an issue where other Danish support could make an important contribution, as for instance a stock taking exercise.

Other JVs in service and ICT sectors had few environmental issues and none of particular negative importance as far as we could determine. The few collaborations that had environment as business idea have either not succeeded, or did not continue due to lack of a commercial market.

CSR

CSR is 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 general assessment is that the Danish partner companies have implemented the intended CSR measures. Common features of CSR activities are similar to those done in Uganda, namely distribution of mosquito net to staff, establishment of locker rooms for male and female employees, HIV information, workshops for management on CSR and so on.

As commented above in Section 6.1, there is an impression that CSR is not the top item on the agenda for some of the collaborations. There is then a danger that the CSR support under the B2B Programme becomes cosmetic with limited sustainability once the grant period is over. Nevertheless, surviving collaborations tend to have had a general CSR element involved in that the Danish companies have transferred basic corporate principles such as the importance of accounting, of applying non-corrupt practices in business, of treating staff well, of management discipline and so on, principles which are more important for business behaviour than some conventional CSR measures.

Generally, many projects come across as having limited or somewhat standardized CSR activities and environmental considerations. Environmental efforts mainly focus around "close to European standard working environment", ergonomic office furniture, recycling of paper etc. Activities tend to focus on JV internal issues and activities. It would have been good to find more analysis – and project design – targeted at context specific issues, like sector labour conditions generally, and the total environmental footprint of a business sector. These are only rarely touched in application and project reporting documents.

Summary of response to the specific evaluation questions

Evaluation questions	*Summary of assessment*
5.1 The extent to which the support under the B2B Programme led to improved occupational health and safety conditions for employees.	OHS has apparently been implemented in most collaborations in Bangladesh. Due to the sector focus, the B2B portfolio can be described as low risk compared to the average Bangladeshi company.
5.2 The extent to which the support under the B2B Programme led to environmental improvements.	Environmental measure is another key input by the B2B, but few of the projects have faced serious environmental challenges. As in Uganda, collaborations specializing on environment as a business idea have overall failed or are struggling due to the limited market interest for such measures.
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).	CSR is a third core theme in B2B has such measures have diligently been introduced in the partner companies. CSR, however, tend to be a cosmetic feature. More important is that the Danish companies have transferred management cultures related to accurate accounting, transparency and anti-corruption.

7.4 Impact

There are three EQs on impact, relating to the local partner company, to the Danish company, and to poverty reduction and economic growth. Some of the questions raised have been partly addressed above.

Long-term effects on the local partner companies and business sectors

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?

Overall company performance

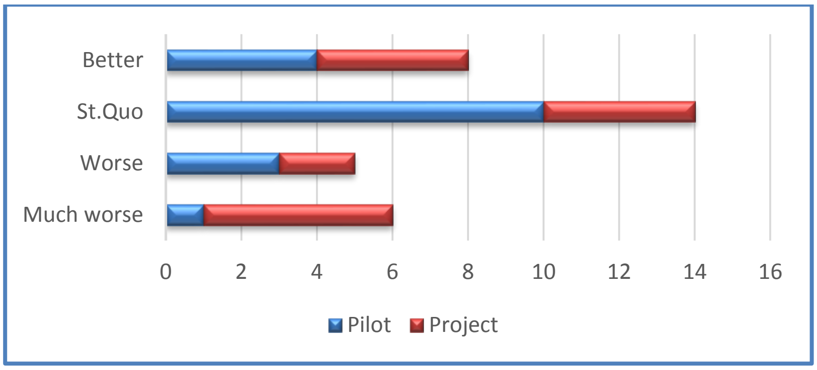
The 33 collaborations are rated according to the local partner company commercial performance currently as compared to when the company joined the B2B Programme. We used the following rating scale:

Much better	Major increase in business turnover and profitability as compared to before situation
Better	Increase in turnover and/or profitability
Status quo	Turnover and profitability largely unchanged
Worse	Decline in turnover and/or profitability
Much worse	Company has collapsed or gone bankrupt or is likely to do so in the near future

Compared to Uganda, more of the collaborations aimed at establishing joint ventures. Not everybody got that far, and we have only given the "much worse" rating to those formally established ventures that later went broke/shut down. Other collaborations that ended before an actual JV was established are rated either as "worse" or "status quo", depending on the commercial consequences for the local company of the collaboration.

Our rating is based on information provided by the Bangladeshi companies primarily. As baseline, the application documents have been used which provide data on turnover, profitability and employment levels. Updated financial information is unfortunately shaky, as there is generally reluctance to provide such information other than in general terms. Our assessment shows the following distribution divided on Pilots and Projects.

Figure 14 Distribution of local company performance, Bangladesh B2B



Many factors influence the commercial performance of a company, not just the B2B support. For most of the JVs that went out of business – "much worse" performance – it was a combination of being weak at the outset, and of market challenges. A lesson for Danish companies appears to be that new international investments in times when the company's core business is under threat, is not a good idea.

Most of the collaborations stopped at a stage where no real financial commitments were made, and for these the situation is assessed as "status quo". In some cases, the Bangladeshi company claims more substantial losses also before the collaboration broke down, as a consequence of resources used, of staff employed, and even loans given to the Danish company.

In interviews with local partners, it is striking that few said they felt the B2B partnerships was an equal collaboration. The local partner receives B2B reimbursements only through the Danish partner, and was thus indirectly controlled by the Danes. Still, they trusted their new international partners, and several told stories that they provided working capital and investment, in good faith, in the form of loan and equity before any significant financial commitment by the Danish partner. When then many of the initiatives closed down without proper disbursements, the Bangladeshi partner was left to settle financial claims. In some cases, Bangladeshi partners are still trying to settle expenses in the pilot/project several years after the collaboration was closed.

Getting a sustained, profitable business to work takes time and none of the collaborations appear to earn very good money – yet. All collaborations show a lower actual turnover than planned for, and even the more successful collaborations are far from reaching production targets. While estimating future business can be difficult in the best of circumstances, the level of error in the financial forecasts of most B2B applications is substantial. Either the partners did not really understand what they were venturing into, or they did, but wrote an over-optimistic application. The donor cannot be expected to have sector expertise to assess the quality of the applications in detail, but there is an unfortunate asymmetrical relationship in the B2B setup between those that pay for the investment, and those that implement it.

For some of those companies that do outsourcing or where the mother company back home in Denmark buys/sells from the Bangladeshi JV, profitability of the local company may not be the right measure. Rather, as there is inter-firm pricing involved, profits can to a certain degree be "directed" to where it makes most sense. That might not be Bangladesh, due for instance to the strict capital repatriation regulations in the country.

Employment creation

Creation of jobs for men and women is a key performance indicator in the B2B Programme. In the 11 collaborations which are still ongoing – we then include the two where we are unsure about the actual current status – the additional employment today is about 230 persons above the level when the B2B support began. Of these about 25 are women. The JV with most employees is Brahe & Bestec with 50. In most other collaborations there are between 10 and 20 employees. In some of the pilot projects that evolved into agentures there are between five and 10 employees working with the Danish products.

The attribution of the B2B to this employment increase is reasonably strong, particularly for the JVs. As we believe most of the ongoing collaborations would not have been started without the B2B, the Danish programme can take substantial credit for the eventual results. Of course, it is the two partners that run and ensure day to day survival, but the B2B support was a key incentive for getting the business started.

Very few of the Bangladeshi companies which do not have an active collaboration with a Danish partner, report any changes in employment as a result of the programme. Those few say they have kept two to three people that used to work on the B2B collaboration project, but that they are now working on very different tasks.

Indirect jobs

In comparison with Uganda, we find fewer indirect jobs being created from the B2B portfolio. There are no collaborations that for instance buy from or supply large number of farmers. There is little domestic up- and downstream business from the ICT companies, apart from basic services like cleaning, food, office supply, etc. There is some on servicing of computers and networks but hardly in substantial numbers.

Fishery and shipping equipment support more indirect employment, however. The suppliers Shimizu, Fisheries Shipyard and SeaResources furnish trawls and trawling equipment to the industry. There are about 200 trawlers active, and while the Danish suppliers have not equipped all, they have according to the Danish partners sold trawls to a "good number". The trawler crew can range from 10 to 50 depending on size and technology. If the B2B partnership has equipped 100 trawlers at an average of 25 employees, it would indicate an indirect employment of 2,500. Of course, this employment cannot be attributed to B2B. Most Danish fishing companies would take issue with any similar supplier saying that they "caused the employment" onboard their boats. However, there is a contribution effect. This same type of contribution can be said to be in place with regard to the Western Marine Shipyard, that despite being involved in several failed B2B partnerships, have a good business running today with something like 4,000 employees.

Business Sectors

The B2B may have made a difference in the ICT and the marine sector. As discussed under Section 6.3, Danish assistance possibly played a role in modernising both of these sectors in the early stages of their development. However, while the Danish B2B cooperations play no major role in any ICT sub-sector any longer, they appear as key in the fishery equipment/trawler segment.

For ICT, Annual Reports from the Bangladesh B2B use positive phrases about the Danish importance for the growth of the sector. The Danida Review from 2012 repeat this and the first

JVs between Danish and Bangladeshi companies may indeed have played an innovative role. However, that must be primarily PS projects funded before 2006, as few of the B2B projects appear as highly pioneering. All of them have struggled to survive, and only a couple are still in existence, employing maybe 150 people out of a total sector employment of 70,000 (Source: BASIS). Given the international trend towards outsourcing and offshoring ICT in the early years of the new millennium, there is a chance that internationalisation of the Bangladeshi ICT industry would have happened anyway, also without the PS and B2B Programme. In sum, while we find it conceivable that the B2B may have played a role in the development of the sector; we find it unlikely that these benefits are of a size that makes attribution to general Bangladeshi ICT sector growth possible.

It is undisputable, however, that the trawling equipment/shipping sub-sector is new to Bangladesh. The current cluster consists of a couple of companies within advanced fishing nets and related equipment, one in hydraulic and other trawling equipment, plus a shipbuilding collaboration specialising on trawlers. There are also two agents for Danish suppliers within electrical equipment, and different cooling system, to the fishery and fish processing industry.

Trawlers were made in Bangladesh also before the Danish JVs established themselves, but most were smaller boats with simple technological solutions. These trawlers are generally inefficient with small catches. As one Danish company says in the Application: *"The project seeks to demonstrate to Bangladesh that there is a direct link between efficient and durable equipment and faster return on investment.*" Modern equipment can ensure bigger catch per fishing excursion, and a much lower loss rate of the fishing yield. The Danish companies work in a different market segment than the local traditional boat builders, as the main alternative for the larger shipping companies are imports from primarily Thailand. Thus, the B2B support is not assessed as unduly distorting local markets.

This sub-sector still faces challenges though. The three main are: a) questions with regard to Bengali fishing stocks, b) adaptation of ships and equipment to tropical conditions, and c) pricing. Trawlers and Danish equipment is still considered expensive in the local market, and as fishing catches generally have been reduced the last years, the fishing companies are less inclined to invest in new and modern boats. There are also regulatory issues on taxes, particularly lower taxes on complete imported units than imported materials and parts, later to be assembled and worked on locally, to make complete units that hinder the growth of this sector.

However, the local companies see longer term possibilities for exporting modern trawlers. We met two potential buyers from Turkey visiting this area to survey potential trawler builders. Apparently, Bangladesh was said to be 30% cheaper than those made in Europe, despite imported materials with high taxes.

There is clearly a positive externality in this case, and the existence of the current four to five companies active within the sector can be squarely attributed to the B2B.

Target groups and beneficiaries

In the limited number of B2B collaborations surviving today there are two main beneficiaries: The Danish owners and entrepreneurs, the Bangladesh partner firm. Employees of the successful B2B joint ventures can also be counted among the beneficiaries. As the profits from the operations so far appear limited, the last group may have had as much benefits as the owners.

As many of the Bangladeshi partners come from larger diversified firms, these owners also tend to belong to the economic elite. Some of the smaller ICT collaborations may have worked with more middle class entrepreneurs, but there are no examples of very small scale private sector players being directly engaged in the B2B. As the collaborations generally have fewer downstream links compared to Uganda – no agricultural projects as mentioned above – the impact on poorer sections of Bangladesh appears relatively less. We have no reason to believe this to be a conscious strategy of the Bangladeshi B2B, but it is partly a consequence of the choice of sectors for the programme.

Gender

The Bangladesh B2B portfolio has few – if any – woman company owners, directors or entrepreneurs engaged on either side. No women participated in any meeting during the field visit. Women are in minority also in terms of direct employment, with no more than possibly 30 women in the 230 "B2B employees" overall. Again, this is to some degree a reflection of sector choice, as the ICT and marine sectors are traditional men domains. If B2B had done work in garments and textiles, the picture would have been very different. There are always difficult trade-offs, and the embassy was sufficiently concerned about the general status of working conditions in the garments and textile industry to exclude it from B2B, even if it is a major employed of women in the country. There was otherwise no particular strategy for how to improve the gender profile of the B2B. The conclusion from Uganda that the B2B is not in the forefront as a gender development programme, stands.

Summary of response to the specific evaluation questions

Specific evaluation questions	***Summary of Assessment***
6.1 The long-term effects of the B2B partnerships on the development of the local partner company (e.g. turnover, income, employment, productivity, and competitiveness); and how country or company contextual factors systematically influenced the long-term effects.	There are at least some technology transfers in about half the surviving collaborations. While a few companies seems to do comparatively well financially, most companies struggle and there are few signs of decisive changes in competitive ability. The attributable impact on employment is estimated to be a maximum for 250 jobs. The key positive externality is the small, but vibrant cluster within trawling and fishing equipment that might become a forceful industry one day. A key contextual factor influencing performance both in terms of collaborations and development impact is the financial robustness of the Danish company. The stronger the company, the better chance for impact.
6.2 Target groups benefitting from the programme and the degree to which these were the intended beneficiaries. Has there been a counterproductive selection bias related to gender, population groups, geography, or other factors?	The main beneficiaries are the owners of the partner companies, secondly the employees and thirdly beneficiaries up-stream and down-stream. It is primarily the first and second groups that have reaped benefits from the Bangladesh B2B. The B2B has not been well targeted for the purpose of achieving high developmental impact, and the choice of sectors has restricted impacts in relation to for instance poverty and gender. As in Uganda, this is partly due to the nature of the programme (depending on Danish company interests), but is also a matter of focus in the promotion and screening of projects.
6.3 Discernible long-term effects beyond the local partnership company in the local vicinity of the local partnership company in terms of technology adoption, CSR, environmental aspects, occupational health and safety, or other.	For a majority of the projects no such effects are evident, but there may be longer term positive externalities in connection with the marine projects in Chittagong. The spread effects of environmental measures, OHS and CSR are minimal.

Impact on the Danish partner firms

EQ7: What long-term effects have the B2B Programme had on the Danish partner companies?

Benefits and costs to the Danish firms

There has been limited impact on the Danish companies engaging in B2B in Bangladesh. As only a few have been involved in collaborations that continue today, most Danish companies have likely seen limited impact from its Bangladesh venture. It is troubling that so many of the companies apparently went broke, or were subject to major ownership changes, during the period they were engaged in the B2B. However, we have not found any cases where the Bangladesh adventure was the reason for the demise of the Danish operation. We have had substantial problems finding and getting in contact with Danish partners of these failed companies, but there is nothing in the documentation otherwise that point at the JV in Bangladesh as the key culprit for the company collapse.

For the Danish companies in fishing, the picture is more positive. Competition in the North Sea and the home market is fierce, and for instance Nyhavn Trawl states clearly they would have struggled without the move to Bangladesh. This gave them a new, profitable business leg to stand on, and was key to the company's survival. Another company where the Bangladeshi operation appears as a substantial part of the current operation is DanSea. This company is involved in two of the JVs in trawling in Chittagong, with Fisheries Shipyard (together with AS Scan), and with Sea Resources. DanSea was established through buying out the Bangladesh businesses from the Cosmos Trawl company by the family that initially owned all of Cosmos Trawl. This family sold themselves out of Cosmos Trawl but kept the Bangladesh JVs. According to DanSea, *"Acquiring the Bangladeshi company was a significant part of a wholesale move to Asia"*.[17] DanSea relocated to Asia, with headquarter in Thailand. Interestingly, Thailand was chosen as it *"….is a recognised fishing nation, a safe place for the family and children and not least with a well developed infrastructure»*. One can then presume that Bangladesh does not score as well on these factors.

That the Asian markets are competitive is emphasized by DanSea in that same interview: "*The Asian market presents challenges in that some operators prefer to focus on the price of equipment, often at the expense of running costs. While it is possible to refine and optimise fishing gear to reduce fuel consumption and to increase catches, this means using high-quality materials that come at a price. There can still be a reluctance to go for the best when a cheaper but less effective alternative is available.*"

DanSea represents a number of different Western fishing equipment types and series in the Asian markets, but Bangladesh appears as their only product site[18]. For this company, the B2B has probably played a major part in their development and survival.

There are at least one Danish company in the ICT business that has had major advantages of the B2B, namely the Bording Group. It has outsourced a substantial part of different types of 3D and software development tasks from the group companies to Bangladesh. For the other surviving partnership, Brahe Bestec, Brahe is no longer involved as it sold out their entire share to another large Danish company, Arkitektfirma. According to the Bestec, the Danish company does brisk business based on the architectural designs done in Bangladesh.

The third group of companies that have profited from the B2B collaborations are those that have a buy/sell relationship, either through naming the Bangladeshi company as agent, or as a simple transaction relationship.

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[17]www.intrafish, October 2013 – Feature Article.
[18]http://www.dan-sea.com/index.php/about-us/news.

For most other Danish companies, the Bangladeshi experience probably 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. Several acknowledge they did not really have the best foundation to do a foreign investment in a country as complex as Bangladesh. They were not really prepared for the practical differences in business culture, and for how challenging breaking into new markets would be. This does implicitly indicate that the selection of partners for the Bangladeshi B2B was perhaps not quite optimal. The objective of creating partnerships – any partnership – seems to some degree have dominated concerns of ability to survive.

While some Danish partners in Uganda were as much motivated by altruistic adventure-seeking, as conventional business motivation, we find almost none of those in Bangladesh. The key motivation was business and commercial. For some, access to Danida grant funds may have played a role, but none of the Danish partners acknowledge that as an important reason for going into the B2B.

Direct investments

There has been a limited extra direct investment in the B2B collaborations. The marine companies have set up fabrication and service facilities, and there are some extra investments in these. One company has paid in share capital of total DKK 4 million, and this is the likely biggest direct extra investment in the current B2B portfolio. 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 are 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 sum, the leverage ratio is clearly less than 1:1, possibly as low as the Ugandan that was estimated at 1:0.15. The B2B has been ineffective in leveraging extra foreign direct investments.

Summary of response to the specific evaluation questions

Specific evaluation questions	*Summary of Assessment*
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. To what extent did the prevailing contextual factors in Denmark influence the Danish companies' interest for strategic alliances – as offered by the B2B Programme?	Very limited impact on the Danish firms. Most had an initial business motivation, but seem to have underestimated the challenges. Bangladesh has been more a source of frustration than profits. The two key factor which seemingly has triggered the interest in Bangladesh B2B are: 1) The very active promotion of the embassy and other stakeholders of the programme towards the Danish industry. 2) The high subsidy level which allowed companies at no cost or very low cost, and risk, to pursue the collaborations.
7.2 The Danish partner companies' level of investments in international strategic alliances.	The investments by the Danish firms have been very limited beyond the B2B grants. The leveraging effect is small and far below what is expected in many other private sector development programs.

Poverty reduction and economic growth

EQ8: To what extent and how has the B2B Programme contributed to poverty reduction by creating growth and employment in Danida partner countries?

Direct and Indirect poverty reduction

While Uganda had a quite open sector approach – with a certain emphasis on agriculture – Bangladesh chose a more focussed sector emphasis. The resulting portfolios are vivid illustrations of the two different strategies. While the Ugandan portfolio is spread among a large number of business ideas – with a slight concentration in agriculture – the Bangladeshi is strongly weighed towards ICT and shipping/fisheries.

Interestingly, the two portfolios score reasonable similar with regard to rate of collaboration survivals – about 30% of pilots and project continue today. However, the Ugandan portfolio can show a few more projects – in particular one – with significant development effects. All of these projects have indirect links with farmers and growers. Agriculture is normally a sector where the ex-ante chances for development impacts are higher than shipbuilding and ICT, simply by being the sector most poor people work in.

The choice of sector has likely consequences for possible development effects, and we find limited direct and indirect poverty reduction effects from the B2B in Bangladesh. Generated employment is very small limited in the B2B collaborations. There are likely some more in the up- and downstream supplier networks, particularly in fisheries, but none like the Gulu example from Uganda. Generally, products and activities are not in tailored to what can be called the "bottom of the pyramid", and none of the collaborations has succeeded in removing barriers or constraint for market access/participation by poor.

Generally, there are no perceptible changes in factor and other markets systems as a result of the collaboration projects. Land prices, access to finance, labour prices, access to information, etc have not moved as a result of the B2B.

Impact on business sectors and business environment

The main positive contribution to the development of businesses and markets is the diverse B2B portfolio in the marine sector, as explained above. New technologies and resources are introduced to Bangladesh that may pave the way for the development of a robust trawler-shipping sector, with potential for sales both domestically and internationally.

As in all newly established business clusters, it is still vulnerable and exposed to changes in external drivers, as fishing stocks and prices on competitive equipment. However, even if the B2B collaborations do not survive, domestic companies have acquired a basic understanding of the sector, of the key drivers, and of factors of success. They will know more about what technologies work in Bangladeshi conditions, what local markets are prepared to pay for, what the quality needs to be if they sell to international markets, and most importantly, they will have market access through their former dealings. They may next time not match up with a Danish company, but could find partners in other countries that better suit their needs.

Indeed, that seems what happened in the ICT sector. Early Danish investors prepared the ground – but have now been substituted by a host of other international partnerships.

Beyond the marine sectors – and possibly the ICT – it is difficult to see that the B2B projects have had any impact on the business environment in general in Bangladesh. Most of the B2B interventions are not tied to the currently most important value chains in Bangladesh e.g. agro-processing, ready-made garments, leather, and light engineering. This reduces their potential for externalities.

Impact on economic growth

Given the size of the individual B2B collaborations, it would be presumptuous to assume any sizable short-term impact on Bangladesh's economic growth. There may be some from fishery and seafood exports, but less than 3% of total fish production in Bangladesh is exported.[19] In 2010 the total value of fish exports was USD 80 million, of which frozen fish contributed almost USD 35 million. There are more shrimp exports – in 2011 it was almost USD 430 million – but most of it is cultured. The B2B may have made a small contribution to this fishery production and export, but we do not risk quantifying what that portion might be.

Summary of response to the evaluation questions

Evaluation questions	*Summary of assessment*
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.	Marginal due to limited direct employment creation that can be attributed to B2B, capacity development or CSR activities
8.2 The indirect B2B Programme impact on poverty reduction, increased employment and growth through market changes and effects on the wider economy.	Minimal, as sectors are not well connected to markets/activities for poorer groups. Contribution to impact on the wider economy possible, but hardly sizable.
8.3 The impact of the B2B Programme on business sectors, the national enabling business environment, and economic growth.	Possible significant impact in one marine sub-sector: The making and equipping of fishing trawlers. No impact on the Bangladeshi business environment in general, and limited on economic growth.

7.5 Sustainability

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

One sustainability question (EQ 9.1), asks to what extent partnerships have continued beyond the period supported by the B2B Programme. As discussed in preceding chapters, we estimate that possibly 8-10 partnerships out of 33 may continue as commercial collaborations after 2014. Of the 11 collaborations we believe are active today, there is one TA project, two agents and eight JVs. (two have been given the benefit of the doubt). In some other collaborations, we believe the partners have continued informal contact, which may or may not result in business in the future.

With as many as 2/3 of the collaborations already closed, the general sustainability of the B2B partnerships in Bangladesh are limited. The sustainability of the different professional inputs and equipment provided to the local company during the B2B period are probably somewhat better across the partnerships. While a good number of local partners claim they got nothing out of the cooperation, most have at least been exposed to an international partnership experience.

[19] "The Bangladeshi seafood sector A value chain analysis", CBI/ LEI Wageningen, July 2012.

The sustainability of some key factors is assessed as follows:

Workplace environment, health and safety remain at a high standard in most of the joint venture and pilots visited that still do business, and sustainability is assessed as good for these.

Sustained technological changes are mostly visible in the marine industries, plus in the surviving ICT companies. The connection between know-how and equipment is in these cases important, as more efficient production is the combined product of the two. Some of the supplier-agent relationships also clearly benefit from the cooperation, and see improved service and technological capacity to handle equipment that is more complex. For technology, the key is if the technology is profitable and acceptable to the market in the longer term. Bangladeshi markets tend to be conservative, and are only receptive to new products if the price/quality balance is right.

Bangladeshi partners, though it is harder to ascertain, have also likely gotten sustained benefits from transferred **technical and management skill** to run their businesses. In the surviving partnerships, changes in administration and management are evident, particularly where Danish staff is still present in Bangladesh. In failed projects and pilots, we can only assume sustained benefits as few acknowledge changes in operations. The market area – getting international market contacts and exposure – is still an area where it is likely that Bangladeshi partners have gained sustainable knowledge.

An issue from some of the failed collaborations was that the Danish partner remained in charge of the end-markets, and when the collaboration failed, the market disappeared at the same time.

Sustainability of cooperation elements (administrative, technological, social, etc) is in most cases highly dependent on the collaboration continuing. If it breaks down, the only features that are likely to endure are those that are clearly financially beneficial. Changes in culture and working practices are much harder to sustain in conservative business environments as the Bangladeshi.

One of the sustainability strategies for the B2B was that the collaborations would move to other Danish support facilities after the B2B period ended. As far as we have been able to identify, no collaboration have managed to get support from e.g. sector programmes, mixed credit (Danida Business Finance) or the Investment Fund for Developing Countries (IFU). A main factor is that most collaborations failed, and for the others, the conditions may not have been right for the companies, or for instance IFU has yet not found the financial viability sufficiently proved.

Summary of response to the evaluation questions

Evaluation questions	***Summary of assessment***
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.	Maybe a quarter of the B2B pilots and project partnerships are estimated to continue a commercial relation after B2B. Committed partners with a clear business idea – and financially robust partners.
9.2 The extent to which there has been a transition to other types of Danida support, e.g. from sector programmes, mixed credit (Danida Business Finance) or the Investment Fund for Developing Countries (IFU).	None.
9.3 The extent to which <u>local</u> partner companies have benefitted from the partnership after the partnership has been dissolved following the	There are only tentative indications that local companies have sustained benefit from partnerships that have broken down. In continuing partnership, sustained effects are

completion of the project phase.	more evident.
9.4 The extent to which <u>Danish</u> partner companies have benefitted from the partnership after the partnership has been dissolved following the completion of the project phase.	Limited benefits are likely for those companies that have ended cooperation.

7.6 Value added

The EQ includes questions about value added for other donor programmes.

EQ10: To what extent has the B2B Programme added value to other development partners' private/business sector programmes?

As discussed in the Uganda report, other donors have similar programmes to the B2B, like the Netherlands. The reflections around differences in the programmes are as relevant in Bangladesh as they were in Uganda. While the Dutch and the Danes probably influence each other to a significant degree at the central level when designing investment promotion programmes, there is no immediate sign of any "value added" from one to the other at the country level.

One recent newcomer to Bangladeshi investment promotion is Norway, with their matchmaking programme. This is a slimmed down B2B version that primarily funds up-front matching expenses. Norway decided to do a pilot of the programme in Bangladesh in 2010, and the B2B Programme actually trained several staff of that Norwegian programme. There has likely been value added for the Norwegians in this case. Unfortunately, the programme is a very slow starter, and it has been very difficult to get Norwegian enterprises to try Bangladesh as an investment destination. It is uncertain if the programme will be prolonged after the pilot period.

Summary of response to the evaluation questions

Evaluation questions	***Summary of assessment***
10.1 The extent to which the B2B Programme adds value to like-minded bilateral development partners	The B2B has assisted the Norwegians in their pilot matchmaking in the country. They may be active in general sectors where other donors are engaged, but any value added in this regard cannot be proven. We do not consider a project in the private sector as "value added" for another donor that may happen to have the private sector as one of its priorities.
10.2 The extent to which the B2B Programme adds value to like-minded multilateral development partners	No such value added where found.

Annex 1 Criteria and Rating Sheet

Indicator *(Column in excel sheet)*	***Criteria/source***	***Classes/ranking***
Location (F)	Location of main production facility of firm Application	Capital Urban Rural Same for Danish and local firm
Company size (G+H)	Permanent employment at the start of B2B for firm Application	Micro[20] – less than five Small – 5-49 Medium – 50 – 249 Large – 250 and over Same of Danish and local firm
Company age (I+J)	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 (K+L)	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 (M+N)	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 (O+P)	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

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

Other experience B2B (R+S)	Involvement in another B2B project before or after Interviews	Yes, before Yes, after No Same for Danish and local firm
B2B Phases (T)	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 (U)	Enrolment in Contact phase prior to Pilot/Project (or similar phase under PD Programme Interviews NB: Only in the sheet for random projects	Yes No Same for Danish and local firms
Start year (V)	First enrolment in B2B (or PD) Danida database	Year (2006 to 2011)
B2B grant approved (W)	Total grant for Contact, Pilot and Project Danida database	DKK million
Leverage/support percentage (ex ante) (X)	Grant as share of total project cost Application	Percent of grant to total cost (DKK)
Project implementation period (Y)	Years between start of B2B (Contact or Pilot) and end of disbursements Application, Quarterly progress reports and interviews	Number of years
B2B Disbursement (Z)	Actual disbursement most recent figure. All phases Danida database	DKK million
Previous experience of the partners before joining B2B (AA)	Business relations (such as trade) prior to the programme Interviews	None Some Considerable
Partnership today (AB)	Status of partnership at time of Evaluation Interview, PRC	No YesWW – working well YesS – struggling
Sustainability of partnership ex-post B2B (AC)	Likely on-going partnership when B2B Programme is over in medium term Judgement based on interviews	Yes No Informal
Danish business motive to engage in B2B (AD)	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?	JV - Joint venture JVB - Buy-in Buy/sell - Buyer-seller relation

(AE)	Application, interviews	Agent - Agency/licensing Fran - Franchise MC - Management contract TA - Technical assistance
Business relation (AF)	What relation exist between the production/services of the Danish and local company (might be deleted at the end)	Horizontal Vertical
Judicial relation now AG)	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 (AH)	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 (AI)	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 (AJ)	Judgement based in material and interviews	None or marginal Some High
Change in employment (AK)	Difference in employment from baseline to currently in local company or JV (only with relevance to B2B)	Number of jobs
Possible attribution by B2B (AL)	Judgement based in material and interviews	None or marginal Some High
Change in female employment (AM)	Difference in female employment from baseline to currently in local company or JV Documents and interviews	Number of jobs
Possible attribution by B2B (AN)	Judgement based in material and interviews	None or marginal Some High
Additionality (AO)	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 (AP)	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 (AQ)	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 (AR)	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 (AS)	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
Market impact (AT)	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 (AU)	To what extent the B2B Programme provided skills development, know how 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 (AV)	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 (AW)	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 (AX)	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 (AY)	To what extent the B2B Programme contributed to improvement of the corporate social responsibility	0 = None 1 = Some 2 = Considerably
Impact on Danish company (AZ)	To what extent the B2B Programme contributed to changes of the Danish company in terms of commercial performance	- 2 = Much worse (e.g. from failed major investment; diversion of management focus) -1 = Worse 0 = More or less no impact +1 = Better (improvement in commercial performance through new markets, higher turnover, better profitability) +2 = Much better (significant improvement in commercial performance through new markets, higher turnover, better profitability)
Development impact (BA)	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	0 = None 1 = Marginal 2 = Good 3 = Significant 4 = Very significant
Indirect employment (BB)	Upstream or downstream employment created	Indication of numbers + explanation
Reasons for failure of the collaboration (BC)	What was the main reason for those projects (not pilots) that failed?	An open category – some of the reason can be: Lack of Danish capacity, financial or otherwise Lack of local company capacity Market issues, lack of demand, world prices, etc Other organisation of collaboration Partner dispute / lack of trust Other

Annex 2: B2B Pilot and Projects in Bangladesh 2006 - 2011

Danish Partner	Local Partner	Business idea for collaboration	Phases	Start year, of B2B support	Actual disbursment DKK mill	Likely future partnership?
Staerk Reklamenureau A/S	Visual Soft Ltd	Outsourcing and IT	Pr	2006	5.0	No
Brahe & Partnere Arkitektfirm	Bestec Corporation	Develop Auto CAD company	Pr	2006	2.7	Yes
Sloth Moller A/S	Adroit Environment C. Ltd	Setting up effluent treatment plants	Pr	2007	0.0	No
Comentor A/S	Southtech Ltd	Develop IT program	Pr	2007	0.9	No
Global Business Solution A/S	Spinnovation Limited	Outsource microsoft solutions	Pi	2007	1.0	No
Bording Data A/S	Techno Vista Limited	Outsource software and graphis dev.	Pr	2007	5.0	Yes
Nakskov Mill Foods A/S	M.R. Rice Mill Ltd	Testing, and selling diabetric rice	Pr	2008	3.9	No
Gajhede & Thorsen A/S	Mongla Engineering & ShipLtd	Manufacturing smaller boats	Pi	2008	0.2	No
Epoka Medic Mission A/S	Graphic Associates Ltd.	Refurbish & sell used medical equip	Pi	2008	0.1	No
PlantWare A/S and Stella Ship	Western Marine Ltd	Establish ship design JV	Pi	2008	0.5	No
Capevo AS	Leadsoft Ltd	Software development, niche product	Pr	2008	2.9	No
Cosmos Trawl / DanSea	Sea Resources Ltd	Making trawls, servicing fish nets	Pr	2008	4.3	Yes
Grace Tours ApS	Interspeed Advertising Ltd.	Developing a travel portal	Pr	2009	1.9	Informal
Contest A/S	Periscope	Develop IT tool timesheet reporting	Pi	2009	0.6	No
DK Company ApS	Dress up Limited	Garment production	Pi	2009	0.0	No
Smoke Solution	Hatil Complex Ltd	Manufacturing of cabinets for smokers	Pr	2009	4.1	No
Zonning Multimedia	Future Leaders Ltd	Web services, mobile marketing	Pr	2009	0.9	No
X Company	Fashion Tex International Ltd	Establish textile factory	Pi	2009	0.3	No
Admiral IT	ICT Alliance	Outsource software development	Pr	2009	3.9	No
Cold Legeredskaber A/S	MultiSafh Bags Ltd	Production of foam for toys	Pi	2009	0.5	No
AS Scan	Fisher's Shipyard Ltd	Hydraulic trawling equipment	Pi	2009	0.9	Yes
Green Farm Energy A/S	Advanced Dev.Technology Ltd	Establish waste engery plant	Pi	2010	0.0	Informal
Staerk Reklamebureau	Union Mercatile Ltd	Education in 3D/animation	Pr	2010	0.6	No
Stella Shipping P/S	Western Marine Limited	Technical ship management	Pi	2010	0.1	No
Envotherm A/S	Ahmed Amin Group	Water bottle plant	Pr	2010	0.2	No
NordPro Aps	TradeExcel Graphics Limited	Establish DTP publishing house	Pi	2010	1.0	No
Seamaster ApS	Peninsula Fishing	Set up electronic gear workshop	Pi	2010	0.9	Yes
K.M. Marine El A/S	Marine Electronic Service	Marine electronics manufacturing	Pi	2010	0.5	Yes
Nyhavn Vod-og Trawlbi	Shimizu Specialized Pvt	Servicing of fishing nets	Pr	2010	2.8	Yes
Koelemadsen A/S	Primex Corporation Limited	Cooling equipement for fish processing	Pi	2010	1.0	Yes
Energi Danmark A/S	Vantage Engineering Ltd.	Energy efficiency, el.suppliers	Pi	2011	0.9	No
Viking Rubber Co A/S	JAAS Composite Ltd	Manuf. wet wether garments	Pi	2011	0.0	No
Danespo A/S	Giant Agro Processing Ltd.	Introduce Danish potato seeeds	Pi	2011	0.0	Yes