

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

Uganda Country report

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List of Abbreviations

| | |
|------------|--|
| B2B | Business to Business Programme (Danida) |
| 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 |
| DGG | Department of Green Growth (Danida). In Danish: GRV/Grøn Vækst |
| DI | Danish Industries |
| DKK | Danish Crowns |
| DTI | Danish Technology Institute |
| EQ | Evaluation Question |
| EU | European Union |
| EVAL | Danida's Evaluation Department |
| FDI | Foreign Direct Investment |
| GADC | Gulu Agricultural Development Company |
| 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 |
| OECD | Organisation for Economic Co-operation and Development |
| OHS | Occupational Health and Safety |
| PPP | Public-Private Partnership |
| PRC | Project Completion Report |
| SCC | Savings and Credit Cooperative |
| 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. Introduction and Background

1.1 Background

Danida has a long tradition of supporting partnerships between Danish businesses and companies from the developing world. The first such programme started in 1993, and was called the Private Sector Development Programme (PSD). After 13 years this was replaced by the Business-to-Business Programme (B2B). The subsequent Danida Business Partnership Programme (DBP) then replaced the B2B in mid-2011.

Preparation to evaluate the B2B started already in 2012 with the commissioning of several preliminary studies to assess, among others, the B2B databases and the credibility of available information. The full Evaluation commenced in November 2013, with the dual purpose of *“assessing and documenting the B2B Programme as well as providing lessons for future implementation of Danida Business Partnerships.”* By using both qualitative and quantitative data, the Evaluation is expected to assess the B2B programme with regard to the classic DAC criteria relevance, effectiveness, efficiency, impact and sustainability.

A draft Inception Report was delivered to Danida the 18th of December 2013. The report raised several methodological issues that would be explored during the field work in Uganda, before finally deciding on the overall methodology. In particular, there were uncertainties about what data would be available, and how reliable these would be. This meant that the Uganda visit became a key element of the Evaluation.

According to the B2B data base, there are 37 B2B collaboration projects in Uganda which have been supported by Pilot grants and/or Project grants. Of these 15 collaborations did not continue to a Project phase (3 are still under implementation), while there are 22 Project phase collaborations. In total, 34 Danish and 37 Ugandan companies have been involved in the collaborations. It was decided that the Uganda study would cover all 37 Pilot only and Project collaborations as well as a small sample of Contact only ‘collaborations’.

In the ToR, the reasoning for choosing Uganda and Bangladesh as field countries was as follows: *“The field countries have been selected on the basis of their considerable number of projects and because they are expected to represent a great variety of project cases and of context configurations.”* After visiting most of the B2B projects during our stay in Uganda, the Team can fully vouch for the accuracy of this statement. There are not only a large number of projects; the variety and diversity within the portfolio are equally substantial.

1.2 Structure of the report

This report focuses on preliminary findings from the Uganda study which are of relevance for the remaining Evaluation concerning methodology and issues. It is structured as follows. In Chapter 2, the methodology applied in the Uganda case country is elaborated. The methodology specified in the Inception Report is tested and elaborated. The third chapter briefly discusses the business environment in Uganda, while the fourth chapter contains an analysis of the B2B portfolio 2006-2011 in Uganda. Uganda is placed in the context of the programme as a whole and the analysis depicts the collaborations in terms of sector focus, the distribution of size of companies, their previous international experience, the motivational factor behind the collaborations and forms of collaborations. The fifth chapter provides the key results from the Uganda study focussing on 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. Its structure follows the Evaluation Questions as found in Annex 6 in the Inception Report.

2. Methodology

2.1 Evaluation Matrix and Assessment Sheet

For the purpose of operationalising the Evaluation Questions defined in the Terms of Reference and expressed in the Evaluation Matrix, the Team developed a draft *Assessment Sheet* for the B2B collaborations and a Guide for filling this in. See Annex 1a and 1b. These sheets have been used for all the 37 collaborations in the portfolio. A supporting Questionnaire was also used during interviews, see Annex 2.

2.2 Sources of information

The sources of information for the assessment of the 37 collaborations have been the following:

- The documents produced for each Pilot and Project collaboration. Most of these documents were available on Danida's Extranet established for the Evaluation, others, (mainly the Quarterly Progress Reports), were available only in hard copy at the embassy in Kampala. The reporting includes the Applications, Danida's Appraisal of these, Quarterly Progress Reports, and the embassy's Project Completion Report (PCR) for completed Pilots and Projects. Especially the Application documents are comprehensive, describing the partner companies including their financial status, the concept behind the collaboration, details of the proposed collaboration, including milestones for performance. Annual targets for six Programme Indicators common for all projects were defined. The quarterly reporting, on the other hand, has considerable weaknesses for many projects. The follow-up on the Programme Indicators is not systematic and, furthermore, has inconsistencies. The PRC are short, narrative, and not using the baselines established in the applications. In short, the ex-ante documentation in the B2B is comprehensive and allows some baseline data to be established, while the reporting during implementation and ex-post is weak and not very useful for assessing results.
- Interviews with representatives for Danish partners in person, by telephone or Skype. All the Danish companies which have had or are having a Pilot or Project collaboration in Uganda were approached. Eventually representatives of 26 of the 34 companies (some Danish companies had more than one project) could be interviewed. The remaining eight either refused an interview, were not longer in business or a contact could not be established. The companies not reached had been involved in collaborations which had failed according to the available documentation. The interviews were conducted in a semi-formal form with the Assessment Sheet as a template and the Questionnaire as supplement. The interviews were of 1-2 hours duration. All the interviews with the Danish firms were conducted prior to the field work in Uganda. Overall, the interviewed persons provided comprehensive and frank opinions of the collaborations.
- Interviews in Uganda with representatives of the local partner firms in person. Of the 37 local partners, interviews could be held with 27 companies, all of which except two were visited at their production site(s)¹ Interviews were conducted in a semi-formal form with the Assessment Sheet as a template and the Questionnaire as supporting guide. The interviews were of one to four hours duration, including the visits to the production sites. In many meetings, more than one company representative were present. 10 companies could not be reached due to lack of response to e-mail or phone calls; as the key representative who had handled the project was travelling; or in one case refused to

¹ One of these were interviewed by phone, the other one in person in Kampala.

participate, allegedly due to disappointment with the B2B Programme. For three collaborations in the Uganda portfolio, interviews could neither be held with the Danish partner, nor with the Ugandan. Hence, the assessment of these has relied on written documents only.² The interviews in Uganda were highly useful as they in many cases provided a rather different story than both the project documents and the Danish partners.

- Interviews with the Danish embassy staff which have been handling the B2B program. The Team had also an opportunity to also interview a former embassy staff member who had played a key role in the B2B programme from 2006 to 2012.

In addition to the data collection concerning the 37 B2B collaborations, the Team has reviewed the general documentation concerning the programme prepared by the embassy. These include *Annual Reports*, *Business Development Profiles* and a *B2B Uganda Review* carried out in 2009.

2.3 Field work

The field work in Uganda took place 2nd to 22nd February 2014. Visits were made to 25 of the Ugandan companies involved in the B2B programme in various locations in Kampala, Entebbe and Jinja as well as in the surroundings of these cities.

A half-day Workshop was carried out 20th of February, involving 20 participants. The Workshop had the dual purpose of presenting key findings for validation with key stakeholders and to discuss certain key issues of broader relevance emerging from the study. Participants in the Workshop were representatives for Ugandan partner companies and two Danish partner companies in the B2B visiting Uganda; representatives for Ugandan institutions involved in private sector development such as the Uganda Manufacturer Association, donor representatives from Norway and Sweden; staff from the Danish embassy in Kampala; a staff member from the Evaluation Department in Danida, Copenhagen, who visited Uganda specifically for the round-up of the Evaluation in Uganda; and the Evaluation Team.

Overall, the Workshop was a valuable exercise for the Team, providing perspectives and insights into the many issues faced by the B2B. At the end of the work in Uganda, a de-briefing meeting was held at the Danish embassy in Kampala.

2.4 Rating of Collaborations

For the purpose of analysing the data collected from the 37 collaborations, ratings of different dimensions of the projects have been done by the Evaluation Team. These include both the key Contextual factors defined in the Inception Report as well as Results Indicators also identified in the Inception Report. For some of these indicators, quantitative data could be established, but for most of them, the ratings were based on qualitative assessments based on the findings recorded in the Assessment Sheets. For details of this ratings and the criteria used, see Annex 1b.

Qualitative ratings are always prone to subjective views, especially as the underlying information is provided by informants in interviews. However, we have tried to mitigate this by joint team assessment of the material. A key issue in the Evaluation is that information of financial performance by both the Danish and the Ugandan companies was difficult to collect, and that

²These three were collaborations in the ITC field, fishfarming and ID card production. At least two of them were considerable failures including bankruptcy.

the views on how the various collaborations perform largely are based on stakeholders' statements, which, as mentioned above, in some cases differ largely.

2.5 Some lessons in methodology

The following issues emerging from the Uganda case are essential for the remaining Evaluation in terms of methodology:

- The views and conclusions from the three key sources of the project assessments (documents, interviews with the Danish partner and interviews with the Ugandan partner) 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 Ugandan partners. There is a strong inbuilt imbalance in the partnership as elaborated below, and the local partners sometimes express they feel utilized and poorly informed of the motives of the Danish partner. To get the views of the local partners is therefore critical.
- While some of the documentation in the B2B Programme is readily available from Danida, the Quarterly Progress Reporting is more difficult to access. It is essential that key such documents are made available by the embassies prior to the continuation of the Evaluation, providing the most recent Quarterly Progress Reports which contain information on the Programme Indicators, and that these documents are uploaded under the right label in the Extranet.
- The access to the local partners and the format for meaningful interviews has been complicated and time consuming in Uganda, partly as companies were fairly poor in responding to e-mails. Skype seems not well used. Interviewing companies by mobile phone has its challenges, and whether it is meaningful to undertake an e-survey, can be questioned. Before a full-fledged review of the random sample, it is essential to test the interview method with the local partners through available means.
- The assessment of the collaborations tends to take a narrow approach in the B2B documentation, which is entirely focussing on micro results at company level, while the core of B2B as a program aimed at poverty alleviation must consider the potential broader systemic impacts. These potential effects will require special efforts in the Evaluation to identify. The Evaluation Questions as they are now formulated may not capture all of these dimensions equally well and some adjustments is needed.
- Based on the Uganda case, there is a very uneven distribution between on the one hand, real success stories in terms of development impact, and on the other, projects with marginal or no results. To capture the few 'stars' is essential as – based on the Uganda – one single project can go far in making up for the dozen or more failed. Such success stories should not be missed for the balance of the Evaluation. For this purpose, the embassies in the remaining 16 countries with projects have been requested to provide their suggestions of 1-3 successes in terms of sustained and viable collaborations, and 1-3 projects judged to have clear development impact.
- The factors which seem to determine success or failure of collaborations are many and varied, often specific for each case. They are often related to 'soft', psychological factors such as trust, altruistic motives, entrepreneurship drive etc. on the one hand, and on the other, market conditions and varying degrees of competition specific for each sub-sector, making the original theoretical CMO methodology very complicated and perhaps less

relevant.³ Market development is a substantially more important factor for success of each project, than the behavioural aspects that the traditional CMO tries to model.

³ Ref. for instance: “Realist Evaluation”, Pawson and Tilley, 2004.

3. The Ugandan Business Environment

Uganda's economy recorded outstanding economic performance during the 1990s until 2010. During this period, the annual rate of economic growth averaged 7%. Per capita GDP growth accelerated from 3.4% in the 1990s to 4% in the period 2000 to 2008 despite an extremely high rate of population growth. Similarly, the proportion of the population living below the poverty line declined from 56% in 1992 to 24% in 2010. However, over the past five years, Uganda's economy has experienced a decline in its rate of growth. From an average of 9.3% in the period from 2001 to 2008, the rate declined to 7.2 percent in 2009 and to 5.9% in 2010. The main cause for this decline has been a fall in average prices of the country's commodity exports, higher fuel prices, bad weather and other negative effects associated with the global economic crisis (World Bank, 2013).

Uganda's business environment is considered to be among the least favourable in the world. According to the World Bank's Doing Business report 2014, Uganda is ranked 132 out of 189 economies in the world and 13 out of 48 in Sub Saharan Africa. In benchmarking Uganda against Rwanda, which has the most favourable business environment in East Africa, it for instance takes 32 days in the former to formalize a business in comparison to two days in Rwanda. Other business indicators that influence the performance of businesses such as access to electricity and credit, paying taxes and trading across borders are all equally worse than Rwanda. Similar results were found in the Enterprise Survey conducted in 2013 with business owners and top managers in 640 firms. They identified electricity, practices of competitors in the informal sector, tax rates and access to finance as the top four business environment constraints in Uganda (World Bank, 2013). This places Uganda at a competitive disadvantage globally in terms of business and attracting foreign investments. The Global Competitiveness Report 2013 shows these impediments and others are affecting the competitiveness of the economy, with the main issues being corruption, access to finance, inadequate supply of infrastructure, tax rates and inefficient government bureaucracy.

In Chapter 6 it is attempted to assess the Ugandan business environment from a series of contextual parameters as laid out in the Inception Report, and to compare Uganda to the other 18 countries which were eligible under the B2B programme. As shown there, Uganda is placed at the bottom half for most of the indicators used amongst the 19 countries.

Although Uganda's performance in global competitiveness rankings is still considered poor, it is worth noting that the government has made an effort to improve the country's business environment and investment climate by developing strategies to guide the reform process and creating a designated unit within the Ministry of Finance to champion reforms. In 2000, the first investment and private sector development strategy, the Medium Term Competitiveness Strategy (MTCS), 2000-2005 was launched. This was followed by the Competitiveness and Investment Climate Strategy (CICS), 2006-2010. More recently, Uganda's strategy to improve its competitiveness is encapsulated in the National Development Plan 2010/11 -2014/15. The CICS Secretariat is the focal point that monitors, facilitates and coordinates the implementation of the CICS. The secretariat supports a high level of public-private dialogue platform.

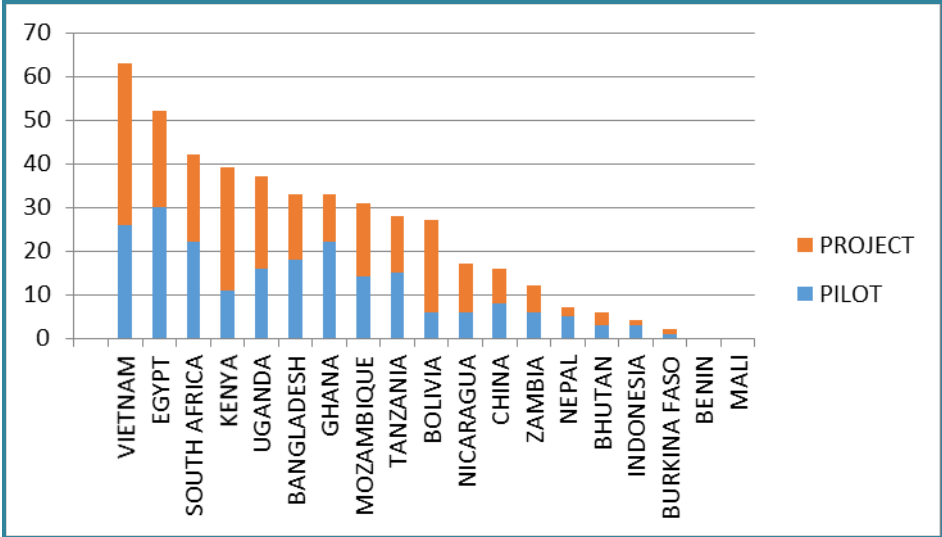
Although Uganda's economic performance was good over the period from 2006 to 2012, the global financial crisis of 2008 and Euro zone debt crisis in 2011 had an impact. There was a notable slowdown in the uptake of grants and implementation of key deliverables in 2009 attributed to a large extent on the volatility of the bank lending rate in the local money markets that severely constrained access to credit. However, this situation recovered considerably in 2010.

4. The B2B Portfolio in Brief

4.1 Uganda in the overall B2B Portfolio

Uganda ranks number five in terms of numbers of collaborations among the 19 eligible countries under the B2B Programme 2006-2011 as indicated in figure below:

Figure 1: Uganda in the B2B Portfolio 2006-2011 (number of collaborations)



(Note, China and Indonesia are only open for environmental collaborations. Source: Danida)

In relative terms, the large number of collaborations in Uganda, almost equal to major African economies such as South Africa and Kenya, is noteworthy. Our review of the attractiveness of Uganda as an investment destination in comparison to the other countries in the B2B Programme, would suggest a much less prominent position. The strong promotional efforts by the Danish embassy of the B2B programme might likely have played an important role in enhancing the position of Uganda. See further Chapter 5.

The total allocation of grants to the 37 Pilot and Project grant collaboration has been about DKK 100 million. Out of the total allocation of DKK 1,140 million under the B2B, Uganda thus accounts for about 9%.

4.2 Sector orientation in Uganda

Agro-business related projects, broadly defined, dominate the Ugandan B2B portfolio in terms of sector and business focus. Of the total number of collaborations, nearly half concern such projects. The variety on sub-sectors within this group is considerable, including businesses related to commodities such as coffee, cotton, cocoa, oilseeds, vanilla, fruits, livestock, dairy, poultry and pig farming. They include raw material production as well as processing, food retailing and transports.

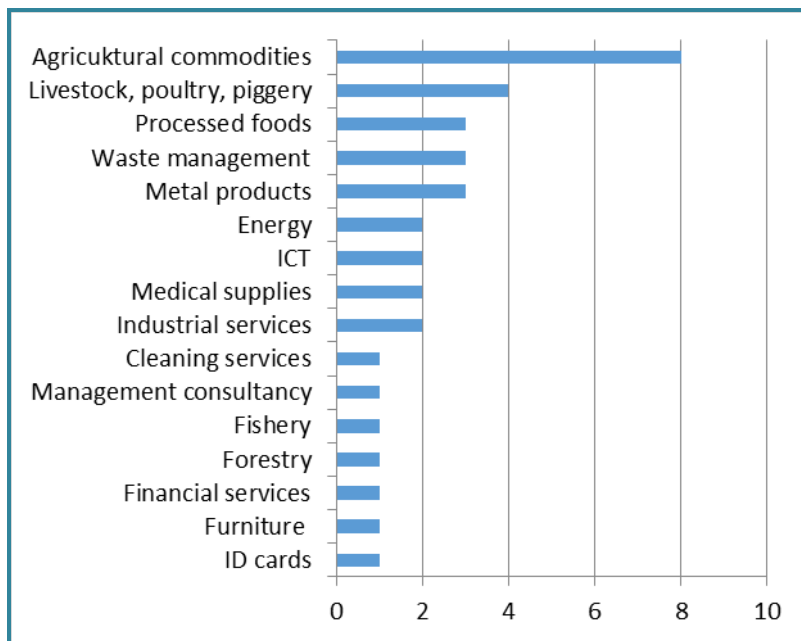
The popularity of agro-related collaborations can be attributed to several factors:

- Agriculture plays a strong role in the Ugandan economy, accounting for over 80% of the employment, with coffee, cotton and livestock as key economic commodities. Uganda is endeavoured with fertile conditions for a wide variety of crops, reflected in considerable foreign and domestic investments in the sector.

- Denmark is one of the most successful countries in export oriented agro-business in a range of commodities and products. This provides a natural platform for pursuing agro-related collaborations in the B2B.
- The Danish embassy has since many prioritized agriculture as one of its focus sectors. The embassy, in its promotion of the B2B program, has paid particular attention to agricultural projects. The effort to promote clusters in some agricultural sectors is a reflection of this.

The balance of the Pilot and Project phase collaborations includes a variety of sectors in manufacturing and services as indicated in the figure below:

Figure 2: Distribution of sectors and sub-sectors in the Uganda portfolio (number of Pilot and Project collaborations)



The distribution on a wide variety of sectors and sub-sectors is striking in the Uganda B2B portfolio. Of the 37 collaborations, there are not two projects which can be said to be based on a similar business concept.

Two issues of broader relevance emerge from the composition of the B2B portfolio in Uganda related to relevance and effectiveness of the programme:

- Has the dominance of agro-businesses in the Uganda B2B portfolio in conjunction with the Danish embassy's country strategy for the development cooperation with Uganda created synergies between the two strands of the Danish development cooperation?
- To what extent has the Danish embassy effectively been able to appraise and monitor the Uganda portfolio, given the wide variety of sectors and sub-sectors in the portfolio?

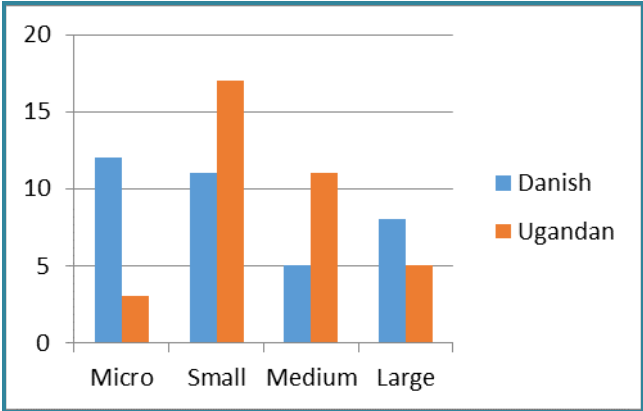
In response to the first question, our impression is that the B2B Programme appears to have run largely independent of the other programmes, and B2B is perceived by embassy staff, not engaged in B2B, as an odd feature in the mainstream development programme. (At our meetings

at the embassy, questions were raised regarding the use of administrative resources on the B2B, compared to other programmes run by the embassy.

4.3 Company size

The Uganda programme has involved a broad range of firms in terms of size especially on the Danish side. Thus, there are firms with only one or two employees as well as Danish multinationals with up to 2,000 employees. Among the Ugandan firms, small and medium sized enterprises (SMEs) dominate the portfolio as indicated in the figure below. The definition is given in the footnote below⁴:

Figure 3: Distribution on company size in the Uganda B2B portfolio (number of collaborations)



It is noteworthy that about a third of the Danish firms had less than 5 employees when they joined the B2B programme. These firms would not be eligible to participate in the new Danida Business Partnership programme (DBP). This has become an issue in Uganda as several of these micro companies were in a Pilot phase when the rules changed in late 2011. Not only did this in some cases interrupted what appeared to be promising collaborations ready to move into the Project phase, but it has also created certain ill-will on both the Danish and the Ugandan side of what is seen as a rigid bureaucratic process in Danida. It is in this context important to take into account that many of the Danish micro enterprises are farmers engaged in collaborations with Ugandan farm enterprises. Generally Danish farm enterprises can be financially large, but with very few, if any, permanent employees.

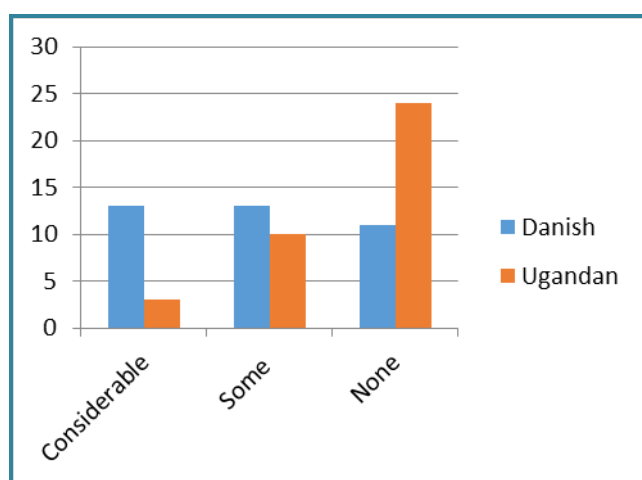
Nearly a quarter of the Danish companies in the Ugandan portfolio are defined as large enterprises with more than 250 employees, some of them with over 1,000 employees. To judge from Uganda, the B2B Programme has not only been attractive to Danish SMEs, but also to the larger firms. This is contrary to what appears to be a common perception in Denmark that the B2B has been for smaller enterprises only. As will be discussed later in the report, there is a positive relationship between the size of the (Danish) companies and the results of the collaboration.

⁴ The definition used relates to the size of the permanent labour force of the companies, using the following criteria. Micro: less than five employees; Small: 5-49 employees; Medium: 50-249 employees; Large: 250 employees and over. This definition follows the common EU standard, except that we have used a cut-off point between micro and small at five employees instead of 10 to reflect that this is the number of employees Danida is using in the new DBP program for eligibility. Furthermore we have only used employees as criteria, not turnover and assets in order to simplify the classification. See further Annex 1c.

4.4 Previous international experience

During the interviews with Danish partner firms we have assessed to what extent the companies have had experience in doing business in developing countries prior to joining the B2B program, for example through exports or imports or joint ventures. In terms of the Ugandan firms, we assessed their prior experience in international business in general. The distribution in terms of previous experience is given below⁵:

Figure 4: Previous international experience of the partner companies in the B2B portfolio (number of collaborations)



Danish companies with considerable experience from developing countries are generally the larger firms, some of which with representation globally in terms of agencies or subsidiaries, others which exports most of its products internationally.

It is noteworthy that almost a third of the Danish firms in the Uganda portfolio have no previous experience of doing business in or with developing countries. Example of these is a small Danish firm specializing in manufacturing road signs whose owner through the B2B was ‘persuaded’ to join the B2B and saw this probably more as an adventure than a planned business strategy. He is today deeply involved in a joint venture with his local partner. Another example is a medium-sized Danish cleaning service company which through the B2B created a joint venture with a similar company in Uganda, and, encouraged by this, also has involved itself in another B2B collaboration in Mozambique. A third example is a medium-size Danish firm in garbage collection which through the B2B engaged in a joint venture in Uganda with a majority equity position. The owner has sold his Danish firm and, if the JV works out, has the intention of relocate partly to Uganda.

In summary, the B2B Programme has had an impact on a number of Danish SMEs with no or limited prior intentions to do business in Africa to actively engage in such ventures. Noteworthy is also that nearly three out of four Ugandan firms had no experience of international markets prior to joining the B2B Programme. From this perspective, the B2B has been instrumental to expose a significant number of Ugandan firms to foreign companies, i.e. the B2B in Uganda has been a factor in the internationalisation of local SMEs. A hypothesis was that previous experience by the Danish companies in developing countries would impact positively on the outcome, which, however, seems not to be the case in Uganda as later elaborated.

⁵ For definition of criteria, see Annex 1c.

4.5 Motivation by the Danish companies to join the B2B

Based on Business Alliance Theory, the Inception Report discusses different business motivation factors by the Danish enterprises to establish collaborations in Danida partner countries. The report differentiates between:

- *Market factors* – growth and changes in consumption patterns open new market opportunities.
- *Cost factors* – the quest for cheaper inputs, labour, resources and potential for economies of scale are all cost drivers for internationalisation
- *Competitive factors* – e.g. threatening an international competitor in his own market, if he has just entered yours.
- *Business environment* – some environments are friendlier than others, including the level of support and subsidies given by governments that want to attract a specific brand of business to their countries. This would include moving environmentally questionable production to countries with less stringent regulations.

The Inception Report also identifies *Access to resources* as a driving force.

In the Uganda portfolio, *market considerations* clearly dominate the reasons why the Danish firms have engaged in Uganda, accounting for four out of five collaborations. The market driven collaborations are of different nature. A number of them are Danish companies looking for new outlets of their products or services, i.e. the projects can be defined as export development. These include large Danish companies producing medical equipment as well as food producers entering the Ugandan markets for the first time through B2B or intensifying their presence on the Ugandan market. Others attempt to copy their business ideas in a new environment as a means of expanding their businesses. There are also a number of Danish companies and institutions which enter the B2B to provide technical assistance which we in this context define as market-driven although the commercial motivation of some of these collaborations seems to be weak beyond the grants provided under the B2B.

The rest of the projects are driven by a desire of *access to resources* in Uganda by the Danish firms. The resources-driven collaborations include Danish companies wanting to improve their access to raw materials such as vanilla, dried fruits, cotton, coffee and timber. These Danish companies seek especially organic commodities (cotton, dried fruits and coffee) either as inputs for their own processing or for onward distribution in Denmark and Europe.

Cost and *competitive factors* are absent as motivating forces in Uganda, likely due to the fact that Uganda is not a competitive country for outsourcing or off-shoring in a global context, nor does Uganda have a business sector which threatens Danish firms. None of the collaborations in Uganda can be defined as a means for the Danish firm seeking a better business environment for its production than in Denmark.

4.6 Forms of collaboration

The B2B Programme has as an explicit immediate objective “to promote the establishment of long-term, sustainable and commercially viable partnerships between companies in Danida’s programme countries.” The programme has not been explicit in what forms such commercially viable partnerships might take, but left this to the partners. Implicitly, nevertheless, joint ventures (JVs) appear to have been the favoured mode.

In the literature review in the Inception Report the following entry strategies were identified in addition to traditional export/imports:

- Licensing (including agency arrangements)
- Franchising
- Management and manufacturing contracts
- Equity alliance – a company buys into a foreign company (from hereon called Buy-ins)
- Joint Ventures – two companies start a new venture together with equity holdings
- Consortia – larger units consisting of many partners, usually created for specific projects and not as a permanent feature

The B2B portfolio in Uganda comprises some of these, but not others. There are no real consortia collaborations,⁶ and no collaborations based on management contracts. On the other hand, there is a common form of collaboration not listed above, which can be defined as Technical Assistance (TA). Example of this is the Danish Technology Institute (DTI), a not-for-profit institution, which with about 1,000 employees, is one of the world's largest private institutes to supply technological services such as consultancy, tests, certification and training for companies and public-sector organisations. DTI has been involved in two collaborations in Uganda, one with an oil-extraction industry and one with a steel mill, and both with a focus on upgrading the environmental quality of the local companies.

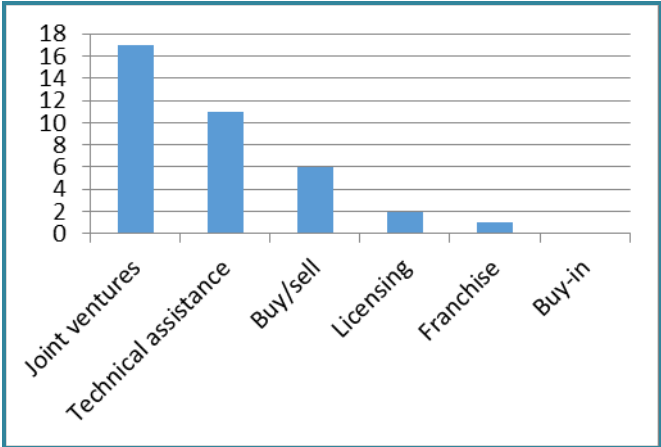
Below is a modified 'typology' of collaborations in the Uganda B2B which reflects the reality of the programme:

- *Joint Ventures* with varying degrees of ownership of the partners. A variant is the *Buy-in* by the Danish company in the Ugandan partner firm. This might be a minority position of the majority.
- *Licensing (and agency arrangements)*, generally implying that the Ugandan firm has a monopoly for that particular product or service on the local market
- *Buy/Sell relationship* implying that the local firm distributes products or services from the Danish firm in Uganda or regionally, or the Danish firm imports products from Uganda.
- *Technical Assistance* provided by the Danish partner with no investment in the local firm, or any intended commercial links beyond the services provided to the local firm under B2B.

The figure below provides the distribution on the planned collaboration form (as indicated in the applications).

⁶ In a few projects there are two Danish partners initially, but these do not have the form of a formal consortia.

Figure 5: Different intended collaboration forms in Uganda B2B portfolio



Joint venture is the most common planned collaboration form under the B2B in Uganda, while other forms such as licensing, franchising and agency formation are rare. In the planning of collaboration, the option of buying into the local firm by the Danish company is not envisaged or explicit.

Technical assistance, for which no commercial linkage beyond the B2B phases is attempted, is the second most important form after JVs. Given the formulation of the objective of the B2B, this collaboration form seems not to have been intended as it is unlikely it would lead to the establishment of long-term, sustainable and commercially viable partnerships between companies. According to our interviews, had the B2B program had a lower grant rate than 90% for training and technical assistance, the motivation for the Danish partners to seek B2B collaboration through a TA arrangement would have been much reduced or non-existent. As the programme was designed, the B2B provided opportunities for Danish professionals to undertake long-term training and technical assistance assignments nearly fully paid for by Danida with no commercial risk-taking involved for Danish partners. We have found no project in which the local partner companies appeared to have been prepared to provide a matching of 50% of training and technical assistance provided by Danish firms.

5. Key results

5.1 Additionality⁷

Most of the collaborations in Uganda would not have taken place if the B2B Programme had not been available, and none would have had the same form which the collaboration took. The active marketing of the program combined with the generous grant element can be almost entirely established as the attribution factor for the collaborations. A few of the Ugandan companies were likely to have sought technical assistance and technical support to develop their firms or solve particular problems through other means, had B2B not existed, but most likely not from Denmark. An example of this is a large Ugandan firm involved in oil extraction for food and detergents. This company was requested by the Ugandan authorities to reduce its substantial water effluence or otherwise risk of being forced to close down the operations. The company, a part of a large conglomerate of 22 enterprises in Uganda and managed by a large expatriate Indian team, used the B2B as a low cost-solution to undertake the required environmental improvement. Without B2B, the company would have been forced to finance the upgrading itself, probably using Indian expertise and technology.

Some Danish firms might have sought commercial opportunities in East Africa especially through export efforts or establishment of agencies representing their products, but Uganda might not have been the target for these efforts, and the format would have been less intensive. An example of this is a Danish multinational in the medical equipment field (for example in blood gas measuring instruments), which used B2B to establish a distributing agency in a Uganda supplier of medical instruments and pharmaceuticals. The companies used the B2B for intensive training of local staff and marketing of these quite expensive instruments for intensive care treatment towards private and public hospitals and clinics. A major Danish food industry exporting world-wide, had a buyer-seller relationship with a Ugandan firm, but used the B2B as a means of upgrading this to establish a cold-chain distribution system. A new company was established by the local firm for this purpose. While the Danish company decided not to pursue the venture of own strategic reasons, the project was taken over by another Danish food exporter. Today the local firm is a key player and a fast expanding company in the cold chain system in Uganda, importing about 70% of its products from Denmark.

In short, the B2B has been highly instrumental in establishing all the collaborations.

5.2 Ongoing and failed collaborations

Of the 37 collaborations (15 pilot only and 22 projects) started in Uganda under the B2B program 2006-2011, 14 are still ongoing today (three pilots and 11 projects), while 23 have ceased to exist. Thus, over 60% of the collaborations have not survived.⁸ Several B2B projects are still ongoing, and whether these collaborations will continue after the end of the disbursement period, is yet to be seen. In our assessment, at least some of them are unlikely to continue or have considerable risk of not being sustained post-B2B. Hence, perhaps only a quarter of the initiated collaborations are likely to be sustained. The table below provides our estimates of the number of collaborations which are likely to be sustained or not:

⁷ Additionality in this report concerns to whether a collaboration would have taken place without the B2B programme or not

⁸ The failure rate is in fact higher as two pilots with Ugandan firms which did not work out, but where the Danish firm found another partner, have the same project number and in this study are included in the latter collaboration.

Table 1: Sustained and not sustained collaboration in Uganda B2B

| | Collaborations likely to be sustained after B2B | Collaborations which have ended or are likely to end after B2B | Total |
|-----------------------|---|--|-------|
| Pilot only | 1 | 14 | 15 |
| Project grants | 9 | 13 | 22 |
| Total | 10 | 27 | 37 |

There is a variety of reasons for failed collaborations. First, the Pilot phase is a test of potential long-term collaboration, whether the partners get along around a business concept and if sufficient trust in one another can be established; if the attempted business idea is feasible based on the outcome of a feasibility study; if the market is sufficiently promising for an investment, and so on. A degree of failure, in the sense of aborted collaborations in the Pilot phase, is thus to be expected, and ending a collaboration venture can be rational decision by the partners. The B2B has clearly been instrumental in such a process. (It might in this context be argued that such Pilots can be accomplished at a lower cost than in B2B; comparable programmes tend to provide grants of half or less for similar feasibility studies, indicating an efficiency issue.)

Second, the Ugandan portfolio contains a large number of Technical Assistance projects. As indicated above, such TA projects are inherently unlikely to be sustained beyond the B2B grant period. Nevertheless, some of the TA collaborations have continued on an informal basis due to the friendship that developed between the partners, for example in farming projects, where the Danish partner visit the local on a family basis, sometimes continuing providing advise free of charge. As discussed later, while the TAs inherently are likely to fail as long-term sustained commercial collaborations, they often do not fail in providing essential inputs to improving the local companies.

Third, also collaborations which go beyond the Pilot phase into the Project phase sometimes fail. Partners develop mistrust of one another, market conditions are such that business becomes financial unviable; the Danish company changes priorities in its business strategy and pulls out of the cooperation as a result of that. For most Danish companies, Uganda is a very marginal market, and the decision not to pursue an initiated collaboration tends not to be a strategically important one.

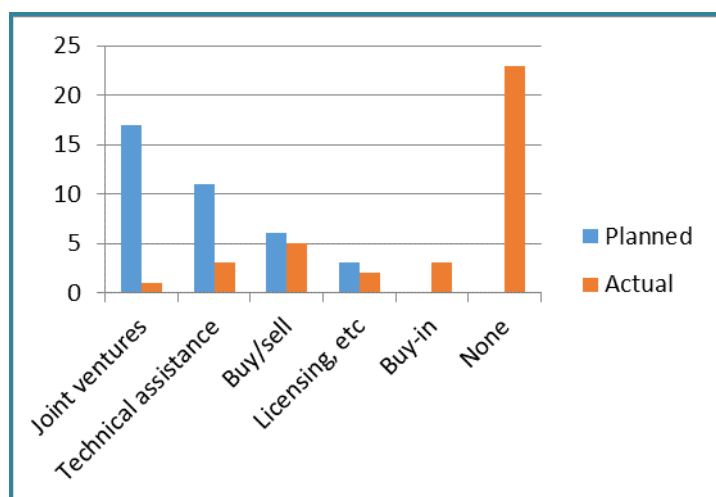
As noted in the table above, also the majority of the project grant collaborations in Uganda are likely to not be sustained beyond the B2B phase. In the judgement of the Evaluation, a reason for this has to do with the design of the B2B Programme. The generous grant element of 90% for most budget items provides a strong incentive for the partners to continue with the collaboration from Pilot to Project grant in order to access this grant. This is in a way a ‘perverted’ incentive as it doesn’t truly test the commercial solidness of the collaboration. Also the high share of failed collaborations in the Project phase indicate an efficiency issue, that Danida is ‘paying’ substantially more for sustained collaborations than required.

A failed collaboration does not necessarily mean a failed project from the Ugandan firm’s point of view and for the overriding objectives of the Danish assistance. As further discussed later in this report, all the Ugandan firms which have participated in the B2B Programme are still in business with a few exceptions, and many of them have to a higher or lesser extent benefitted from the B2B projects. In fact, the project rate as the most successful of all in the Uganda B2B portfolio, an organic cotton project in the Gulu area in the war-devastated Northern Uganda, is a failed collaboration as no commercial link exists today to the partner, a small design company. This contradiction is further discussed below.

5.3 Changes in form of collaboration

Often the collaboration, as expressed in applications to B2B, attempts one form of collaboration (such as a joint venture), but ends up in a different form (such as a trading relationship or no relation at all). The distribution of the 37 Ugandan projects on these collaboration forms, including the failed collaborations, is given below. The figure shows the intended structure as expressed in the application, and the actual situation (early 2014).⁹

Figure 6: Planned and actual collaborations between Danish and Ugandan firms



A conclusion from the figure is that joint ventures appear complicated to achieve, especially as many of the collaborations are based on limited prior knowledge between the partners, and the most ‘realistic’ collaboration form – to judge from the closeness before and after – is straightforward buyer-seller cooperation. The buy-ins, which have taken place in Uganda (two minority and one majority), is an alternative to JVs, facilitated by the fact that the local firms are small in financial terms, hence buy-in can be a more rational form than creating a new company. However, adding those to the JVs, the ‘failure’ rate of JVs/buy-ins as compared to the plans, is about three out of four attempted.

Looking closer at the JVs and buy-ins actually established, we find that all four of these currently are struggling and several might collapse in the medium term, while the buy/sell and the licensing/agency collaborations are in most cases performing well commercially. It might indicate that Danida should be careful, explicitly or implicitly, to favour one collaboration form such as joint ventures, over others.

5.4 Collaborations and development outcome

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 program is formulated as ‘to contribute to poverty reduction by promoting economic growth and social development in developing countries’. See box below. There is certain inconsistency in the formulation of these objectives. The B2B Programme might be effective in contributing to poverty reduction without being effective in creating sustained partner collaborations; and successful collaborations between Danish companies and locals, might not have much to do with poverty alleviation. In fact there might even be contrary impact on poverty of certain

⁹ The figure shows the actual situation today with 14 on-going collaborations, and 33 which have ended. Some of the on-going are likely to terminate after B2B.

collaborations if these mean serious market distortions as discussed below.

Box 1: The B2B Programme objectives

“Danida’s Business-to-Business (B2B) Programme is a part of Danish development cooperation. The overall objective of the B2B Programme is to contribute to poverty reduction by promoting economic growth and social development in developing countries. The immediate objective is to promote the establishment of long-term, sustainable and commercially viable partnerships between companies in Danida’s programme countries, including Egypt and South Africa, and Danish companies, with an aim of strengthening local business development. The focus of this support is to ensure a transfer of know-how and technology from the Danish partner to the local partners thereby strengthening the competitiveness of the local partner and by that, their local and international market presence. In turn, by partnering with a local company, the Danish company may gain access to new markets, raw materials and reduced production costs.” (B2B Guidelines 2010)

5.5 What is development outcome?

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.” To guide the selection of projects – which appears as the main B2B “tool” to ensure development outcome – the 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)

The relevance of these is further discussed in Section 6.1 below. However, it would not be “development” unless such criteria also introduced difficult trade-offs. For instance, providing grants to individual enterprises operating on competitive markets has an inherent risk of creating market distortions, i.e. favouring one company over others and thereby distort the ‘level playing field’ which is the hallmark of a well-functioning market economy. This goes for both the Danish market and the Ugandan. From an economic point of view such distortions can lead to less efficient use of scarce resources, i.e. the grant favour might be given to a less well performing market actor, which impacts negatively on resource allocation in society and in the end on economy growth. Market distortions in a programme such as B2B must be taken into account, especially as the larger the subsidy element, the higher the risk, especially in fragile markets. Given that the majority of the Ugandan companies are SMEs, a grant element of DKK 5 million, might be equal to or above the turnover of some companies.

There are justifications of using public funds to support individual commercial actors. Such a case exists when there are *positive externalities*, i.e. the actions of a company provide benefits to the society which are greater than what the company can capture, hence therefore might under-invest. Examples of such externalities might be knowledge and technologies which other firms can copy; capacity building of employees which, through turnover of staff, also benefit society as a whole; the introduction of innovations which are of such nature that they benefit society as a whole; introduction of management cultures which are impacting on business as a whole, increasing productivity reduce corruption, improve human resource development, and so on. One reason for under-investing by individual firms is often a perceived risk of such ‘leakages’ (as seen by the company), which public subsidies can compensate for.

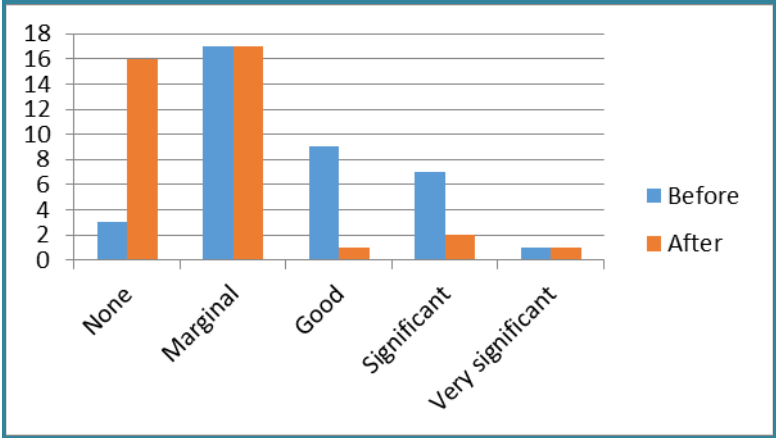
An additional justification for public (grant) support to commercial firms on a market might be their importance for poor people through linkage effects, up and downstream employment (e.g. the firm create additional employment by buying farm produce and other forms of raw material from a large number of suppliers, or up-stream as small enterprises use the services products of another company in their own operations). A generic feature of development impact, and the justification for public subsidies to individual enterprises, is basically that 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.

5.6 Development outcome of the B2B portfolio

The 37 Uganda B2B collaborations had already at the outset considerable differences in terms of their potential development outcome towards poverty alleviation. For example, a B2B collaboration concerning introducing a new up-market ice cream brand in Uganda would under even the best circumstances most likely play no role for poverty alleviation. The same is the case for marketing (high cost) blood gas analysis measuring instruments for intensive care treatment. There is even a risk for negative outcome in the latter case by re-allocating public health resources towards the better-off from poor health clients. The chances for substantial direct employment effects of relevance for the poor or substantial linkages to up- or downstream employment are slim. On the other hand, a project restoring the processing of cotton and other commodities in a war-devastated area of Uganda populated by the poorest strata in the country, would already *ex ante* clearly have the potential to play a significant role in poverty alleviation.

We have rated the 37 collaborations in Uganda in terms of their *potential* development outcome (before) and their *real* outcome based on the performance of the projects (after), using five categories from no development impact to very significant impact. (For details of the criteria, see Annex 1b.

Figure 7: The ex ante and ex post development outcome of B2B Uganda portfolio



As shown in the figure, the development outcome was, according to our assessment, far below the anticipated, mainly as a result of worse performance of almost half of the projects than planned. The figure also indicates that there are only three projects, or less than 10% of the portfolio, which can be considered having significant development outcome. Perhaps more important, only a minority of the approved collaborations in Uganda had *ex ante* possibilities of a good (or significant) outcome.

The projects rated as having had a significant development outcome are the following:

- A cotton ginnery development and outreach program to about 35,000 farmers in the war-torn Northern part of the country with a focus on organic cotton and sesame seeds. The collaboration, today ended, has resulted in a fast growing and commercially successful company playing an essential role in the restoration of economic activities in the region. The company provided a commercial alternative to an area that was almost post-apocalyptic. Years of war had led to a generation of young people that had never known paid work. They had sat in camps since childhood. The project is of particular interest from a programme point of view as: 1) it was initiated by a micro-sized Danish enterprise; 2) the collaboration with the company has ended and from this perspective ‘failed’; and 3) it followed another failed pilot phase with another local company. The B2B embassy staff made a significant contribution in this respect by a proactive response to the first failure by finding a new partner in Uganda.
- A collaboration aimed at develop a cold chain system for distribution of farm products and foods, a pioneering effort in Uganda with strong linkage effects in the value chains for various products. The collaboration has resulted in a fast growing and commercially successful local company providing essential services regionally in the farm and food industry. The project created a market which did not exist before. The Danish company ended a successful Pilot phase of internal reasons, but another Danish company took over, and continued through a DBP phase. The collaboration is ongoing and beneficial not only to both parties, but with considerable spin off effects through solving a market failure.
- A project focussing on producing organic fruit and vegetables for sale in Denmark and other developed markets. The project aimed at assisting out-growers and farmers to firstly be certified with relevant organic certifications increase, and secondly to increase and diversify their production. It is an example of local farmers being linked to the world market by a successful “value chain” project by the Danish company. The collaboration is continuing with success also after the project has ended. World market prices are, on the other hand, challenging as is getting predictable deliveries.

The key lesson learned from this analysis is that a program such as B2B should be selective in its support to projects and use an active *ex ante* assessment of the potential development outcome. Such assessment can guide the program in its marketing (for example to specific priority sectors) and by reducing cost by declining projects with anticipated low or no development value. Developing a large portfolio for its own sake with a number of low-impact projects should be avoided. The application documents and the appraisal system in B2B is fairly weak in assessing *ex ante* development outcome, and largely silent on the issue of potential market distortions. The focus on programme indicators which mainly are confined to the performance of the specific company (or joint venture) prevent the assessment of development outcome.

5.7 Perceptions of success

Key stakeholders in the B2B Programme (Danida, Dansk Industri and Håndværksrådet were at the outset of the Evaluation asked to identify what they consider particular success stories in the overall B2B portfolio. The embassy in its Annual Report 2011 identified three projects which were rated as the most successful in the portfolio. It is of interest to note that only one project is rated as particular success among the groups mentioned above. This company is indeed a successful collaboration, but in Uganda it is criticised for its market distortion.¹⁰ Hence, it can be

¹⁰ In a formal letter to the Danish embassy, dated 24th June 2014, the Uganda National Vanilla Association ask why Danida contributes to the “Destruction of the Vanilla Sub-Sector in Uganda”, by only supporting one company.

seen as a well functioning collaboration, but with negative aspects as a development intervention. A mid-size Danish cleaning company, which has bought-into the local partner, describes the collaboration as a success with positive impact on the Danish company, but the view by the owner of the Ugandan company is quite different, seeing the collaboration in fairly negative terms, including an aborted effort to establish a laundry facility with IFU funding.¹¹ A Danish management consultancy group has a licensing agreement with a local management consultancy group, another functional and well performing collaboration, but its development outcome for poverty alleviation must be judged as marginal.

In summary, there are different perceptions of success on the Ugandan B2B mainly reflecting the different objectives of the B2B as means of stimulating collaborations with Danish enterprises, on the one hand, and as development efforts for poverty alleviation, on the other. It should be noted, that we do not see these objectives as necessarily in conflict. Perhaps the most important lesson for these is rather to ensure that they coincide already at the promotion/appraisal stage.¹²

5.8 Assessing the influence of contextual parameters

The Inception Report identifies 26 contextual parameters which *a priori* were considered to have an influence on outcome of the collaborations. 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 in a scale from none or marginal to good or significant). In the table below, the results are given.

Table 2: Contextual parameters, hypotheses and assessment in Uganda

| Parameter | Hypothesis | Test of hypothesis in Uganda |
|--|--|---|
| Global parameters | | |
| Global financial situation (Before-after 2009) | Projects started prior to 2008 higher success-rate than after 2008. | There is a positive relationship between results both in sustained collaborations and development impact and project started prior to 2008. The hypothesis is supported in the Uganda 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. However, clearly the Chinese presence is putting pressure on domestic enterprises in certain sectors. In none of the B2B collaborations this was explicitly an issue. |
| Partner country related | | |
| General business environment | Better environment leads to more successful B2B projects. Successful local companies can impact the policy level through lobbying ¹³ | Uganda’s business environment ranked in the second quartile among 19 B2B countries. (See below) In terms of number of collaborations, Uganda is in the first quartile indicating not a strong correlation. No comparable data on results exist yet. |
| Country economic growth and market size | Larger economies and markets are more attractive to Danish firms and more conducive for success than smaller. | Uganda in the second quartile among the B2B countries in both respects also in this case (See below). |

¹¹ IFU had approved a loan, but according to Super Clean, Alliance Clean never signed the loan, and the laundry facility was left with only the foundation finished.

¹² It can be noted that Challenge funds always have these development aspects at the forefront in the criteria applied in selecting winners.

¹³ The extent of development impact in a given country from FDI, depends on its bureaucratic quality, governance/accountability, political stability and extent of corruption. This is an old hypothesis - the better and more fair the business framework, the more development impact (employment, technological diffusion, linkage creation, CSR, etc.) can be expected.

| Parameter | Hypothesis | Test of hypothesis in Uganda |
|--|---|--|
| | Faster growing countries beneficial for B2B investments than stagnant economies. | |
| 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. | We have not seen any clear evidence on this in Uganda. Notably, there is no Danish collaboration in the emerging oil industry in Uganda. |
| Level of corruption and political stability | Less corrupt countries lead to better outcome in B2B. | Corruption: Uganda ranked in the third quartile. Hypothesis – corruption not a key determinant for involvement of Danish companies. In terms of results, no comparative data available. |
| Local conditions for the collaboration | | |
| Quality of infrastructure (energy, transport, etc.) | Better quality, better probability for positive results. | Access to reliable power is a key constraint in general in Uganda. Companies deal with this through own supply (generators, stabilizers). It seems not to be a factor which determine company decisions to invest or not, nor of results |
| Quality of vocational education and training | Better access to quality education means better options for building technological capabilities | It is not an apparent factor which determine results or a factor behind company decisions to engage or not. Companies undertake on the job training, import key skills. One collaboration focussed on providing such skills with positive results in development impact. |
| Government regulations concerning specific sector | “Sensitive” sectors have negative impact of collaboration performance. | This is potentially the case in the farm sector due to land ownership issues. May have impacted indirectly on farm investments. |
| 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 | Indirect support for the hypothesis. Cost and access to capital not sector specific. Cost of capital is very high in Uganda, and a factor which impact on B2B companies decision to access Danida funds (grants, IFU etc.) |
| Partner company related (at outset of B2B) | | |
| Size of local partner company (employment) | The larger, the more successful and the greater the impact. | A clear correlation. Hypothesis supported. See text below. |
| International experience of local company | The more international, the more successful the B2B. | There is a clear correlation between Ugandan firms with international experience to B2B success in B2B. The hypothesis is supported |
| Danish Company related (at outset of B2B) | | |
| Size of Danish partner company (employment) | The larger, the more successful and the greater the impact. | A very clear correlation. The hypothesis is fully supported – See below. |
| Previous international experience of Danish company | The more international, the more successful the B2B. The more internationalised, the less additionality of B2B | No such correlation in the material – Hypothesis refuted. See below. Additionality is generally very strong in all cases. The hypothesis is not supported |
| 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 | Continued emphasis on new markets | Unclear formulation of hypothesis. |

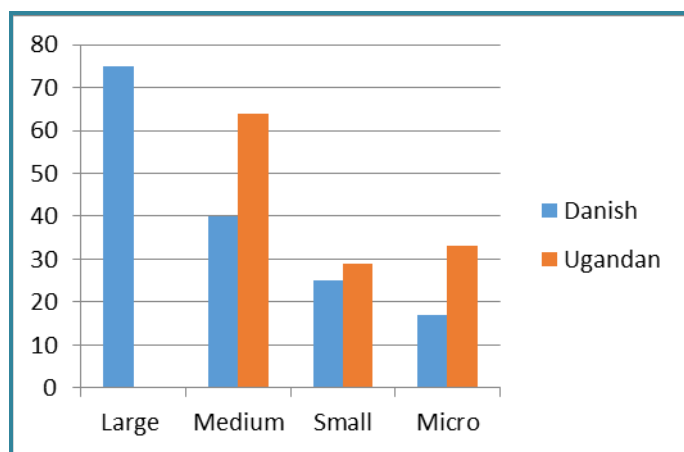
| Parameter | Hypothesis | Test of hypothesis in Uganda |
|---|---|---|
| company for internationalisation | | Danish companies seeking resources have a better rate of sustained collaborations than those seeking new markets. A reason might be that Uganda is a small and complex market |
| Profitability of Danish company | Financially poor performing companies at home will have lower success rate. B2B used as a as 'rescue plank' by poorly performing Danish companies. | Hypothesis not tested as there were too few companies showing poor financial performance prior to the collaborations. A general impression is, however, that the hypothesis has no ground except in some odd case. |
| Collaboration related | | |
| Sector incl. business drivers in the sector | Knowledge-based service industries better success than traditional manufacturing. | Hypothesis not possible to test due to too wide spread on sectors in Uganda. |
| Form of collaboration (judicial link) | JVs are better performing with higher degree of sustainability and impact than other forms. | The indications are that this hypothesis can be refuted. The reverse seems the case in Uganda. |
| Form of collaboration (production related) | Horizontal partnerships are more sustainable. | Hypothesis not tested. |
| "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. | In general this is the case in Uganda. Good collaborations build on trust, especially if equities are involved. However, trust is not an exogenous factor but created (or not) in the process |
| Goal congruity | Common goals with the partnership give better performance. | Hypothesis difficult to test as in applications there is an expressed common goal. Reality is different and different expectation on the collaborations is a major factor to create lack of trust and poorly functioning collaborations. A key problem in the B2B 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 |
| 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. |
| Danish level of trade and investment in the country | The more established as a partner country, the more likely success of new projects | Over the period from 2007 to 2012, exports of goods from Uganda to Denmark were negligible while imports from Denmark into Uganda were an average of 0.7% (USD 33 million) of total imports per year. The hypothesis cannot be tested in one country only, but concerns the whole portfolio. |

Below, some of these hypotheses are discussed further.

5.9 Company size and sustainability of collaborations

The hypothesis in the Inception Report was that company size matters, i.e. that the larger the company, the greater the likelihood of successful results. Below is the distribution of sustained collaborations for the Danish and Ugandan companies based on company size.

Figure 8: Company size and surviving collaborations (as % of all in the group)

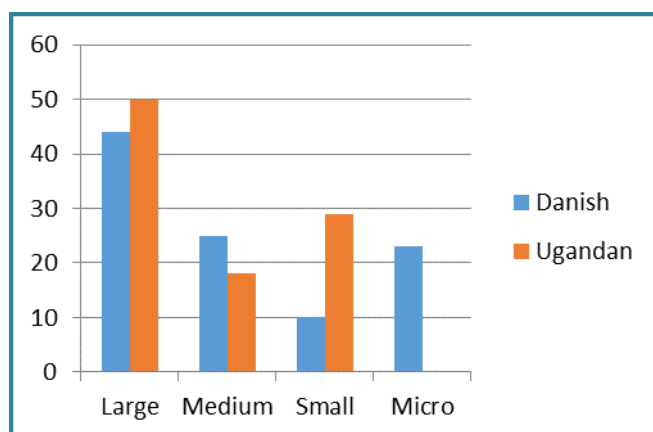


The hypothesis is confirmed in Uganda for the Danish firms. There is a much higher chance that the collaboration will be sustained, the larger the (Danish) company. The case concerning the Ugandan firm is different, however, with no clear pattern.

5.10 Company size and development impact

Does initial company size matter also for development impact? The figure below gives the distribution for the Danish and Ugandan companies in this respect. The graph shows the percentage of the collaborations which have resulted in good or significant development as defined in Annex 1c:

Figure 9: Company size and development impact (as % of all in the group)



Size matters in the sense that large companies have a greater share of projects which have a good or significant development impact. Noteworthy, however, is that Danish micro enterprises break the trend. As elaborated later, these micro enterprises are in most cases driven by other motives than other companies.

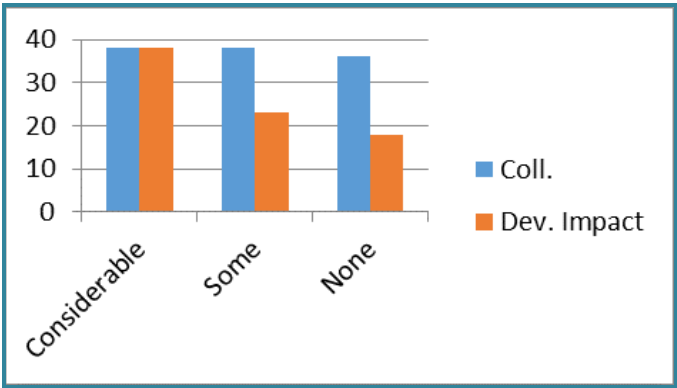
Should Danida increase its efforts to engage larger Danish and local enterprises in the programme for the purpose of creating sustained collaborations and for development impact?

Possibly, but it is worth remembering that the Gulu area collaboration rated by us as the one with greatest development impact in Uganda was with a Danish micro enterprise. The B2B Programme would have missed this project, had the DBP rules applied.

5.11 Previous international experience and success

A hypothesis in the Inception Report was that previous international experience by the companies would increase the chance for positive results. The figure below shows for the Danish companies whether such experience is significant for sustained collaborations and for the creation of good/ significant development impact. As shown, contrary to the hypothesis, previous experience seems not to be important for the creation of sustained collaborations, while there is significant difference for the achievement of development impact.

Figure 10: Share (%) of projects with sustained collaborations and good/ significant development impact dependent on the Danish company’s previous international experience



5.12 Assessing the country context parameters for Uganda

The suggested context parameters in the Inception Report include a series concerning the country. In order to operationalise these, the following proxies have been 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 in the reporting. The report has been published annually since the mid 2000s and is available on the net. 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 some 180 countries based on perceptions among businesses. We suggest using TI’s index for 2010 (reflecting conditions 2009).

Political risk (for investments and exports) is assessed by a number of organisations. We have used the Danish export credit guarantee agency, EKF, which classifies countries in seven risk

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

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.¹⁵

In the table below, the position for Uganda among the 19 B2B countries is indicated.

Table 3: Assessment of country contextual parameters

| Parameter | Proxy indicator | Uganda |
|------------------------------|--|---|
| General business environment | The World Bank/IFC's Doing Business index for 2010 (reflecting conditions 2009). In total 183 countries. | Uganda ranked 119 among 183 countries. Uganda ranked 8 among the 19 B2B countries |
| Market size | GDP USD billion in 2009 World Bank | Uganda's market size (GNI 2009) was USD 13.4 billion. Uganda ranked 10 of 19 B2B countries. |
| Economic growth | Annual growth GNI/capita 2010 World Bank | Uganda growth 4.6%. In the B2B country group Uganda ranked number 7 of 19 B2B countries. |
| Inflow of FDI | USD billion 2010 UNCTAD/World Bank | USD 0.5 billion. Uganda ranks 12 of 19 B2B countries |
| Level of corruption | Transparency International Corruption perception index 2010 (In total 178 countries) | Uganda ranking 127 of 178 countries. Uganda ranks 15 of 19 B2B countries. |
| Political risk | EKF's land classification 2012 (1-7) | Uganda rated as high risk in EKF's rating (class 6 of 7) |
| Access to credit | Doing Business sub-index Getting Credit 2010 (reflects 2009) | Uganda ranked 113 of 183 countries. Uganda ranks 10 among 19 B2B countries |

As noted above, among the 19 B2B countries, Uganda is ranked at the lower half for most of the chosen indicators, indicating that Uganda, relative to the other B2B countries, would be a less attractive destination for Danish enterprises. This contradicts that Uganda belongs to the first quartile in terms of number of collaborations (number five of 19). Our hypothesis is that the activities by the embassy (and other stakeholders) in promoting the B2B Programme in Uganda has played a more central role than the Danish companies' assessment of the investment environment.

¹⁵ Most export credit guarantee agencies do not publish ratings for investment guarantees, which also is the case of EKF. Different agencies apply different assessments. However, there tend to be considerable similarities. For example, the Swedish export credit guarantee agency EKN has exactly the same rating as EKF for the 19 B2B countries.

6. Analysis towards the DAC criteria

6.1 Relevance

Can the B2B be said to be a relevant support programme in relation to the key private sector development challenges facing Uganda? 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?

Uganda’s government has expressed commitment to private sector development at least since 2000, when the “Medium Term Competitive Strategy” was launched to create a favourable environment for the private sector to grow. This strategy has been successively refined, and the current version is the “Uganda Competitiveness & Investment Climate Strategy 2011-2015”.

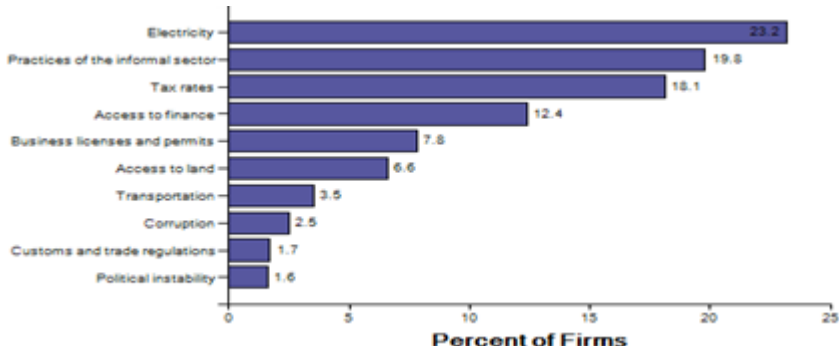
This strategy acknowledges that while Uganda has improved the business environment on many accounts, a number of binding constraints remain. CICS II identifies five priorities to direct Uganda’s competitiveness agenda¹⁶:

- Unleashing priority growth clusters
- Increasing firm-level capabilities
- Fostering competitive mindsets
- Strengthening Uganda’s enabling environment
- Driving focused execution through owners.

The seven growth clusters prioritised in the CICS are coffee, grains and pulses, horticulture, edible oils, fisheries, IT services/BPO and tourism. The B2B priority on agribusiness fits these priorities well. The overall B2B objectives and intentions are well aligned with the Government of Uganda’s policies and thus relevant at the national level. Both the B2B and GoU for instance focus on competitiveness as an important factor.

Looking more specifically at the identified constraints for private sector, the direct relevance of the B2B is slightly more mixed. In Uganda, there are several sources for identification of such constraints. A recent Enterprise Survey from the World Bank lists the top 10 business environment constraints as show below.

Figure 11: World Bank Enterprise Survey 2013: Top 10 Business Environment Constraints



Source: <http://www.enterprisesurveys.org/Data/ExploreEconomies/2013/uganda>

¹⁶ “CICS Strategic Operating Plan 2011-2015”, Ministry of Finance, Planning & Economic Development, October 2011.

An alternative source is the World Competitiveness Report 2013/14 from World Economic Forum (WEF) that also bases its ranking of constraints on enterprise surveys.¹⁷ This lists corruption as the key constraint, with access to finance and infrastructure problems as second and third respectively.

The B2B was not designed to specifically address such constraints. Most of the obstacles listed do not lend themselves easily to be solved by private businesses. Corruption, tax payments and business licensing are better addressed by other types of support programmes than a B2B type of programme. However, infrastructure, electricity challenges and limitations in access to finance are areas where private firms can potentially engage. Because the B2B leaves substantial discretion to each Embassy regarding what sectors to prioritise, the potential relevance of the programme to sector specific constraints are good. The embassy does not appear to have consciously utilised this strategic opportunity, but it is worth mentioning that the only finance project in the portfolio – an effort to regularise the operation of two rural SACCOs – came about thanks to a direct initiative by the embassy. The reasoning was the rather dismal status of the rural financial markets in Uganda. Otherwise, in the B2B portfolio, there are four B2B projects within a broader definition of energy and electricity, but none of these partnerships work today or are struggling.

Skills shortages are not listed among the top private sector constraints in Uganda, which it is in many other developing countries. Even so, after visiting a number of the B2B collaborations, this is possibly one aspect of the B2B that is particularly relevant for the private sector. There is in our view a severe shortage of vocational and technical skills in the labour market, and any effort to improve the skill and efficiency levels is relevant also in the Uganda setting.

Seen from an overall financial relevance perspective, the funds granted by Danida add capital to a constrained financial market for local companies. While not all may be additional – a few companies might have raised the capital themselves – the grants for less commercial purposes as CSR and labour improvements are likely to constitute real additions. However, because the funds are grants, they may also contribute to skewing the financial markets by providing scarce capital to bad business ideas – the capital could have been better used in more productive enterprises.

Relevance in relation to Danida Policy Objectives

The recent Danida Strategic Framework for Priority Area – Growth and Development¹⁸ emphasises 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 in Uganda.

- A requirement is that support is given to activities that otherwise would not be carried out. In Uganda, the B2B is thus found to be very relevant, as most partnerships would not have happened without the B2B. The Strategic Framework was made after the B2B started, and the design cannot thus be held accountable for potential deviations between the two. The main issue appears to be that the new Framework lists certain general priorities that should be followed when assessing support to partnerships. In brief, these include (page 33 of the Framework): Increased focus on a more strategic applications of the individual instruments and on the interaction between these instruments.

¹⁷ World Competitiveness Report 2013/14, World Economic Forum. Uganda tables and figures are found at page 374-375.

¹⁸ Danida Strategic Framework for Priority Area – Growth and Development 2011-2015, Danida.

- 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.

Given the flexibility that embassies are given in the B2B, it is of course possible to ensure that the country portfolio follows all of these priorities. However, the B2B design as such does not ensure that the priorities are applied, and the B2B is thus assessed to have lost relevance in comparison with today's Danish PS policies.

In Uganda, the portfolio covers a number of sectors and types of enterprises. There are a good number of collaborations in for instance agribusiness which comply well with the new priorities listed in the Framework, however. Thus the actual application of the B2B is to some degree relevant also in the new Danish PS framework.

Relevance for stimulating partnerships

Generally, the relevance of the B2B for creating additional international partnerships is high. However, there are nuances as to the "exact" additionally. A few of the partnerships might have taken place irrespective of the B2B, but they would most likely have been designed differently. Certain expenses and investments would not likely have been funded by a pure commercial cooperation. Thus, the partnership as designed in the B2B would not have happened. In short, the B2B is highly relevant in stimulating partnerships. Whether it is relevant in stimulating successful and sustained partnerships is a different matter, and in this, the program is much less effective and therefore less relevant.

The selection of Projects

For B2B to be relevant, its design needs to be such that it promotes projects that are relevant for the overall objective – poverty reduction. In the process of choosing projects – the "products" of B2B – the programme 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 factor in any business, and relevant for the development objective of private sector growth. A key element in any transition from a poor economy to a less poor is an increase in productivity of labour. In Uganda, the commercial performance of local companies in 2013 however indicates that not all of the partnerships have managed to transfer B2B support into positive earnings. It does not reduce the relevance of the

competitiveness criteria, rather how it has been interpreted and implemented. For instance with regard to form of partnership, a TA collaboration may not be sufficiently committed to make a transfer of technology stick. A commercial buy/sell relationship for international markets, on the other hand, depends on the collaboration to be competitive to survive. An additional element of the competitiveness issue is whether it is the subsidy that ensures the collaboration sales and market share. Relevance to private sector growth depends on the subsidy not to unduly distort the markets.

Employment and employment for women is clearly a relevant criterion for choosing collaborations. The relatively limited direct employment impact from the Ugandan portfolio indicates that it may perhaps not have succeeded to choose only partnerships with a high potential in this regard.

There are some features of the B2B that limit the relevance for employment growth. One is the size and scale of the companies participating. Most local companies are small, with some medium, and a few large ones in the portfolio. Business history has some spectacular stories about companies that triple and quadruple their operations in a few years, but that is not the normal growth trajectory. Organic growth of a sound company is usually slower, measured and well planned. Thus, if one starts with small companies – as in the B2B – one cannot expect big direct employment impacts over a few years.

Larger companies have more potential, but for many the limited scale and buying power of the local markets inhibit rapid expansion. Adding for instance another 100 employees would require a substantial increase in local demand that only happens in cases of very particular products.

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 we do not find necessary to repeat here. In Uganda, it also appears to be implemented such that relevance is conveyed into some actual impact. Some project like the DTIs work with a local company in oil extraction is almost exclusively targeted at improving external environment and labour conditions. Observations in the field further indicate substantial improvements in internal and external environments, like cleaner working stations, meals and lunches, safety measures and protective gear, working clothes, etc.

CSR elements. As an element of a programme that aims at fighting poverty, CSR activities are considered relevant and 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.

It should be acknowledged that this is a long-term undertaking, and that CSR has a tendency to move downwards on the priority list when financial pressure mounts. It has the least chances in partnerships that end when the B2B project ends. It works better in partnerships that sell products on a world market where ethical considerations is a precondition for selling – like in fair trade and some of the organic markets. The support to CSR in these cases is not only highly relevant to poverty reduction objectives; it also makes eminently commercial sense.

The intentions regarding CSR may not have been earnestly pursued in all collaborations. In some, it appears as little more than window dressing, and the embassy may not always have prioritised the CSR assessment when the criteria were considered and assessed.

Summary of assessment of the evaluation questions

| | |
|---|--|
| 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 Uganda PSD objectives. It has not been particularly relevant for business constraints at the general level – but was not meant to be. Some of the projects have relevance at the sub-sector level. |
| 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 Uganda. However, three out of four such partnerships might not survive after the B2B Programme |
| 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, and appropriate for support to private sector. However, it has not integrated features that ensure that current partnership priorities are followed |

6.2 Efficiency

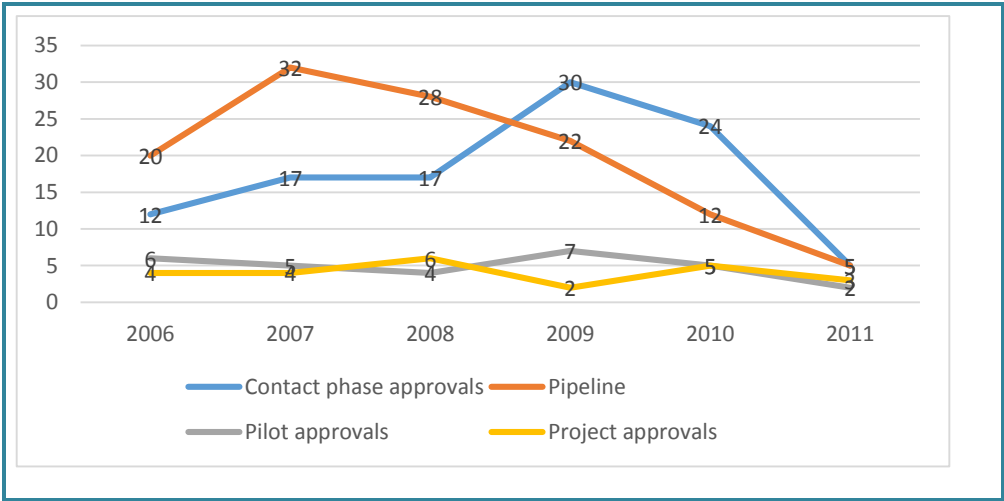
In the Evaluation Matrix, “efficiency” is related to the achievement of outputs – which in the case of the B2B is a) a question of how efficient the B2B was in encouraging and creating partnerships, and b) the efficiency of transforming the support into improved company performance and in transferring technology and know-how from Danish to the local partner.

EQ 1: How efficiently were the B2B Programme instruments used in creating partnerships and how did external factors influence the results?

Efficiency of Partnership Creation

Potential cooperation projects pass through a number of stages. The first is a matching stage, where the companies can apply for funds to visit potential partners in their home country. They then enter what the Embassy calls a pipeline of potential collaborations. Some of these continue into a pilot phase and others go on into the project phase. The figure below tracks the total approved numbers of these for each year as reported in the Annual B2B Reports

Figure 12: Number of pipeline, contact, pilot and project phase collaborations



The number of approvals for Pilot and Projects has been quite steady at roughly five Pilots and four Projects on average per year. The number of Contact phase approvals has been substantially more, with as many as 30 in 2009. However, the embassy's own pipeline assessment suggests a declining trend in what it perceives as possible collaborations since 2007.

From 2006 to 2011, the embassy approved 105 Contact phase projects. Ordinarily, the contact phase includes visits to and from Denmark to Uganda. There have been more visits from Denmark to Uganda than vice versa. The maximum grant amount is DKK 100,000, with the average actual amounts being in the range of DKK 35,000-DKK 40,000.¹⁹

The main B2B activities in the contact/matching phase are:

- Active search for companies in both countries. Local companies considered to have potential for the programme are visited. During the annual B2B coordination meeting in Denmark, the embassy visits a large number of present and potential partners.
- TechChange arrangements; several have found partners through these events.
- Danish sector delegations and business visits to Uganda.
- Advertisements and promotion primarily in Uganda.
- Other information activities, web site, update of Uganda Business Profile etc.

The annual budgets for marketing have generally been less than DKK 500,000 , not including any staff costs, travel etc. (Actually, in most years the committed budget has been less than DKK 200,000). According to the embassy staff, the most effective is direct contact with potential partners because it allows closer and more intimate relations. Interviews with involved partners to a large extent corroborate that point of view. The embassy staff has been able to communicate very well with private businesses in both countries, and the Embassy is generally given very high marks from involved partners. Providing a realistic assessment of the business environment at the same time as conveying the potential for doing good business is an art that not everybody may be able to perform equally well.

This strategy faces efficiency questions however, as it requires substantial staff input to work on a one-to-one basis. How much resources have been spent is unfortunately not possible to estimate. Administrative costs for the B2B are not split on the different phases, and there are no time sheets or similar that can guide an approximation.

Still, 105 potential matches in a country ranked among the last quarter of attractive business environments according to the World Bank "Doing Business", is considered a good result. Even though actual figures are not available, the resources spent on achieving this does not appear completely out of line. A guesstimate of annual administrative contact phase costs of DKK 750,000 (promotion costs of DKK 250,000 plus estimated staff costs of DKK 500,000) would add up to a total of DKK 4.5 million. That would indicate a cost per Contact phase approved project of a little more than DKK 40,000.

Only a portion of the contacts go on to the Pilot phase, and then to the Project phase. In the period in question, the B2B have approved 105 Contacts, 29 Pilots and 24 Projects. However, we cannot say that 105 contacts gave 29 Pilots, which again resulted in 24 Projects. Several pilots did not go through a Contact phase or did so under the old PSD programme, the same goes for some of the projects, while a number of recent pilots are still ongoing without having decided

¹⁹ Final disbursement figures are unfortunately not available.

whether or not to go on to the Project phase. Further, a few projects have changed partners along the way, and are counted “twice.”

Some of the later Pilots and Projects came about as a direct result of embassy enterprise, as for instance the project in the micro finance sector. It was felt that Uganda needed better rural financial services. The chance of partners in Gulu appears also to have happened only because of the embassy taking a tangible initiative. In other cases there have been shifts and mixes of partners and involved persons. From a resource point of view, the embassy possible spent more on organising these matches than they did for most of the other projects. As long as we do not have any solid indications about the relative time spent on each phase, efficiency conclusions per phase cannot be done with any certainty.

The current status of the B2B portfolio in Uganda – if we take out those double counts – comes to 15 Pilots and 22 Projects. The main reasons for the Pilots not going into the project phase are:

Table 4: Reasons for not going from pilot to project

| Reason | No | Danida Project numbers |
|--|-----------|-------------------------|
| Pilot still ongoing, january 2014 | 3 | 260, 280, 283 |
| Pilots experienced local market difficulties | 3 | 271, 274, 263 |
| Pilots had partner issues/disputes | 5 | 254, 268, 276, 272, 279 |
| DBP not attractive/not eligible | 3 | 275, 281, 282 |
| Pilot need new investors | 1 | 269 |
| Total | 15 | |

Of the three pilots that are still ongoing – all are substantially delayed – none of them are likely continued into a project phase under the new DBP. When interviewed, partners maintain they are still assessing the possibility, but that the new conditions make it difficult.

The “failed” pilots share one characteristics with the overall Uganda B2B portfolio – namely that they are equally diverse with regard to size, market, sector and business orientation. There is no single feature of the partners or the partnership that can easily explain why a collaboration stopped. There are large as well as micro enterprise involved on both sides, experienced international operators as well as those without, profitable companies as well as loss making, urban as well as rural, and agricultural, manufacturing and service companies in equal measure, and collaborations aimed at establishing joint ventures as well as those that “only” intended to have a technical assistance relation.

In fact, the actual reasons for Pilot failure appear to be familiar features of any business partnership process – with the exception of the changes from the B2B to the DBP. If anything, there might be too few Pilot “failures” as seen from the considerable number of Project phase collaborations that are not sustained. Some of those could possibly have been stopped at an earlier stage. There are two aspects of the B2B that may have led to such inefficiencies in the transfer from Pilot to Project:

- A 90% support element tends to leave 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.
- An administrative process leaving an embassy with the tasks of both finding a large number of matches to the B2B, to assist partners in structuring the collaboration, and then to appraise the final product. The embassy may perhaps not have been sufficiently incisive regarding some of the project ideas. It needs to be emphasised that we have not

found any traces of any type of misconduct in the process, but it is normally considered good practice to have different stakeholders involved in project preparation, and in project appraisal. Also, the embassy was not completely free to choose partners – a good number were identified by other organisations in Denmark.

Are there measures that can improve the efficiency of business preparation process that partners go through during the Pilot phase? Suggestions that have come up through the interviews and in the workshop include:

- Mandatory workshop/seminar for new entrants with former and existing partnerships, including both successful and flawed collaborations. A number of issues regarding for instance partner communication and local market behaviour appear to resurface again and again in both failed Pilots and Projects.
- Allow, and even insist, that expenditure to legal advice is included in budgets. This is particularly important for any joint venture and other partnerships that intend to buy/invest in local assets.
- Support should be given to a business plan, and not to specific items that are not necessarily core businesses for neither the Ugandan nor the Danish partner. This is to avoid high risk collaborations with limited commitment.
- Reduce the amount of the grant, or make part of it a loan. After the sombre experiences with locally administered PSD loans, that may not be high on the Danish agenda.

Efficiency in adapting to internal and external factors

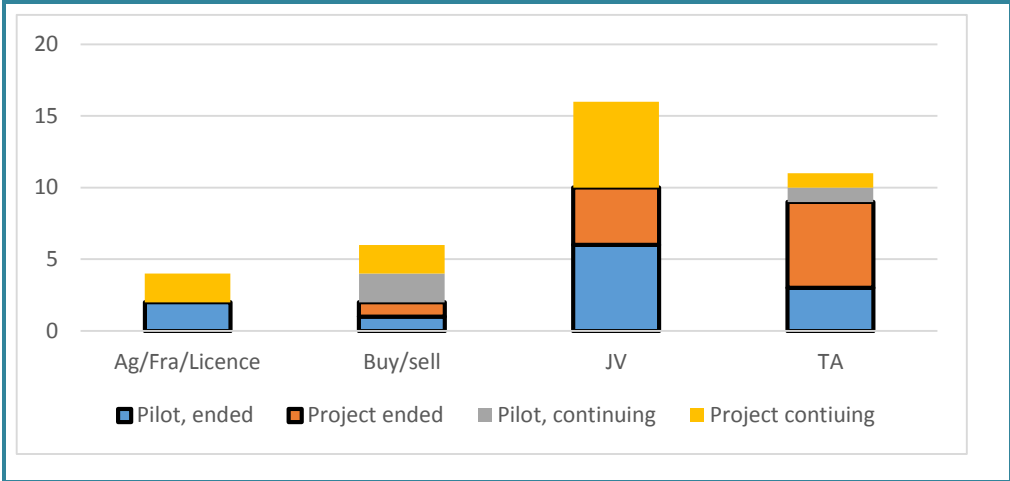
Of the 15 Pilots and 22 Projects, there are three Pilots and 11 Projects that have a partnership today. The three Pilots are yet not formally finished, and of the 11 Projects where partnership exists, seven are still under B2B implementation. Some of these will most likely end after the B2B project finally closes. Thus, of the 37 B2B Pilots/Projects altogether, perhaps 9-10 are likely to continue a commercial partnership after the B2B grant funds are gone.

Given the relatively low number of sustainable partnerships²⁰, the efficiency of “adapting to external and internal factors” in the design phase of Pilots and Project have not been substantial. All failures are basically due to either external or internal factors. However, for a substantial number of the partnerships, the discontinuation have more to do with the type of partnership instituted, than with any flaws in adaptation to particular conditions or circumstances.

As Figure 13 below shows, almost a third of the partnerships are technical assistance projects, with the Danish partner contributing advice and training, plus some equipment. Continuation is not planned for, and none of the local companies can later afford to buy the services at market prices. The two TA collaborations that have status as continuing are still under implementation – but none are likely to continue after B2B ends.

²⁰ What is a reasonable number of sustainable partnerships? There are unfortunately a limited number of international benchmarks for such partnership programmes.. However, the “*Donor Partnerships with Business for Private Sector Development: What can we Learn from Experience?*”, DCED, March 2013 summarises results from some of the more known. For instance, in the Dutch PSOM/PSI 57% of supported enterprises lasted seven to ten years after the approval date, and showed an average increase of 31% in employment after the completion date (Annex 2).

Figure 13: Entry strategy and current status in Uganda B2B collaborations



The business models based on commercial contracts like franchise, licence or agents, plus those where there at the start is a clear buyer/seller relation within a specific value chain appear as the most viable. In these cases, there is an inbuilt financial incentive for all parties to perform, and to adapt to markets and changes in external factors. Otherwise, the contracts would simply be cancelled. These projects are mostly in agriculture with organic certification a key ingredient, to attach the Ugandan suppliers to such high-value markets in the West. This implies a very clear business idea for the collaboration, with a tangible commercial objective. In these cases, we find that the collaboration is continuously adapted throughout the pilot and project phases, to deliver the products according to required market standards.

Indeed, the buy/sell project that is listed as discontinued in the figure above is the most successful of them all – namely the Gulu cotton project. The Danish partner could for different reasons not continue to buy organic cotton from the local company – thus no longer a commercial relation – but helped in building a local company that now sells almost everything on international markets.

The key issue with regard to design and adaptation is whether there are good incentives in the process for partners to continuously adjust. We find those incentives to be the strongest where there is an unambiguous business model for the collaboration. The relatively high subsidy element may also dull the incentive mechanism. It may perhaps reduce the motivation to make necessary changes in any phase. A third factor is that the B2B allows only certain expense categories to be funded, and there may be limited room to change the B2B design in cases where for instance external factors change dramatically. If markets plummet, extra CSR investments may not solve the new challenge that the partners’ face.

Fourthly and linked to the above, is that the B2B support is normally not based on a common business plan, but on a limited project design with a few support elements, which in many cases touch only parts of the business in question, either Ugandan, Danish or joint. In several of the failed JVs, the B2B process appears to have only scratched 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. Of the 16 collaborations that aimed at JV when they started, only four are on-going, one as a JV and three as buy-ins. All of these face serious challenges that may reduce that number to only one or two in a medium-term perspective.

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 low.

Summary of assessment of the evaluation questions

| | |
|--|--|
| <p>2.1 The efficiency in using B2B Programme instruments to establish the initial contact (Contact phase) between companies in Denmark and in the partner countries (“match making”).</p> | <p>In conclusion, while a qualitative assessment, the efficiency of the Contact phase appears to have been reasonable in Uganda.</p> |
| <p>2.2 The efficiency in promoting B2B partnerships from the Pilot phase into the Project phase.</p> <p>Did any specific factors (for instance company type, motivation, financial incentives, power relationship between partners, type of partnership project, or other) systematically come into play in this process, and how can the rate of companies establishing successful partnerships be increased?</p> <p>To what extent did the prevailing contextual factors influence the transition from Pilot to the Project phase?</p> | <p>The efficiency of the current process could be improved, as a number of projects are started that later fail. Several might have benefited from being stopped at the pilot stage.</p> <p>The type of partnership plays a significant role, with buy/sell performing best, and TA worst. The better commercially based a cooperation is, the more chance it has for survival. The 90% grant element skews incentives in both phases.</p> <p>To some degree, as in any type of business. See Chapter 5 for a closer analysis.</p> |
| <p>2.3 The efficiency in adapting to external and internal factors in the design of the <u>Pilot</u> phase.</p> <p>The response should be based on a comparative analysis of the programme achievements between B2B projects with differences in external factors influencing the programme (local economic factors, enabling environment, sector, etc.).</p> | <p>Several partnerships with a clear commercial orientation manage to adapt. However, many do not – as seen from the relatively high failure rate.</p> <p>The fact that ca 90% of all expenses are covered by grants, may perhaps dull the incentive mechanism for adaptation.</p> <p>This needs to be done on an overall B2B portfolio basis – there is no systematic evidence from Uganda apart from the relative overall success of buy/sell projects, working on a world market.</p> |
| <p>2.4 The efficiency in adapting to external and internal factors in the design of the <u>Project</u> phase.</p> <p>The response should be based on a comparative analysis of the programme achievements between B2B projects with differences in external factors influencing the programme (local economic factors, enabling environment, sector, etc.).</p> | <p>Same as 2.3.</p> |

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?

A particular feature of the B2B has been the substantial delegation of decision making to each Embassy, and this has led to likely differences between the countries in implementation. Basically, the framework allows for significant flexibility within the key B2B parameters.

Delivery of services to companies

Uganda has been one of the five largest B2B countries in terms of number of contacts, pilots and projects. The key reason has been a highly active embassy. The impressive lists of pipeline projects are the result of conscious and dedicated work by staff at the embassy, and also by B2B staff in places like Håndværksrådet back in Denmark, in finding potential matches. There are numerous stories about how B2B staff have contacted, visited, encouraged and tried to convince businesses in both countries to assess business partnerships. With a couple of exceptions, all of the interviewed Danish partners expressed great satisfaction with the support from the embassy. The Ugandan partners gave somewhat more balanced feedback, along two general arguments:

- The embassy had not properly explained the programme to them. Generally, 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. Some tended to see this as more of a donor support programme to them, than as a neutral business matching facility.
- It was felt that the embassy in some cases gave preference to the Danish partner in internal disputes.

Such responses were in minority, however, and the first argument is mostly due to how a donor like Danida is perceived in a Ugandan setting – they are primarily granters of grants. The second is a natural reaction in any case where you end up in a partner discussion, but the Danish partner may in some cases have contributed to the perception that the B2B funds are primarily Danish money that they should manage at their own discretion.

The most problematic aspect for private companies regarding access to the Programme – apart from the eligibility criteria – was the application procedures required. Some of the smaller companies had little experience from writing such applications. However, as the B2B allowed partnerships to hire consultants to do the basic authoring of applications this cannot be said to have been a serious obstacle.

Further, the B2B administration appears to have been flexible and very patient with a number of the partnerships that did not develop according to plan. Most projects appear to have experienced delays, with the average project implementation period in 2014 being 5.1 years – and seven projects are yet to finish. In cases where one of the partners dropped out, the Embassy worked hard to find substitutes, and apparently managed to do so in most cases.

In sum, the B2B in Uganda has shown good efficiency with regard to being service oriented, and being accessible for private companies.

Accounting for results: Documentation and Monitoring

The basic monitoring system consists of the following:

- Application from partners, and subsequent appraisal by the embassy. In the application, indicators are provided for programme and project objectives.
- Quarterly Reports (QR) from the partnership, where progress towards the objectives is to be provided
- Embassy's Annual Report on the whole portfolio, plus an annual indicator report
- Review by Danida, and in the case of Uganda this was done in 2009.
- 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.

In theory, the monitoring process appears both elaborate and detailed. Perhaps too elaborate, as several of the monitoring elements have been only partially implemented. The main source of input about progress was supposed to be the Quarterly Progress Reports. However, through our reading of those available, we find that only some adhere to the required template. Progress towards objectives is often missing, and figures are not properly defined (for instance regarding investments and employment) making comparison from year to year very difficult. Some only contain the barest of factual descriptions of activities. We have not been able to go through every hard-file of the 37 projects, but we suspect that quite a few have not sent four reports a year. The reports are primarily submitted when the project needs reimbursements of expenses, and that does not necessarily happen every three months. For those projects that have ended the cooperation, a few appear not to have sent the final report.

The lack of proper reporting from projects implies that the embassy may not always be fully up to date with the status of each. This is to some degree reflected in the Annual Reports that make few overall assessments of the quality of the portfolio. Disbursements and commitments are diligently noted, but a realistic assessment of issues like sustainability and partnership quality is less prominent. There is a change in the reports from 2011 and 2012, with better assessments of the projects, but the heading of those annual reports have then also changed from B2B to the DBP.

However, even those two reports suffer from a somewhat overoptimistic assessment of several of the partnerships. Given that the immediate objective of the B2B is to "...create long term sustainable partnerships...", this issue deserves a realistic treatment that we do not always find in the Annual Report. Two such examples from the 2012 report are the BioDiary project and the Konserve energy project. Both projects faced serious issues even before 2012, and while challenges are noted for the BioDiary project, both projects should have been written off as not likely to continue.

One issue we have with all reporting is that none assess one particular type of projects for what they really are, namely technical assistance. Danish companies – several of them consultancies – deliver advice, training and some equipment to local counterparts. While it is clearly a partnership, we have not come across a single instance where it has resulted in a later commercial relationship between them without a grant element. The Danish services are too expensive for any local company to pay fully out of his/her own pocket. We miss a critical analysis of this particular feature of the B2B collaborations.

Likewise, we have found few cases where the embassy or Danida has taken the initiative to end a project due to lack of reporting or lack of achievements of stated objectives. Sometimes

extensions are not granted, and that effectively close the project. The embassy has also kept a tight purse, as money has only been disbursed when solid and acceptable documentation for expenses have been delivered, Still, examples of closures due to the embassy actively stopping a project are difficult to find.

In general, reporting and monitoring is to some degree flavoured by the attention given to the overall numbers of collaborations and the size of the pipeline. Given the difficulty in arranging partnerships between Ugandan and Danish companies, the embassy can rightly take pride in its ability to generate both pipelines and partnerships. A similar attention to the quality of the partnerships in the longer run would, however, have befitted the reporting.

As mentioned above, a process where the same stakeholder is responsible for organising partnerships, appraising partnerships, monitoring partnerships and then reporting on those same partnerships do not conform to what would normally be seen as “best project management practice”. The presence of at least one external input in that project cycle seems more appropriate.

Finally, the programme indicators reported on has limited value. Firstly, projects clearly differ in how they interpret the indicators – i.e. turnover, investments, full time employment, investment in environmental measures, and employees affected by CSR activities. Some do aggregates from year to year, some do annual increase/decrease, and some simply report annual numbers. Secondly, projects are not defined in the same way – some count the whole business, others report only on the specific elements supported by the B2B. Some choose to define turnover as the number of items sold. Investments tend to include the support given by B2B, contain normal operative cost elements, and are generally highly unreliable. Environmental investments include anything with for instance the remotest cleaning outcomes. Is a fence constructed around a farm to keep other potentially disease ridden animals out, an environmental investment? We accept that it can be argued, but we feel it is still stretching matters somewhat. As this is self-reporting without any due diligence on the correctness of the numbers reported, they carry limited credibility. CSR activities are often just noted as “done”.

One suggestion to professionalise the whole reporting is to have one annual report only, done by an external agent. If that is found to administratively demanding, one can have an arrangement where the B2B/DBP each year randomly draws 25% of the projects to be visited by an external auditor to verify the indicators given. Or one can do as the Dutch PSI, only pay out support on the proven achievement of predetermined milestones. As it is now, the numbers and figures collected have limited value for the assessment of achievements towards key objectives.

Summary of assessment of the evaluation questions

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|---|---|
| <p>3.1 The extent to which the administration and management of the B2B Programme was well-balanced between ensuring control of public funds, providing easy access for private companies and providing the framework for an efficient use of Danida/embassy administrative resources</p> | <p>The embassy has provided a highly valued service to private companies, and easy access. The balance queried in the EQ has perhaps erred in favour of access, compared to the control and monitoring aspect, as seen from the substantial number of projects that do not meet the objective of continued cooperation.</p> <p>The question of efficient use of embassy resources is yet to be addressed, as it will need benchmarks from other Embassies to assess fairly.</p> |
| <p>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</p> | <p>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.</p> |

| | |
|---|---|
| and programme level. | |
| 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). | In terms of sustained collaborations – projects based on buy/seller relationships, including licence/agent relationships. In terms of development outcome: those which <i>ex-ante</i> had a considerable opportunity to have such impact. |

6.3 Effectiveness

The ToR of the Evaluation has posed several questions under the heading of effectiveness. Below, we respond to the specific evaluation questions raised under this heading in the Evaluation Matrix. It should be noted that some of the evaluation questions which deal with effectiveness are to be found under other headings.

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?

A basic motivation for programs such as B2B is that they stimulate transfers of knowledge and technology from the company in the ‘North’ to the partner in the ‘South’. In the following we use the term *technology transfer* in a broad term 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.

In the assessment of the 37 collaborations in Uganda we have rated the apparent transfer of technology on a scale 0-2 with 0 indicating that no such transfer appear to have taken place; 1 that some transfer occurred and 2 that considerable transfer is evident. The assessment is mainly based on statements by the Ugandan partner, supported by the Danish company, the company reporting and observations in the field. The rating gave the following outcome:

Table 5: Technology transfers in Uganda B2B projects

| Degree of technology transfer | Number of collaborations | Of which Pilots | Of which Projects |
|-------------------------------|--------------------------|-----------------|-------------------|
| Considerable | 11 | 3 | 8 |
| Some | 13 | 5 | 8 |
| None | 13 | 7 | 6 |
| Total | 37 | 15 | 22 |

No transfer of technology took place in about one third of the collaborations as they failed at the pilot stage, for example after undertaking feasibility studies which the local partner found of no value. An example of this was a Danish company in bio waste consultancy which teamed up with a Ugandan grain exporting company. The study was carried out by the Danish firm (financed by B2B) and was considered providing no use to the local firm, who, furthermore, never heard from the Danish company once the study was done. In other cases, the collaboration resulted in joint ownership, but the local firm considered what the Danish firm had to provide added nothing to the capacity of the local firm. It is noteworthy that in the project ranked highest by us in *development impact*, the Gulu project, both its management and the Danish partner did not consider that any transfer of technology took place. The value of the B2B support was rather that it allowed the local company to undertake a series of development activities with funds outside its

balance sheet (such as CSR activities aimed at out-growers), in addition that it provided new market outlets.

Considerable transfer of technologies took place in about a third of the collaborations. Examples of these projects are agriculture and in animal husbandry as Danish farm companies, world-leading in husbandry technology, were partnered with emerging but often quite unsophisticated commercial farms in livestock, piggery, poultry, and so on. Technology concerns often upgrading of farm productivity several fold, assuring animal health and sanitary conditions, besides introducing modern farm management techniques. Technology transfers often go beyond the partner companies. A Danish farm company had as an elaborate strategy to make its local livestock partner firm a 'lighthouse for development' for other livestock owners in the surrounding, and could, during the project period, see how new technologies were assimilated also among these.

Successful transfers are not confined to agro-business. For example the Danish small company in welding undertook a B2B project with a government vocational training institute as a partner in which a resident welder master from Danish firm trained both student and trainers in special welding over a three-year period. This work resulted eventually in a new company, today providing services within a French multinational consultancy group with a focus on the emerging oil industry in Uganda. A small Danish road sign company has established such a close relationship with its Joint Venture partner in Uganda that various skills and principles have been transferred not only to the partner, but to the Ugandan parent company as well with significant impact on productivity.

While a third of the collaborations had no impact on technology transfers, the overall conclusion is that B2B has been an effective mechanism in such transfers in the majority of the collaborations, whether the partnership has lasted beyond B2B or not. The reason for this is the practical and hands-on collaboration between business persons in the same sector, allowed to cooperate over several years with generous support by the programme. It is obvious that transfers do not always require a full project phase, nor that such a phase is a guarantee that technology transfers will take place. It is noteworthy that the majority of the companies which only went through the Pilot phase nevertheless consider that the technology transfer took place, and 20% of those found that it was considerable. Also noteworthy is that almost a third of the companies that had Project grant support did not consider there was any technology transfer involved.

Whether technology transfers successfully take place or not, is due to a host of factors including the building (or destruction) of trust between the partners; the commitment by the Danish company to the undertake joint work; the market conditions and business performance both in Denmark and Uganda which might stimulate or negate such transfers; the professionalism of the Ugandan entrepreneur to be able to absorb new techniques²¹, but also as mentioned above, Ugandan entrepreneurs with skills superior to the Danish partner firm, hence there is no need for transfer.

Trust is an essential parameter. There are examples in the B2B portfolio of partners that have grown to be highly trusting in one another, resulting in the Ugandan partner seeking advice and accepting advice on a number of issues as a matter of routine. There are other cases in which trust has deteriorated to the extent that all advice is mistrusted. Trust, in itself, is a complex

²¹ There is a case in the portfolio of a Ugandan company run by the wife of a high level official not allowed to engage in business, and where the woman has no skills and no apparent interest in the business.

phenomenon. It cannot be treated as an exogenous parameter, but rather one that is a product of interaction which can go both ways.

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. For example, for collaborations in which we considered no transfer having taken place, 9 out of 10 companies performed worse or not better than the baseline, while for those with considerable transfer, two thirds performed better than the baseline. This should not be interpreted as a clear causal relationship; it goes the other way around too. 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

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| <p>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.</p> <p>To what extent did the prevailing contextual factors influence the adaption of new knowledge and technology?</p> | <p>There has been a transfer of technology in two thirds of the collaboration both in Pilots and Projects. The range of technologies varies, from hardware to soft matters such as management cultures.</p> <p>It is difficult to point at specific circumstances which create successful transfers, except that trust plays a major role. But trust is not an exogenous factor, but one which is a product of interaction.</p> |
| <p>4.2 The extent to which the partnership, through the adoption of new knowledge or technology or otherwise, led to improved performance, increased employment and/or increased turnover of the local partner company.</p> <p>To what extent did the prevailing contextual factors influence companies’ improved performance?</p> | <p>The results of the collaborations in terms improved company performance is limited, employment is estimated to about 500, and turnover not significant for most local companies.</p> <p>See the analysis in Chapter 6</p> |

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 is (part of) one of the six Program Indicators. In the application form for Projects, the partner companies have to elaborate on how this dimension will be handled, and for most projects, it is a specific budget item. Occupational health and safety has, as far as we have been able to assess the matter, been taken seriously by the Danish partners who handle the grant funds and *de facto* determined the technical inputs. Our visits to the Ugandan companies also bore witnesses of this, with various manifestations in occupational health and safety investments. However, in a number of work places, the conditions were still sub-standard not only by European standards, but also by conditions laid out in ILO Decent Work Agenda. Production was often carried out under very noisy and polluted conditions without any protective gears for the employees being used. This seemed not to perturb the owners or management staff participating in the site visits.

We see no evidence that whatever 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 program in this respect has had any impact on the overall treatment of OHS in Uganda.

Environmental standards

Environmental standards are, together with Occupational health and safety, another focus area in the B2B Programme, and is (part of) one of the six Program Indicators. In the application form, the partner companies have to elaborate on how this dimension will be handled, and for most projects, it is a specific budget item. Environmental standards have also been a subject for the collaboration in most projects, in some almost entirely the focus of the grant support. This was, for example, the case with DIT's support to two capital-intensive industries in Jinja, both clearly sub-standard prior to the B2B from an environmental point of view. In the latter case, to the extent that the company was threatened by the authorities to be closed down due to its effluence and pollution of a nearby lake. In these cases, the B2B projects clearly made considerable improvements both through technical and management inputs and investments. Especially the oil extraction company invested considerable amounts in new environmental technologies of own resources in addition to the B2B grants. Also other companies with environmental issues, such as a piggery which was subject of an outbreak of Swine Fever made significant improvements in the environmental protection on the advice of the Danish partner.

It should also be noted that several of the B2B collaborations had environment as business idea. For example, two of the 37 collaborations concerned garbage collection (one Danish company initiated partnership with two different companies); one concerned general cleaning services; and two of the collaborations focussed on energy efficiency, solar energy and carbon credits. Overall, our conclusion is that the environmental dimension of the B2B in Uganda has been effective, especially in companies where environmental issues are essential. (The portfolio varies a great deal in this respect, from inherently polluting industries to clean service industries such as management and other form of consultancies.) When the impact has been less than anticipated, this has mainly been a result of failed or faltering collaborations. For example, all the five projects which had environment as business idea mentioned above, either failed as collaborations or are struggling.

CSR

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

Corporate Social Responsibility is not high on the agenda in Ugandan SMEs, and much of the support under the B2B Programme tends to become cosmetic with limited sustainability once the grant support is over. Nevertheless, the collaborations tend to have had a general CSR element involved in the sense 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.

Also important is that in some projects, the CSR work has led to reduction of labour turn-over, which might over time create spread effects to other companies in the same sector.

Summary of response to the specific evaluation questions

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| 5.1 The extent to which the support under the B2B Programme led to improved occupational health and safety conditions for employees. | OHS has been a key input in the B2B and has been implemented. The conditions in many local companies, especially heavy industry, are however still poor. Whether there is an overall higher standard than in the Ugandan business sector or not, cannot be judged. |
| 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, and has, at least in companies with major environmental issues, been a success. Collaborations specializing on environment as a business idea engaged in B2B has 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, a new feature for many companies in Uganda, however, tend to be a cosmetic feature in Ugandan business. More important is that the Danish companies have transferred management cultures related to accurate accounting, transparency and anti-corruption. |

6.4 Impact

Long-term impact 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

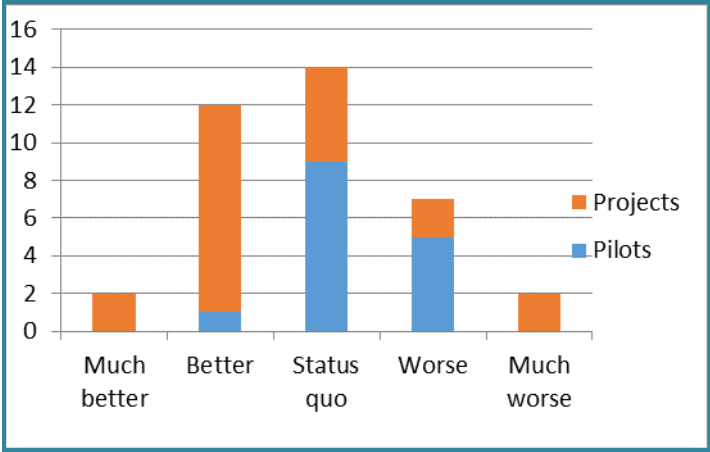
In our review of the 37 collaborations in Uganda we rated the local partner company commercial performance currently as compared to when the company joined the B2B Programme. We used the following rating scale:

| | |
|-------------|---|
| 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 |

Our rating is based on information provided by the Ugandan companies primarily, in some cases substantiated by the Danish firms. As baseline, the application documents have been used which provide data on turnover, profitability and employment levels. It should be noted that financial data in Uganda are not easy to access, and there is generally reluctance to provide such information other than in quite general terms to the Evaluation Team. The partner companies are obliged to provide data on the Programme Indicators when they are involved in Project phase. Turnover is one of these indicators, which, when available, have been used in our assessment. Profitability, on the other hand, is only provided as a baseline and not followed up in the results reporting.

Our assessment shows the following distribution divided on Pilots and Projects:

Figure 14: Distribution of local company performance Uganda B2B



It is important not to exaggerate the attribution of the B2B Programme to company performance. Many factors, including market conditions and the professionalism of the management, impact on a company’s performance ‘before’ B2B and ‘after’ which in some cases can cover a time span of seven to eight years. The figure indicates, nevertheless, that companies which participate in the Project phase have overall done better than the Pilot only companies. However, notable is also that, overall, there is just a slight overweight in number of companies doing better than doing worse.

One of the companies which is doing much better now as compared to before B2B is the Gulu based company which has increased its turnover by about DKK 50 million per annum comparing to the baseline in 2009. According to the management the B2B project has played a role in this. The other well performing company is the oil extracting company which increased its turnover substantially from 2009 to 2013. In this case, B2B is unlikely to have contributed significantly, if at all, as the B2B was not focussed on the core business expansion strategy.²²

The cases of much worse performance now as compared to before in the figure, concern both collaborations that went through B2B project phases. One of these projects is an ICT project in which the local Ugandan company went through a rough time financially, partly due to a failed collaboration with a Danish partner, partly due to rapidly changing market conditions impacting negatively on its profitability. In the second case, B2B had a considerably negative effect as the local company established specifically for the collaboration around manufacturing of ID cards suffered financially from the bankruptcy of the Danish partner.

Employment creation

Creation of jobs for men and women is a key performance indicator in the B2B Programme. Male and female jobs constitute two of the six Program Indicators which the partner companies that receive project grant support are obliged to establish targets and report on. In the 14 collaborations which are still ongoing, the employment today is together about 250 persons above the level when the B2B support began. Of these about 100 are women.²³ The attribution of the B2B to this increase is difficult to assess. There are examples of job-creation which most likely would not have taken place without the program. For example, the Danish company in welding initiated a work under B2B with a government vocation training institute to develop

²² Hypothetically, had the company not undertaken the environmental measures had been forced to close down, the attribution is indeed very strong.

²³ Note that these figures only concern ongoing collaborations, not all the Ugandan companies which have participated in the B2B Programme.

skilled welders, and in this process also established a new company. The latter, today employing 30 persons, has been bought by the French multinational consultancy company and is now actively engaged in providing services to the emerging oil industry in Uganda and Rwanda.

The collaboration between the Danish food industry Uhrenholt and a Ugandan food company triggered the creation of a new 100% locally owned company for the purpose of developing a cold food chain. The company, which currently has a DBP support with a large Danish firm, has a workforce of 20 persons and 30 on temporary employment. Also in this case attribution to the B2B is strong. In other cases, it is difficult to separate out the impact of B2B in the activities of the on-going companies. For example, a Ugandan cleaning company in which the Danish company has bought a minority share has today 50 persons more employed than before B2B, but the labour force has varied between 150 and 400 due to changes in demand and market conditions.

All together, we estimate that the B2B Programme can be attributed to perhaps the creation of 400-500 permanent jobs, of which about 150-200 are for women. Assuming a program cost of DKK 120 million (including administration) in Uganda, the cost per job would be in the order of DKK 250,000. Given that the wage level for low skilled jobs in Uganda is about USD 600 (or DKK 3,600) per year, the B2B is far from a cost-effective job-creating mechanism.

Indirect jobs

The conclusion above must be qualified with jobs created up-stream and down-stream of the partner companies. Some of the projects in the Uganda portfolio have strong such effects. For example, as noted earlier the cotton processing firm in Gulu claims an outreach to about 35,000 farmers in the district, providing these farmers with an outlet for farm products such as cotton. Similar outreach effects can be found in other agriculture related projects such as a Ugandan company processing and marketing vanilla. Possibly the Ugandan B2B projects collectively might have a stronger or weaker impact of 40,000-50,000 farm producers or workers up-stream and down-stream. Quantification of the value of such an impact in terms of added income cannot be done.

Competitiveness, market distortions and market making

Increased competitiveness is a focal theme in the B2B Programme, also reflected as an evaluation criterion in the ToR. Increased competitiveness should to some extent be manifested in commercial performance (assuming no negative market development and that the domestic and external competitors are not increasing their competitiveness even more). As noted above, there has been a slight overall better commercial performance of the Ugandan companies as a collective, but only few of them have clearly performed well as compared to the baseline.

Competitiveness is not a good indicator of the B2B as a developmental program with the objective of poverty alleviation. As discussed earlier, subsidising one enterprise risks causing market distortions by favouring one company over others on the same market. The market distortions in the B2B Uganda portfolio are apparent. Allegations have been raised in Uganda of such market distortions, for example in the vanilla sector.

The *market distortion – market making dichotomy* is poorly elaborated in the B2B program. It is not a feature of the application template, nor assessed in Danida/embassy's appraisal of projects. Overall, the B2B program suffers from a too narrow micro view on company development with too limited attention to the potential and actual development impact in a macro perspective. This is, for example, reflected in the Program Indicators selected.

Target groups and beneficiaries

The key beneficiaries in the B2B Programme are the owners and entrepreneurs of Danish enterprises and the Ugandan partner firms. They reap the main benefits from increased profits and wealth creation when the collaborations go well. In Uganda, the owners of the companies tend to belong to the absolute economic elite in society with not a small number of owners also belonging to the political elite with family ties to the head of the state. From this perspective, B2B is as far from poverty alleviation as a programme can come. However, such a bias is inherent in most private sector development programmes, and is justified by the importance of fostering entrepreneurship as a means of creating economic growth, employment and other benefits in the society at large.

In terms of direct employment, as noted above, the B2B has had a limited impact, mostly created urban jobs for men. These jobs vary from unskilled labour at wage levels of about USD 2 per day to qualified management jobs. Adding indirect jobs especially in the agriculture sector, some of the B2B projects have had a considerable impact on small-scale farmers by providing additional farm outlets for commodities such as cotton, oil seeds, fruits and vanilla. A few of these projects can claim to provide benefits to the ‘intended’ Danida target groups. Also in this case, the Gulu DAC stands out as the clear shining star.

Few of the B2B projects in Uganda have taken place outside the main cities of Kampala-Entebbe and Jinja. Including the surrounding of these two cities, 30 of the 37 projects were located there. This reflects that Kampala-Entebbe and Jinja are the two major growth poles of Uganda, attracting businesses. With the concentration of the B2B to the main cities follows that the impact of the projects on the local communities tends to be limited or negligible. While a company in cleaning provides jobs for about 200 persons, this is still quite limited in relative terms in the Kampala area. A company such as the oil extraction firm with about 600 employees is a major player in Jinja, and a significant source of employment in the area. However, the turnover of unskilled workers at the company is very high, indicating that the menial (often dirty) jobs at the oil mill are not particularly attractive. In terms of management, the company recruits mainly from India, further reducing its role in the local community.

Gender

Among the company owners and entrepreneurs both in Denmark and in Uganda, there are very few women. On the Danish side, none of the entrepreneurs (or leading persons in larger companies with responsibility for the B2B collaboration) is a woman. In a few cases, women are the formal owners of companies in Uganda, but they are *de facto* fronts for their husbands who have official positions (as a head of the central bank; as an ambassador) preventing them from formal ownership of businesses.

In terms of direct employment, women are in minority. This has to a large extent to do with the type of businesses the collaborations concern, but it is also a reflection of the labour market in Uganda. At the farm-level, and the indirect employment, women play a more important role. The projects have had limited influence over the gender distribution, but at least in some cases, the Danish firms have actively tried to engage women more strongly. As a gender development programme, B2B in Uganda is not at the forefront.

Summary of response to the specific evaluation questions

| <i>Specific evaluation questions</i> | <i>Summary of Assessment</i> |
|---|--|
| 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 | There are technology transfers impacting on the majority of the partner countries which might have a longer term development impact. The impact on employment is estimated to be a |

| | |
|---|--|
| competitiveness); and how country or company contextual factors systematically influenced the long-term effects. | maximum for 500 jobs over five years. A key contextual factor influencing performance both in terms of collaborations and development impact is the size of (mainly) the Danish company. The larger 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. The B2B in Uganda has not been well targeted geographically and on type of companies for the purpose of achieving high developmental impact. To a considerable extent this is due to the nature of the programme (depending entirely on Danish company interests), but 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 for a few, there are essential spin offs, mainly in the agriculture sector. The spread effects of environmental measures, OHS and CSR 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

None of the Danish firms which have participated in the Uganda B2B has made a considerable gain from the programme in terms of developing a new commercially successful business. Rather, the majority of the Danish companies have ended up in a status quo situation comparing before and after in financial terms, and a few even claim the participation has caused losses. There are some of the Danish firms which through the program have or are in the process of developing an emerging business, albeit at a small scale given the companies' turnover.

Translating the outcome of the collaborations in terms of *employment creation* in Denmark, the results due to increases in exports are likely to be very marginal. On the other hand, there are no evident examples in the portfolio of 'exports of jobs' from Denmark as a result of the B2B. Nevertheless, there are examples of Danish entrepreneurs who through the B2B have shifted their interest from the Danish market to pursuing business in Uganda. For example, the owner of a Danish medium-sized company in waste management plans to shift his interest to a JV in Uganda, and has sold his Danish company. Several of the 'farm companies' involved in B2B Uganda are undergoing similar shifts in interest from Denmark to Uganda. Such shifts are more triggered by personal interests and life decisions than profit-seeking in business opportunities.

Overall, the impact of the collaboration on the commercial performance of the Danish partners (such as productivity, profitability, technology upgrading, and market position) is marginal. While the B2B has been far from a commercial success for the Danish partners, their cost of participation has largely been covered by the grants. Also, companies which have lost money or are likely to lose, still see the collaboration as worthwhile in the sense of learning, personal development for the entrepreneur, and similar 'soft' outcome. Clearly, the B2B has opened up the interest among many of the Danish entrepreneurs for Uganda, perhaps less as a commercial opportunity and more as a cultural experience, as a means of broadening ones outlook on the

world, as a 'life changing' experience. From a development perspective, several entrepreneurs in micro or small Danish enterprises have to a certain extent become 'emissaries for technology transfers and business skills' which goes beyond their own commercial interests and has more to do with altruism and a desire to help less privileged countries. This is particularly the case with some of the Danish farmers engaged in B2B. It is in this context essential to note that the new DBP basically has closed this opportunity due to the minimum size of the partner companies.

Learning has been an essential outcome of the B2B for the Danish enterprises. For many of the enterprises, this learning has meant that the expectations of the Ugandan market size and market opportunities had to be revised. A Danish company involved in energy conservation and which bought into its Ugandan partner found that the demand for such services was much less than initially anticipated, making the case for a meaningful business low. A small Danish company manufacturing road signs, established a JV through B2B with a Ugandan partner, but found the market for road signs in Uganda more complex than anticipated. A Danish entrepreneur in waste management bought into a newly formed Uganda waste management company only to find that the market for garbage collection in Kampala to be highly politicised and basically closed, and as a result of this, had to develop a new strategy for more specialized services with different clients. A Danish consultancy firm specializing in energy efficiency found that the Ugandan market is highly dependent on aid projects with limited interest in the business community unless it would be aid funded.

An important distinction can be made concerning the key motivation for the Danish companies to engage in B2B in Uganda between what we call *conventional business motives* (such as opening up new markets, assure sources of supplies) versus *altruistic, adventure-seeking, life changing motives*. The latter category is by no means small in the Uganda portfolio, accounting for at least a third of the 37 collaborations. There is no evidence from our analysis to indicate that these entrepreneurs are achieving less result in terms of development impact, than Danish firms triggered by business motives. In fact, the altruistic/adventure/life changing partners tend to create valuable informal relationships with their Ugandan partners, independent of B2B grants or commercial rewards. Many of these 'companies' are small, sometimes single person, and are as a result of the new rules in DBP excluded. This is a clear detriment to the Value for Money in the program.

Direct investments

A common assumed result of programme such as B2B is a leverage of donor funds in the sense of stimulating private investments by either the local company or the foreign. Investment is also one of the six Program Indicators in B2B. In Uganda B2B, the leverage of the B2B grants has been small. In none of the projects, the Danish partner has invested own funds to any significant extent. In a majority of the collaborations, the Danish companies have invested almost nothing, but fully relied on the B2B grants providing 90% of the costs. In the few projects based on JVs or buy-ins, the Danish companies have invested in equities in the JVs or in the local companies. In none of the cases, has the investment exceeded DKK 1 million. Our estimate is that the leverage in the Uganda B2B is not more than 1:0.15, i.e. that DKK 100 million in grants have not mobilised more than DKK 15 million, or probably less than that.²⁴ Such a ratio can be compared to challenge funds and Public Private Partnerships (PPPs) which would find a leverage ratio of less than 1:1 unacceptable. In short, the B2B Programme in Uganda has been ineffective as a leveraging mechanism and in triggering foreign direct investments.

²⁴ The calculation of the 10% as own contribution is difficult to assess as for the main costs, training and technical assistance which in most cases were carried out by the Danish firm, hence is an internal pricing on time.

Summary of response to the specific evaluation questions

| <i>Specific evaluation questions</i> | <i>Summary of Assessment</i> |
|--|--|
| <p>7.1 The long-term effects of the B2B partnership on the Danish partner company in terms of other international strategic alliances, increased access to markets, improved competitiveness, or other.</p> <p>To what extent did the prevailing contextual factors in Denmark influence the Danish companies' interest for strategic alliances – as offered by the B2B Programme?</p> | <p>Negligible impact on the Danish firms due to two key factors:</p> <ol style="list-style-type: none"> 1) The failure or struggling nature of a large number of collaborations, some with financial costs to the Danish firms. 2) The small size of the collaborations, especially for larger Danish firms, and the marginality of the Ugandan market in their global perspective. <p>The two key factor which seemingly has triggered the interest in Uganda B2B are:</p> <ol style="list-style-type: none"> 1) The very active promotion of the Embassy and other stakeholders of the program 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. |
| <p>7.2 The Danish partner companies' level of investments in international strategic alliances.</p> | <p>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 programmes.</p> |

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 poverty reduction

It is essential to keep in mind that most of the B2B collaborations in Uganda are with smaller firms, or in the case with the larger companies, the collaboration concern only a segment of their operations. Direct poverty reduction in such cases would be a misnomer. The only collaboration where such an impact might be present is the Gulu project, partly as it is taking place in an area with considerable poverty affected by the war inflicted by the Lord's Resistance Army and partly as the company has a large outreach.

In aggregate, the B2B in Uganda – with the exception of the Gulu project – have weak direct link to poverty alleviation of the following reasons:

- The employment effect is, in relative terms, very small. Uganda has one of the highest fertility rates in the world, and the labour force (persons between 15 and 64) increases by nearly a million per annum. Creation of 100 jobs per annum in the context of a labour force of about 16 million, growing at a rate of 2-3% per annum is obviously not even a drop in the bucket.
- The number of persons which are affected by measures such as CSR and working environment development are also limited, and we see little of spread effects on this beyond the companies.
- As the majority of the collaborations are located in the main cities, the impact on the local communities tends to be negligible.

Indirect impact on poverty

Indirect impact on poverty can take place in different forms as elaborated earlier. The strongest manifestation in the B2B portfolio in Uganda are a few projects which address key constraints for farm producers and especially poor farm producers by providing outlets linked to export markets and facilitating physical distribution. As discussed earlier, these impacts are significant, especially in the Gulu project. These projects are all in the agro-business. With a population where more than 80% of the labour force (and an even higher share of the poor) is engaged in primary agriculture production this should not come as a surprise. A lesson of this is that a program such as B2B should target its resources in sectors that make a difference to poverty.

Impact on business sectors and business environment

The 37 projects in B2B portfolio is scattered on many sectors and sub-sectors in Uganda. In spite of the fact that most of the companies are SMEs in Uganda, a certain (sub-sector) impact is evident in some cases. Possibly the most important is in the cold chain distribution of foods where a new firm established through the B2B is playing a pioneering role, likely to trigger copying as well as changing in distribution of foods in Uganda and to a minor extent neighbouring countries. Also in the livestock sector and dairy, there are spread effects, and this might also be the case in piggery in which a B2B project is leading in Uganda. The development of special welding services through the Danish firm has impacted on Uganda's capacity to provide such services in the emerging oil industry, not least as the new company incorporated into a large, multinational consultancy group.

It is not possible to aggregate the impact of such projects as each case is different. Nevertheless, it is impacts of this nature which should be at the core of a program such B2B. Not only do spread effects of this nature expand impact from the micro level to a broader sector, but it also justifies subsidies to individual companies in a market.

Going beyond business (sub-)sectors, it is difficult to see that the B2B projects have had any impact on the business environment in general in Uganda.

Impact on economic growth

Given the size of the individual B2B collaborations, it would be presumptuous to assume a short-term impact on Uganda’s economic growth. Also in the aggregate, the B2B Programme’s contribution to the Ugandan GDP is too insignificant to be measurable.

Summary of response to the evaluation questions

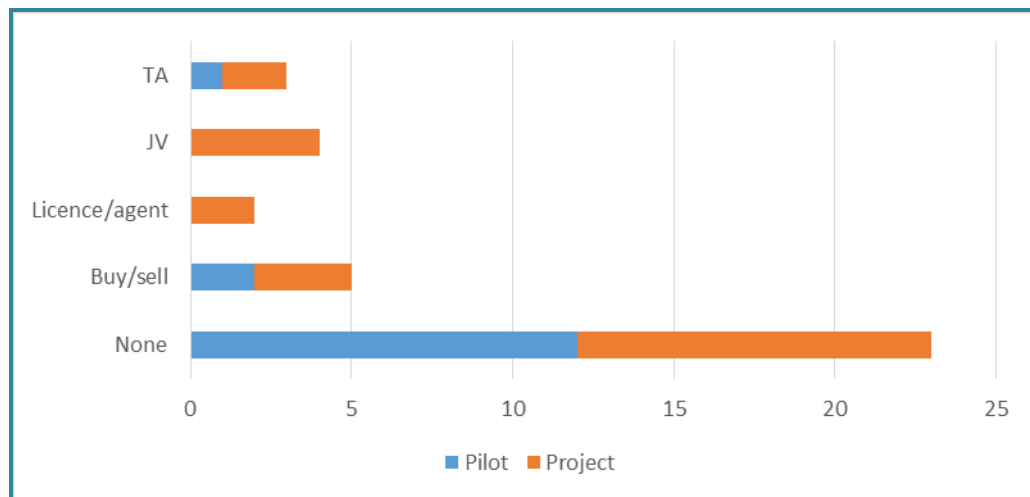
| <i>Evaluation questions</i> | <i>Summary of assessment</i> |
|---|--|
| 8.1 The impact of the B2B Programme in terms of poverty reduction or sustained changes in livelihood for the people <u>directly</u> affected by the programme through employment, capacity development or CSR activities. | Extremely marginal due to limited direct employment creation that can be attributed to B2B, capacity development or CSR activities. |
| 8.2 The <u>indirect</u> B2B Programme impact on poverty reduction, increased employment and growth through market changes and effects on the wider economy. | Almost entirely due to one project in the Gulu area, but also to some extent through a few projects which address key constraints in the agriculture sector. Impact on the wider economy negligible. |
| 8.3 The impact of the B2B Programme on business sectors, the national enabling business environment, and economic growth. | Not insignificant impact in subsectors especially in agro-business through technology transfers. No impact on the Uganda business environment in general, and miniscule on economic growth. |

6.5 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 between 8-10 partnerships out of 37 may continue as commercial collaborations after the B2B project ends. Of the 14 active collaborations today, three are TA projects still being implemented. Of the remaining 11, there are four JVs, of which at least two face serious challenges. The actual commercial relation as per February 2014 is shown in the graph below. The “none” category means there are no commercial relation anymore.

Figure 15: Commercial relation February 2014 (no. of collaborations)



At the risk of repeating ourselves, the most prominent characteristic of those partnerships that have survived is their status as a “buy/sell” relationship. Indeed, of the seven partnerships that ventured into the B2B with this as their strategy, only two do not have a commercial cooperation today. One of those is in our view not a failure at all, as it is the Gulu project that does excellent business in the world markets. The other buy/sell that did not go beyond the Pilot phase is an organic fruit processor, which found the new DBP conditions as unattractive.

Of the surviving five “buy/sell”, four are in agriculture of which three sell to an international market. The non-agricultural project is a project within hearing aids, where the local partner markets a limited number of the Danish hearing applications each year.

The B2B Annual Report from the embassy end of 2010 (page 3) summarizes the B2B sustainability experience very well: *“Our experience is that perhaps the strongest partnerships are those that are supply-chain based, most particularly where the Danish partner’s business model reflects some level of dependence on the delivery of product from the Ugandan business that the partnership supports. This mutual dependence motivates partnerships for the longer term, particularly when the products/s are otherwise not readily available at the specification demanded.”*

However, the sustainability of the different professional inputs and equipment provided to the local company during the B2B period appears better across most partnerships. Only a couple of local firms said they had gotten nothing out of the cooperation. It is a challenging contention to prove, however. Still, our observation through visits to companies indicates that lessons have been internalised, and thus become part of a sustained business operation. Tangible examples include:

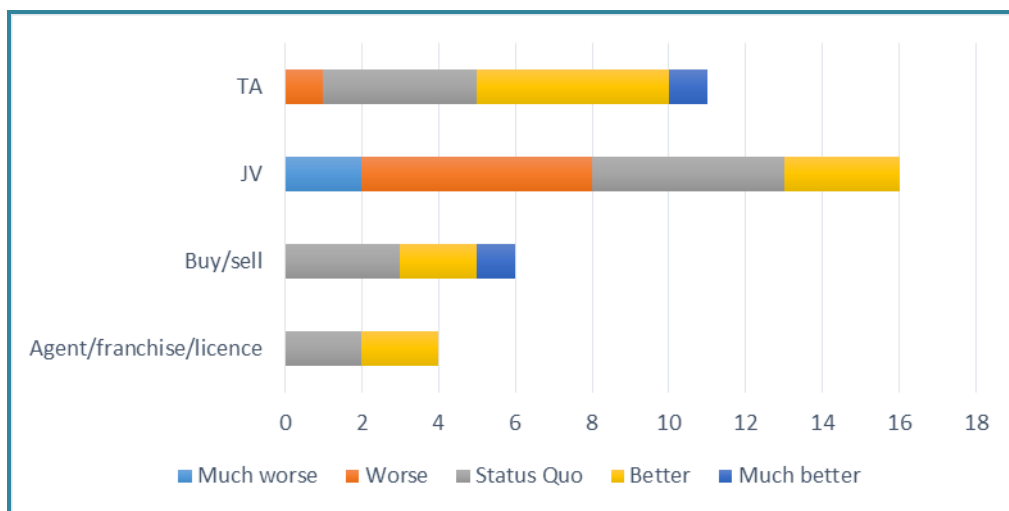
- New processes and operational procedures in all agri-businesses visited, often in connection with new types of processing equipment. In one particular case operations seem to be reverting to the before-B2B standard, but most local companies have taken good notice of transferred knowledge. The connection between know-how and equipment is in these cases important, as more efficient production is the combined product of the two.
- New technical skills in other types of business are also likely sustained knowledge, in factories, workshops, processing plants, and assembly lines. However, it is difficult for a non-technical expert to determine if certain changes are due to Danish assistance or not.

- Professionalisation of management and administration routines in several companies. For instance by the Danish partner insisting on clear organisational responsibilities. Improving financial management and accounting has been a key area for several Danish partners, without necessarily being able to convince all local partners of the need for financial transparency.
- In one particular aspect of the production across all types of firms the Danish partners have made a difference: quality assurance and control may not be implemented perfectly but awareness has certainly increased. In some cases, lack of progress in the quality control area may have been the major reason why partnerships end. For firms that export, it has become a necessity for survival.
- Better labour conditions, with many firms proudly displaying better working facilities and outlining their measures to ensure labour safety and wellbeing. A good number of firms were clearly committed.

The main test for new labour relations and several of the other “Danish lessons” is whether they are upheld in times when business is bad. We do not have sufficient information to conclude, but in general, the more integrated “the lessons” are in the business, the better chance for survival. Thus, our impression is that some of the CSR measures that have functioned mainly as add-ons to some projects – distribution of mosquito nets and AIDS courses – have stopped as soon as the grant ended.

Financial performance of the local companies is a key sustainability test. We introduced a rating in the chapter of Effectiveness, on the commercial performance of the local partner company, compared to when the company joined the B2B program. It gives an indication of commercial progress after the B2B started. The figure below gives the rating compared to the initial entry strategy for each collaboration, both pilots and projects.

Figure 16: Type of collaboration and commercial performance



With one exception, none of the local companies involved in the TA projects show an unsatisfactory commercial performance. In the buy/sell and licence/franchise projects, performance is likewise status quo or better. However, among the Joint Ventures, half of the local companies have experienced a worsening of commercial performance. We cannot contribute this solely to the B2B, as there may be many factors involved in why a company sees a downturn in business. However, in at least two cases the local partner said that he had lost money on the effort to establish a JV, and that this had hurt the local business. There were also

reputational issues, as a local firm had marketed the new joint venture without being able to fulfil the expectations.

The local business problems may to some degree also explain why so few JV continue after the B2B ends. This is, however, a chicken-and-egg issue, as it is difficult to say whether the trouble started with the JV, or if the problems were present already before the JV was initiated. It does raise questions as to the quality of the preparations when 50% see a negative business development during implementation. Not all local firms appear fully versed in what a joint venture actually requires.

Summary of response to the evaluation questions

| | |
|---|--|
| <p>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.</p> | <p>About a quarter of the B2B Pilots and project partnerships are estimated to continue a commercial relation after B2B. Half of those are what we term “buy/sell” relationships.</p> |
| <p>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).</p> | <p>Only marginal. The GDAC has support from the AgBi Trust, which is partially funded by Danida. Several other projects have had plans for involving IFU, without being realised.</p> |
| <p>9.3 The extent to which <u>local</u> partner companies have benefitted from the partnership after the partnership has been dissolved following the completion of the Project phase.</p> | <p>Indications are that the majority of local companies show sustained benefit from the partnerships. Financially, joint ventures appear to do worse than other forms of collaborations, though.</p> |
| <p>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.</p> | <p>Limited benefits are likely for those companies that have ended cooperation. Those that provided/sold their own services to the partnership has had financial benefits, and possibly increased their competence and reputation.</p> |

6.6 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?

Generally speaking, the only other donor with a similar programme with some activity in Uganda is the Dutch Private Sector Investment (PSI) programme, and the Dutch Development Cooperation Matchmaking facility. The Dutch Private Sector Investment programme is a tender based program, and applications compete with one another. Projects should be an investment implemented by a foreign company together with a local company. Submitted projects are judged, among other things, by the degree of local innovation. The maximum project budget for a project is EUR 1.5 million. The grant of PSI Regular is 50 percent. In 2012, the total PSI budget was increased from EUR 30 million to EUR 45 million. In Uganda, the number of annually successful applications was normally between two and four. The PSI has become quite strict in its observance of the innovation requirement, and there is for instance no more support to be had for the flower business. The viability of that business idea has by now been well proven, and was no longer considered innovative. It is officially untied, but has in practice mostly been used by enterprises from the Netherlands.

The Development Cooperation Matchmaking facility is marketed through Dutch embassies. It invites local companies to be put in touch with Dutch businesses. It is reserved for small and medium sized companies. In the Netherlands, the programme is administered by the Agency for International Business and Cooperation (EVD), which is a bureau of the Ministry of Economic Affairs. After a company approaches an embassy, accepted applications are sent to EVD, which puts a consultant on the job of finding a match. When a possible match is found, the local company can come to the Netherlands and meet the potential partners. The travel expenses and accommodation costs will be the company's own responsibility. The MMF will reimburse the costs of the Dutch consultant, who will also organise a visit programme and assist during the meetings. The interest for the matchmaking facility was generally not overwhelming, with about five applications per year from local companies in Uganda. Finding Dutch partners was a challenge.

One B2B pilot has a PSI project with a Dutch bakery – which is a very small “paper-company” in a large conglomerate within restaurants and related businesses. It tried to partner with a Danish firm, but found that the market for quality ice-cream was limited. When the Danish initiator of the contact with the Ugandans also left, the cooperation ended. Interestingly, the local company has just reopened the ice-cream business on their own account in an up-market Supermarket, using the equipment and the recipes that they had gotten under the Pilot phase. They buy certain inputs from Denmark.

Generally, while a number of similarities between the PSI and the B2B can be detected, there are also substantial differences. PSI is tender based, while B2B relies on applications, and this makes for very different administrative processes. PSI is strict on payments only happening when predetermined results are achieved – and these results are one of the key competitive factors for choosing projects.

While the Dutch and the Danes have certainly learned from each other at the central level when designing investment promotion programmes as the B2B and the PSI, there is no immediate sign of any “value added” from one to the other at the country level. Indeed, the lessons seems to have gone the other way, with the new DBP mirroring some of the lessons from the Dutch programme, like stricter development criteria and reduced grant levels. Also, and this is repeated by Swedes and Norwegians as well, the B2B/DBP has one particular weakness that reduce its value as a model for other countries, namely that it is exclusively tied to Danish enterprises.

Summary of response to the evaluation questions

| | |
|--|---|
| <p>10.1 The extent to which the B2B Programme adds value to like-minded bilateral development partners.</p> | <p>There is no particular sign of such value added in Uganda. With a couple of exceptions, none of the B2B projects have active relations with other bilateral donor programmes.</p> <p>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.</p> |
| <p>10.2 The extent to which the B2B Programme adds value to like-minded multilateral development partners.</p> | <p>No such value added where found – similar to the discussion above regarding the bilateral donors.</p> |

Annex 1a: Assessment Sheet

| | | |
|--|---|---|
| | Country: | Project number: |
| Company details | | |
| Partners²⁵ | <i>Danish partner</i> | <i>Local partner</i> |
| Name | <i>From application</i> | <i>From application</i> |
| Location | | |
| Contact details | | |
| Employment | | |
| Established. (year) | | |
| Turnover (DKK million) at application | | |
| Profitability | | |
| Degree of previous internationalisation | <i>Judgement from application and interview</i> | <i>Judgement from application and interview</i> |
| Sector | <i>From application</i> | <i>From application</i> |
| Business idea | <i>From application</i> | <i>From application</i> |
| Involvement in other B2B projects | | |
| Danish company experience developing countries | <i>From application and complemented by interview</i> | |
| Compatibility of business | <i>Judgement based on documents and interviews</i> | |
| B2B Support | | |
| Contact phase | <i>Have the companies participated in B2B contact phase or earlier Danida match-making? When? Results of that participation</i> | |
| | <i>Pilot grant</i> | <i>Project phase</i> |
| Year approved | <i>From Danida documents</i> | <i>From Danida documents</i> |
| Project period | | |
| DKK approved (million) | | |
| DKK disbursed (million) | | |
| Total project cost (DKK million) | | |
| Actual period | | |
| Main inputs | | |
| Consultancy support ²⁶ | | |
| Project status (2014) | <i>From interviews</i> | <i>From interviews</i> |
| Previous experience between partners and background | <i>Have companies had an earlier engagement? What triggered the collaboration? Experience through the contact phase</i> | |
| Objective for the collaboration | <i>From application documents</i> | |
| Danish company entry strategy | <i>Alternatives: Licensing, franchising, management/manufacturing contracts, equity alliance, JV, consortia or other</i> | |
| Forms of collaboration | <i>Alternatives: Vertical integration, insourcing, outsourcing, offshoring, horizontal integration, other</i> | |
| Forms of collaboration judiciary | <i>JV etc. Danish company investments in or with local partner</i> | |
| Other Danish support IFU, mixed credit, etc. | <i>From documents and follow up in interviews; check with IFU and Danida</i> | |
| Targets and results – company level (local) These are the six Programme Indicators used for Project phase grants. They are specified in | | |

²⁵ From application for Pilot grant if not continued, otherwise from application for Project grant.

²⁶ In preparing the application.

| the application document and should be followed up once a year in the quarterly reports | | | |
|---|--|---|--|
| Program indicators | Baseline | Target 2013 (or end of project if earlier) | Actual |
| Turnover (DKK million) | <i>From application</i> | <i>From application</i> | <i>Interview or most recent quarterly report</i> |
| Investment (DKK million) | <i>See above</i> | <i>See above</i> | <i>See above</i> |
| Of this: Danish investment | | | |
| Employment | | | |
| Employment (full time) | | | |
| Employment female | | | |
| External and working environment | <i>The B2B Program indicators are treating these as one. In our assessment we should try to separate them</i> | | |
| CSR | | | |
| Other company impact (local) | | | |
| Collaboration performance general | <i>Status today</i> | | |
| Continuation after project completion | <i>From interviews</i> | | |
| Capacity/ knowledge impact | | | |
| Technology impact | | | |
| Commercial impact | <i>Export performance, to where, changes in market share locally, etc.</i> | | |
| Profitability of the collaboration (JV or local company) | | | |
| Long-term commercial viability and sustainability | | | |
| Leverage (Ratio B2B grant to total investment) | <i>What is the relationship between the B2B grant and the overall project investment?</i> | | |
| | | | |
| Meso level impact (outside company) | | | |
| Impact on local community | <i>Any such impact reported in documentation or in interviews? What type of impact?</i> | | |
| Beneficiaries/target groups | <i>Persons directly impacted on by the project (employees, customers, local community, local companies as providers)</i> | | |
| Up- and down stream employment | <i>Local companies providing inputs (services, products, raw material supplies) downstream and/or upstream (such as marketing, transport etc.)</i> | | |
| Taxation | <i>Tax revenues generated from the collaboration (i.e. additional to baseline)</i> | | |
| Impact on business sector (spin offs) | <i>Such as technology transfers which have been copied, new standards, new management methods, new products and services</i> | | |
| Impact on the business environment and constraints | | | |
| Impact on environmental standards in sector | | | |
| Impact labour standards in sector | | | |
| | | | |
| Macro impact | | | |
| Impact on economic growth | <i>Own judgement – likelihood of noticeable impact at this level very small</i> | | |
| Impact on poverty (Producers, consumers, labourers, food security) | | | |
| | | | |
| Impact Denmark | | | |

| | | |
|--|---|---|
| Impact on Danish company | | |
| Engagement in other developing countries | <i>Has the experience triggered other collaborations/investments? Has it reduced such interests?</i> | |
| Impact Danish industry or society | | |
| | | |
| Other | | |
| Factors for success or failure (positive and negative) | <i>Factors brought up by either party or in documentation, especially previous relationship; trust, cultural distance, etc. Own assessment</i> | |
| Specific contextual factors impacting on performance | <i>Factors brought up by either party or in documentation, including embassy's assessment. See also contextual factor sheet for reference. Own assessment</i> | |
| Additionality and counterfactual | <i>Additionality based on parties' assessment and documentation. Own assessment.</i> | |
| | | |
| Company assessment of B2B | | |
| | Danish company | Local company |
| Overall | <i>Views on the program Reporting; disbursements structure, etc</i> | <i>Views on the program</i> |
| Embassy performance | <i>Views on the embassy's work; assistance, etc</i> | <i>Views on the embassy's work; assistance, etc.</i> |
| DBP | <i>Views on the new program</i> | <i>Views on the new program</i> |
| Information | | |
| Written sources | <i>List all documents consulted and date</i> | |
| Quality of reporting | <i>Own assessment</i> | |
| Interviews | <i>List all interviews, person, position and date</i> | |
| Issues for follow up | <i>To be used during the assessment process, i.e. from document review to interview; issues needed to be followed up afterwards</i> | |
| | | |
| Summary | | |
| Overall conclusions | | Collaboration performance <i>See rating 1-6</i> |
| | | Embassy PCR rating Pilot: Project: |

Annex 1b: Ratings and Criteria

| <i>Indicator</i> | <i>Criteria/source</i> | <i>Classes/ranking</i> |
|---|---|--|
| Location | Location of main production facility of firm Application | Capital Urban Rural Same for Danish and local firm |
| Company size | Permanent employment at the start of B2B for firm Application | Micro ²⁷ – less than five Small – 5-49 Medium – 50-249 Large – 250 and over Same of Danish and local firm |
| Company age | Year in business before joining the B2B first time Application | Start-ups- less than three years Emerging – 3-9 years Established - 10 years or more Same for Danish and local firm |
| International experience | Prior international experience before joining B2B (from trade or FDI) Interviews | None Some Considerable (e.g. more than half of turnover derived outside home country) Same for Danish and local firm |
| Danish experience of developing countries | Prior experience before joining B2B (from trade or FDI) by Danish partner | None Some Considerable |
| Profitability | Profit statement year before start of B2B application | Profitable Loss making Same for Danish and local firm |
| Sector | Main business sector concerning the B2B collaboration Application | Agro-based Manufacturing Services Broken up in sub-sectors as applicable Same for Danish and local firm |
| Other experience B2B | Involvement in another B2B project before or after Interviews | Yes, before Yes, after No Same for Danish and local firm |
| B2B Phases | Enrolment in Pilot and/or Project grant phase Danida database | Pilot only Project phase (including DBP is collaboration started in Pilot during B2B) |
| Contact phase | Enrolment in Contact phase prior to Pilot/Project (or similar phase under PD program) | Yes No |

²⁷ The cut-off point for micro/small is 5 employees as this is the limit under the DBP for companies eligible under the programme.

| | | |
|--|--|--|
| | Interviews | Same for Danish and local firms |
| Start year | First enrolment in B2B (or PD) Danida database | Year (Before 2009 and after) |
| B2B grant approved | Total grant for Contact, Pilot and Project Danida database | DKK million |
| Leverage (ex ante) | Grant as share of total project cost Application | Percent of grant to total cost (DKK) |
| B2B Disbursement | Actual disbursement most recent figure. All phases Danida database | DKK million |
| Previous experience of the partners before joining B2B | Business relations (such as trade) prior to the programme Interviews | None Some Considerable |
| Project implementation period | Years between start of B2B (Contact or Pilot) and end of disbursements Application, Quarterly progress reports and interviews | Number of years |
| Status of partnership | Status of partnership at time of Evaluation Interview, PRC | None On-going – working well On-going - struggling |
| Sustainability of partnership ex-post B2B | Likely on-going partnership when B2B programme is over in medium term Judgement based on interviews | Yes No |
| Danish business motive to engage in B2B | Why are the Danish company seeking partnership? Interview; application | Market extension; exports Sourcing of raw-material Outsourcing of production for cost-reasons Business environment |
| Danish entry strategy | What form of collaboration is the Danish company seeking? Application, interviews | Joint venture Buy-in Buyer-seller relation Agency/licensing Franchise Management contract Technical assistance |
| Actual business relationship | Form of collaboration at the time of the Evaluation Interview | Joint venture Buy-in Buyer-seller relation Agency/licensing Franchise None |
| Other Danish | Loans from IFU; mixed | None |

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| support | credits as part of the collaboration at the time of the Evaluation Interview | Applied, but rejected (which) Yes (what) |
| Change in turnover | Difference in turn-over from baseline to currently in local company (only with relevance to B2B) Application, progress report, Interviews | Expressed in DKK million per annum |
| Possible attribution by B2B | Judgement based in material and interviews | None or marginal Some High |
| Danish investment | Danish investment beyond the grant in local firm Interview | DKK million |
| Change in employment | Difference in employment from baseline to currently in local company or JV (only with relevance to B2B) | Number of jobs |
| Possible attribution by B2B | Judgement based in material and interviews | None or marginal Some High |
| Change in female employment | Difference in female employment from baseline to currently in local company or JV Documents and interviews | Number of jobs |
| Possible attribution by B2B | Judgement based in material and interviews | None or marginal Some High |
| Indirect employment | Upstream or downstream employment created | Numbers |
| Additionality | To what extent the B2B programme was critical for the collaboration to take place or for the form it took Judgement | High (very likely) Medium (probably likely) Low (probably it would have happened anyway) |
| Commercial performance of local company | Turnover and profitability of the local company or joint venture as compared to baseline | Much worse worse more or less the same better much better |
| Leverage of B2B | To what extent the B2B triggered Danish investment in local company or JV beyond the mandatory matching contribution | None Some Considerable |
| Market impact | To the extent the B2B collaboration had an impact on the local market | -2 Very negative (creation of serious market distortions) - Negative (creation of some market distortions) 0 – neither negative nor positive impact 1 – some positive impact such as addressing market |

| | | |
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| | | failure, reduction of price levels, enhancing competition 2 Very positive – creation of markets with significant positive impact for business and customers |
| Technology transfer | To what extent the B2B programme provided skills development, 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 |
| Environmental impact – external | To what extent the B2B programme contributed to improvement of the external environmental standards of the local company (emissions, etc) | None Some Considerable (major upgrading as compared to baseline) |
| Environmental impact – internal | To what extent the B2B programme contributed to improvement of the internal working environmental standards of the local company (safety, etc) | None Some Considerably |
| CSR impact | To what extent the B2B Programme contributed to improvement of the corporate social responsibility | None Some Considerably |
| Impact on Danish company | 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 | 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 |

Annex 2: Supporting Questionnaire

| No. | EM JC ref. | Question | DP | LP |
|----------------------|---------------|--|----|----|
| Relevance | | | | |
| 1.1 | 1.1 | Has the B2B been relevant for addressing constraints of private sector development in the partner country – and if so what are the nature of such constraints? | x | x |
| 1.2 | 1.2 | Would your company have established a partnership in the B2B partner country without the support from the B2B Programme? | x | x |
| 1.3 | 1.2 | What are the main benefits (additionality) that the partnership has provided, which would not have been achieved without the partnership? | x | x |
| 1.4 | 1.2 | What is your company's international strategy? | x | x |
| 1.5 | 1.3 | Was the partnership's <i>Concept for Business Cooperation</i> consistent with the B2B Programme overall objectives, i.e. poverty reduction through increased income and employment | x | x |
| Efficiency | | | | |
| 2.1 | 2.1 | How was the initial contact established between the business partners? | x | x |
| 2.2 | 2.1 | Was the B2B 'management' efficient in making the initial contact between the partners and in promoting the partnership? | x | x |
| 2.3 | 2.2 | What was the main justification and motivation for proceeding into the Pilot phase? | x | x |
| 2.4 | 2.3 | Were the internal and external contextual factors adequately perceived for the Pilot phase? | x | x |
| 2.5 | 2.4 | Were the internal and external contextual factors adequately perceived for the Project phase? | x | x |
| 2.6 | 3.1 | Was the allocated budget disbursed timely and effectively by the embassy? | x | |
| 2.7 | 3.2 | Were the reporting procedures reasonable and did your company comply with the requirements: quarterly and annual reports until project completion; and annual reports for the three-year period after project completion? | x | |
| 2.8 | 3.3 | Does your company find that the combined investment costs provided value-for-money in relation to Project objectives and results? | x | x |
| Effectiveness | | | | |
| 3.1 | 4.1 | Did the project interventions contribute significantly to the achievement of new knowledge and technology in the local partner company – and what were the particular circumstances? | x | x |
| 3.2 | 4.2 | Did the project interventions lead to increased performance of the local partner company, e.g.: turnover, profit, and employment? | x | x |
| 3.3 | 5.1 | Did the project interventions lead to improvement of working conditions for the employees in the local partner company? | x | x |
| 3.4 | 5.2 | Did the project interventions lead to improvement of the external environment in the vicinity of the local partner company? | x | x |
| 3.5 | 5.3 | Did the project interventions lead to improved welfare and working conditions for the local partner company's employees? | x | x |
| 3.6 | 5.3 | Did the project interventions to improved welfare for the community in which the local company is situated? | x | x |
| Impact | | | | |
| 4.1 | 6.1 | To what extent were the B2B project targets achieved in relation to: <ul style="list-style-type: none"> • Turnover • Investment in the collaboration • Male employment • Female employment • Environmental investment | x | x |

| | | | | |
|-----------------------|-----|---|---|---|
| | | <ul style="list-style-type: none"> • CSR activities | | |
| 4.2 | 6.1 | Were the Project's financial targets realised including the forecasted additional income? | x | x |
| 4.3 | 6.2 | Who were the main target groups benefiting positively of negative from the Project, and what were the type of main and negative impacts? | x | x |
| 4.4 | 6.3 | Were there long-term effects of the B2B partnership beyond the local company in terms technology adoption, environment, CSR and OHS? | x | x |
| 4.5 | 7.1 | Did the Project inspire your company to enter into other strategic alliances? | x | |
| 4.6 | 7.1 | Did the Project inspire to changes in the your company's internationalisation strategy? | x | |
| 4.7 | 7.2 | What is the level of your company's investment overall in strategic alliance – except for the Project? | x | |
| 4.8 | 8.1 | How did Project contribute to improved livelihood for: people directly affected; and the local community in which the local partner company is located? | x | x |
| 4.9 | 8.2 | Did the Project have indirect systemic effects, e.g.: <ul style="list-style-type: none"> • Crowding in • Copying • Sector growth • Backward/forward linkage • Technology diffusion | x | x |
| 4.10 | 8.3 | Did the Project lead to improvements in: the business sector in which the local partner company operate; and the national business environment? | x | x |
| Sustainability | | | | |
| 5.1 | 9.1 | Did the partnership continue after the Project period – and if yes for how long? | x | x |
| 5.2 | 9.2 | Did the Project lead to application of other Danish business instruments? | x | x |
| 5.3 | 9.3 | Did your company benefit from the partnership after it was dissolved? | | x |
| 5.4 | 9.4 | Did your company benefit from the partnership after it was dissolved? | x | |