

## **Evaluation Study: Executive Summary**

### **Danish Development Cooperation from a Partner Country Perspective**

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## **List of abbreviations**

CSO	Civil Society Organisation
Danida	Danish Development Agency
DAC	Development Assistance Committee
GNI	Gross National Income
LDC	Least Developed Countries
NGO	Non-Governmental Organisation
UNDP	United Nations Development Program

## Executive Summary

As one of only six countries to achieve the UN official development assistance target, Denmark has consistently contributed at or above 0.7% of its gross national income (GNI) to foreign aid since 1978 (Development Initiatives 2013). This financial support, while essential, is only one of the several ways through which Denmark seeks to make an impact in its partner countries. Other forms of engagement can be equally if not more influential: providing advice on policy decisions and assisting governments with designing and implementing reforms.

With fewer funds available for overseas development efforts, this question is significant for Denmark. In this report, we systematically take into account the first-hand experiences and observations of those who Denmark seeks to advise and assist. In doing so, we shed light on whether, when, and how Denmark informs or influences the policy priorities, processes, and outcomes of its counterpart countries. In particular, we seek to answer the following questions:

- Which leaders and institutions have experience working with Denmark?
- How communicative is Denmark compared with other donors?
- How does Denmark measure up on the three dimensions of performance?
- With whom and where does Denmark enjoy influence?
- Under what circumstances is Denmark most influential?

We draw upon the responses from the *2014 Reform Efforts Survey* of policymakers and practitioners that held leadership positions in 126 low- and middle-income countries between 2004 and 2013. Participants provided first-hand insights into their experiences working with a variety of development partners and feedback on three aspects of performance: influence in setting the policy priorities, usefulness of advice in informing policy decisions, and helpfulness in reform implementation (i.e., translating ideas into action).

i.

To evaluate Denmark's performance from a partner country perspective, we use insights from public, private, and civil society sector leaders in 40 low- and middle-income countries that participated in the *2014 Reform Efforts Survey* and worked directly with Denmark. Of the 6731 individuals who responded to the survey, 179 reported working directly with Denmark.

Participants who reported working with Denmark had the following attributes:

- **Constituents:** The composition of survey participants who reported working with Denmark is consistent with Danida's strategic focus on partnerships with civil society and the private sector, as well as close coordination with other development partners. In contrast, a smaller-than-expected proportion of host government officials indicated working with Denmark.
- **Regions:** Denmark's longstanding emphasis on assistance to sub-Saharan Africa is evident in the higher-than-expected number of survey participants who indicated that they had experience working with Denmark.
- **Sectors:** Survey participants who worked with Denmark indicated that they specialised in governance and social sectors, which is in line with Danida's own perceived comparative advantages.
- **Seniority:** Middle management and programmatic staff within government were more likely to have worked with Denmark than senior leaders

Caveats to our findings: The number of respondents is relatively small, hence their views may not accurately represent the actual scope and influence of Danish development cooperation which puts into the question the generalisability of the findings, particularly at the country and sector levels. While findings based on a small number of responses are not necessarily generalisable across all of the diverse contexts where Denmark operates, they nevertheless shed important light on the experiences of individuals who reported working with Denmark and their perception of Danish performance.

ii.

Development cooperation involves the use of both money and ideas to spur changes in institutions, rules, norms, and practices. A key component of this process is communication with stakeholders in partner countries. Survey participants rated how frequently in-country development partners communicate with them on a scale of 1 to 6, with 1 indicating once a year or less and 6 indicating almost daily communication.

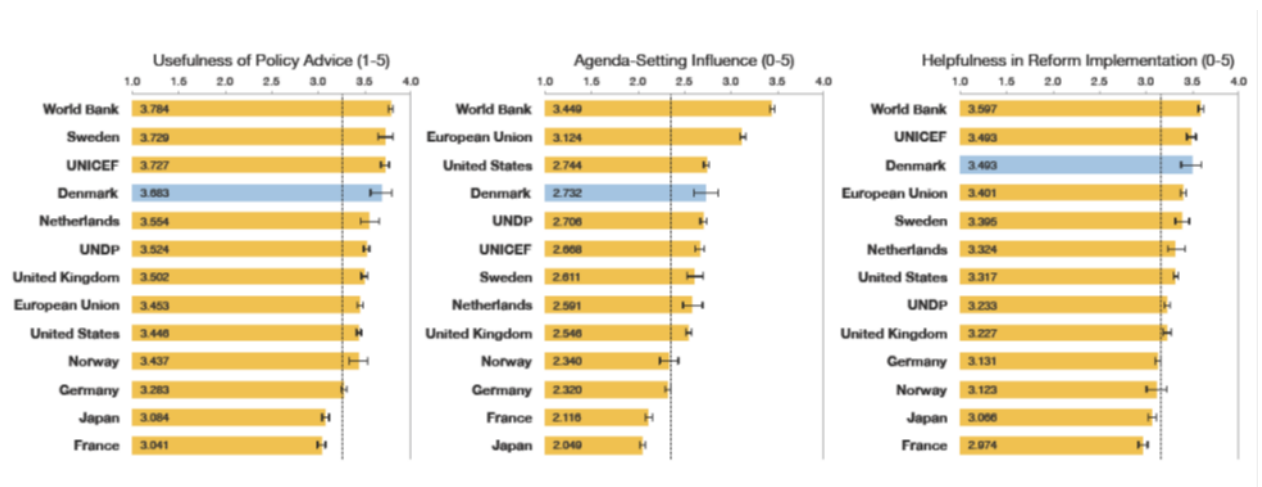
Denmark appears to be more communicative relative to other development partners. Compared to 12 other major multilateral and bilateral development partners, Denmark ranks the third highest in terms of the frequency of communication. Notably, Denmark's relatively high frequency of communication with partner countries is more akin to the reported communication practices of large multilateral actors such as the UNDP and the World Bank, than to some other

major DAC bilateral donors such as Germany, France, and Japan, which exhibited a lower frequency of communication compared to multilateral organisations.

iii.

We use the responses to the *2014 Reform Efforts Survey* to construct three perceptions-based indicators of Denmark’s performance: (i) influence in shaping a counterpart government’s development policy priorities; (ii) the usefulness of Danish policy advice in designing reforms; and (iii) the helpfulness of Danish development cooperation in implementing reforms. Participants were asked to rate the usefulness of each development partner’s advice within their domain of expertise on a scale of 1 to 5, with 1 signifying that the advice was almost never useful and 5 indicating that the advice was almost always useful. Similarly, participants were asked to rate the influence of development partners on their country’s decision to pursue reforms and their helpfulness in reform implementation on a scale of 0 to 5, with 0 signifying no influence or not helpful at all and 5 indicating maximum influence or extremely helpful.

**Figure i: Denmark performs relatively well on all performance measures**



Notes: The dashed vertical line corresponds to average scores for an average DAC bilateral (excluding Denmark). Error bars indicate +/- one standard error. The usefulness of policy advice is measured on a scale of 1 through 5, with 1 indicating “almost never”, 2 “less than half the time”, 3 “about half the time”, 4 “more than half the time”, and 5 “almost always.” Agenda-setting influence and helpfulness in reform implementation are both measured based on a scale of 0 to 5, with 0 indicating the least influence/helpfulness and 5 the utmost influence/helpfulness.

Whereas other development partners fluctuate across these three dimensions of performance, Denmark performs consistently well across the board. Compared with a cohort of major bilateral and multilateral development partners, Denmark ranked

third in helpfulness in reform implementation and fourth in the usefulness of its policy advice and agenda-setting influence (Figure i). Denmark's relatively even performance may signal an equal emphasis in engaging with partner countries at various stages of the policymaking process from shaping upstream policy priorities and informing the design of specific reforms, to providing downstream financial and technical assistance during implementation.

iv.

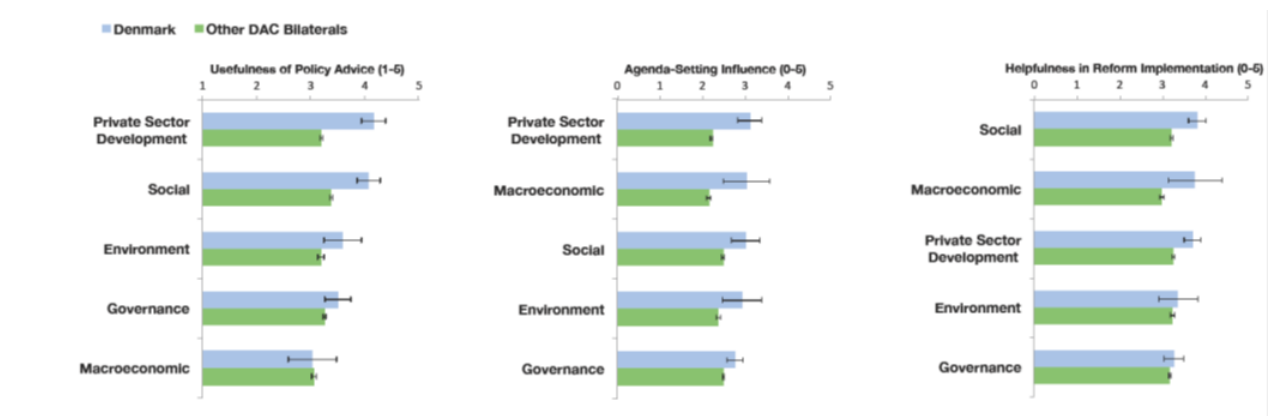
We analyse the unique characteristics and attributes of those groups where Denmark appears to enjoy the greatest favourability and influence, and identify three patterns on this comparative advantage.

Host governments view Denmark's performance more favourably than do CSOs and development partners. Even though host government officials overall were less familiar with Danish development partners than anticipated, those that have worked with Denmark perceive it as performing relatively better than the average DAC bilateral development partner on all three measures of performance. This favourability rating is not unique to Denmark, however, but seems to hold for other European bilateral development partners such as Finland, Luxembourg, Austria, and Ireland as well (Custer et al 2015).

Engagement does not necessarily translate into favourability. While survey participants from CSO, private sector, and development partners were on average more likely to work directly with Denmark than expected, they rate Denmark's performance on par or only slightly better than the average DAC bilateral partner. With Denmark's more recent emphasis on engagement with CSOs/NGOs around issues of democracy and human rights, and the private sector in efforts for development and poverty reduction, it will be instructive to see whether and how these reported experiences and perceptions change overtime.

Denmark's policy advice is seen as particularly useful to those working in private sector development and the social sectors. Survey participants belonged to one of five policy clusters: macroeconomic, social, private sector development, environment, and governance. Overall, Denmark did better than the average DAC bilateral partner on each of the three measures of development partner performance, across all policy clusters (Figure ii).

**Figure ii: Denmark is perceived as most useful by respondents in private sector development and social sectors**



*Notes: Error bars indicate +/- one standard error. The usefulness of policy advice is measured on a scale of 1 through 5, with 1 indicating “almost never”, 2 “less than half the time”, 3 “about half the time”, 4 “more than half the time”, and 5 “almost always.” Agenda-setting influence and helpfulness in reform implementation are both measured based on a scale of 0 to 5, with 0 indicating the least influence/helpfulness and 5 the utmost influence/helpfulness.*

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However, survey participants with a specialisation in private sector development and social policy perceived Denmark to be particularly useful, influential and helpful. This finding appears to be somewhat consistent with Denmark’s development cooperation strategy: a strategic shift in 2009 towards greater emphasis on private sector development, and supporting social progress.

In contrast, while democracy, transparency, and anti-corruption are explicit foci in Denmark’s development cooperation strategy, survey participants working in governance found Denmark to be relatively less influential and helpful than their counterparts in other policy clusters such as: private sector development, macroeconomic, and social. This relative lack of comparative advantage in the governance space merits further research.

Denmark is perceived most favourably in sub-Saharan Africa, but has less clout in Latin America and the Caribbean. The geographical variation in Denmark’s performance in effecting reform seems to mimic the regional emphases of the Danish development strategy. Given the intensity of Danish development

cooperation in the region, it is unsurprising that participants from sub-Saharan Africa rated Danish development partners as performing substantially better than the average DAC bilateral partner on all three measures of influence. In contrast, Latin America has received less financial support from and direct engagement with Danish development agencies. The perceptions of participants from Latin America and the Caribbean appear to reflect this, as Denmark scored below an average DAC bilateral development partner in the region across all three indicators of development partner performance.

v.

Why is it that Denmark is more influential in some countries than others? To what extent does context matter in determining whether countries view Danish development cooperation more or less favourably? Below, we identify six driving factors for variations in Denmark's perceived performance by country.

The intensity of Danish aid investments may yield an influence dividend. Survey participants from countries that received higher levels of aid from Denmark found Danish development partners to be more influential in shaping policy priorities and helpful in implementing related reforms. In this respect, Denmark's financial contributions appear to add "weight" to its policy advice as it attempts to influence and support reforms in partner countries.

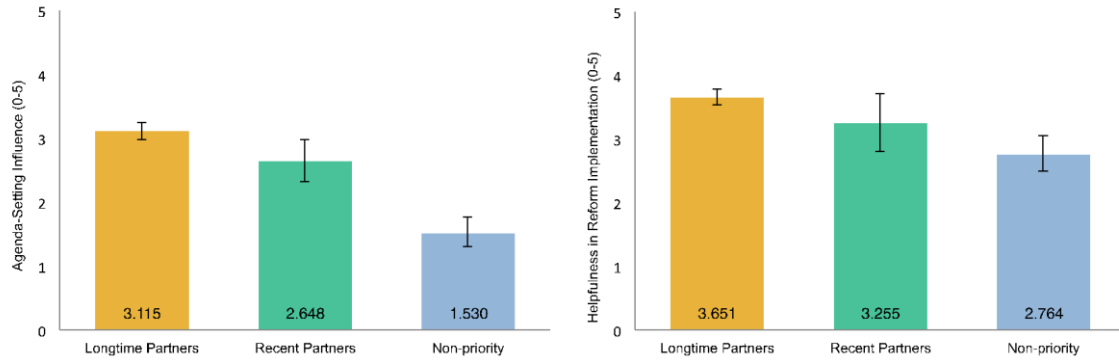
Partnership ties grow stronger over time and translate into more favourable perceptions of performance. Denmark's priority countries see Danish development partners as particularly influential in shaping their reform decisions and helpful in implementing reform efforts, compared to non-priority countries (see Figure iii). This dynamic appears to become more pronounced over time: long-time partner countries rate Denmark the highest on agenda-setting influence and helpfulness in reform implementation, followed by more recent partner countries. Non-priority countries view Danish development cooperation less favourably in terms of influence and helpfulness. These findings suggest that Denmark's strategy of building long-term partnerships is working well and is likely to generate even greater influence over time with counterparts in its priority countries.

Denmark is perceived to be particularly influential in shaping reform efforts in the least developed countries (LDCs). A large share of Danish development finance is invested in low-income countries such as Mozambique and Uganda, and a majority of Denmark's partner countries are also LDCs (OECD-DAC 2011). Since LDCs rely heavily on external development finance to keep themselves afloat, development partners may enjoy greater bargaining power to shape their policy



priorities and reform agendas (e.g., through aid conditionality). Our finding appears to capture this dynamic.

**Figure iii: Long-term priority countries perceive Denmark as most influential and helpful**



*Notes: This shows the average scores of agenda-setting influence (left) and helpfulness in reform implementation (right) for three different groups of countries: long-time partners, recent partners, and non-priority countries. (See Table A-4 for how countries are classified in terms of their partnership with Denmark). The country-level scores of agenda-setting influence and helpfulness in reform implementation are computed based on averaging survey participants' responses for each partnership group (with non-response weights). Error bars indicate +/- one standard error.*

Denmark does not seem to be perceived to be more influential in fragile states. The growing number of fragile states in partnership with Denmark reflects the latter's growing interest in supporting stabilisation and reconstruction in these states. Nonetheless, we find that there is a weak relationship between the level of state fragility and how survey participants rated Denmark's performance on all three measures of influence, usefulness, and helpfulness. This by no means suggests that Denmark did not play an important role in the reform process in fragile states. Deep-rooted political and economic issues in fragile states coupled with Denmark's recent focus imply that perceived impact may occur with a lag. Our findings may reflect this dynamic and explain why Denmark's agenda-setting influence may be curtailed.

Denmark's frequent communication appears to yield an influence dividend. In line with our earlier finding, we find that Denmark is perceived to be more useful in providing policy advice and also influential in shaping reform agendas in countries where survey participants communicated more frequently with Denmark. This is perhaps indicative of the quality and usefulness of interactions between Denmark

and in-country stakeholders, which helps translate the communication into more tangible outcomes in terms of policy influence.

Denmark's perceived influence does not depend on partner countries' level of democracy, corruption, or the amount of Danish aid to local civil society organisations. Democracy promotion has been a core element of Danish development policy. However, we do not find a relationship between perceptions of Denmark's performance and the level of a country's democracy or corruption. Moreover, there seems to be no effect of the amount of Danish aid given specifically to local civil society groups on perceptions of Denmark's performance. While consistent with our earlier finding that CSOs rank Denmark at par with the average DAC bilateral partner in terms of policy influence, this raises questions around Denmark's current emphasis on strengthening CSOs in its development cooperation strategy.

vi.

Danish development cooperation is entering a critical period. Aid budgets are shrinking, priority partners are shifting, all while the marketplace of ideas for policy change is teeming with an ever growing number of actors jockeying for the attention of developing world leaders (Parks et al, 2015; Custer et al, 2015). How well is Denmark breaking through the noise to provide useful policy advice, influence policy priorities, and support key counterparts in implementing critical reforms?

Three insights emerge from this study as Denmark seeks to advance its development cooperation strategy, "The Right to a Better Life", and maximise its influence and impact in its partner countries with fewer kroner (Danida, 2012):

- Denmark's current practice of frequently communicating with in-country stakeholders seems to be paying off in terms of downstream influence. As Denmark shifts focus towards new partnerships with fragile states, this approach may be even more crucial.
- Denmark's favourability ratings appear to grow over time with its priority countries. Even as Denmark adds new priority countries, sustaining long-term partnerships is more likely to pay an influence dividend.
- Denmark's strategy of focusing its investments on a bounded number of priority countries is generating a positive return. As Denmark looks to stretch its aid budget farther, increasing the intensity of Danish aid to a given country appears to amplify Denmark's influence and improve favourability in the eyes of key counterparts.