



**MINISTRY OF FOREIGN AFFAIRS  
OF DENMARK**  
*Danida*

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**EVALUATION STUDY  
TRENDS AND LESSONS  
LEARNED ON IMPROVING  
FRAMEWORK CONDITIONS  
FOR PRIVATE SECTOR  
DEVELOPMENT IN THE  
GLOBAL SOUTH**

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**JUNE 2021**





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## LIST OF ABBREVIATIONS

<b>3F</b>	United Federation of Workers in Denmark
<b>3GF</b>	Global Green Growth Forum
<b>A4T</b>	Aid for Trade
<b>aBi</b>	Agriculture Business Initiative (Uganda)
<b>ACC</b>	Agriculture Commercialisation Clusters (Ethiopia)
<b>BER</b>	Business environment reform
<b>BEST</b>	Business Environment Strengthening Tanzania
<b>BGD</b>	Bangladesh
<b>BMO</b>	Business membership organisation
<b>BSPS</b>	Business Sector Programme Support
<b>CBO</b>	Community-based organisation
<b>COVID-19</b>	Coronavirus
<b>Danida</b>	The term used for Denmark's development cooperation, which is an area of activity under the Ministry of Foreign Affairs of Denmark.
<b>DANEP</b>	Danish Neighbourhood Programme
<b>DAPP</b>	Danish Arab Partnership Programme
<b>DCED</b>	Donor Committee for Enterprise Development
<b>DDD</b>	Doing Development Differently
<b>DED</b>	Development Engagement Document
<b>DI</b>	Confederation of Danish Industry
<b>DIHR</b>	Danish Institute for Human Rights
<b>DKK</b>	Danish Krone
<b>DMDP</b>	Danida Market Development Partnerships
<b>DSIF</b>	Danida Sustainable Infrastructure Finance
<b>DTDA</b>	Danish Trade Union Development Agency
<b>EAC</b>	East Africa Community
<b>ELQ</b>	Evaluation, Learning and Quality
<b>ETH</b>	Ethiopia
<b>GATF</b>	Global Alliance for Trade Facilitation
<b>GHA</b>	Ghana
<b>ITC</b>	International Trade Centre

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<b>ILO</b>	International Labour Organisation
<b>KEN</b>	Kenya
<b>M4P</b>	Marking markets work for the poor
<b>MDAs</b>	Ministries, departments and agencies
<b>MENA</b>	Middle East and North Africa
<b>MFAD</b>	Ministry of Foreign Affairs of Denmark
<b>MLA</b>	Mali
<b>MSD</b>	Market systems development
<b>MSMEs</b>	Micro, small and medium-sized enterprises
<b>NEMA</b>	National Environmental Management Authority (Kenya)
<b>NGO</b>	Non-government organisation
<b>NURI</b>	Northern Uganda Resilience Initiative
<b>PACEPEP</b>	Support Programme for Economic Growth and Employment Promotion stimulated by the Private Sector of Mali
<b>PEA</b>	Political-economic analysis
<b>PPD</b>	Public-private dialogue
<b>PPP</b>	Public-private partnership
<b>PSCP</b>	Private Sector Competitiveness Programme (Tanzania)
<b>PSD</b>	Private sector development
<b>PSO</b>	Private sector organisation
<b>SDGs</b>	Sustainable Development Goals
<b>SMEs</b>	Small and medium-sized enterprises
<b>SOM</b>	Somalia
<b>SPa</b>	Strategic Partnership Agreement
<b>SSC</b>	Sector Strategic Cooperation
<b>TMEA</b>	TradeMark East Africa
<b>UGA</b>	Uganda
<b>UN</b>	United Nations
<b>USD</b>	United States Dollar
<b>WEF</b>	World Economic Forum
<b>WRI</b>	World Resources Institute
<b>WTO</b>	World Trade Organisation

## **EXECUTIVE SUMMARY**

The Evaluation, Learning and Quality Department of the Ministry of Foreign Affairs of Denmark commissioned this study into the approaches Danida and other development agencies are taking to improve the framework conditions for private sector development (PSD) in developing countries (i.e., the 'Global South'). The study provides updated information and learning based on a review of existing evaluations and a mapping of selected Danish global and country programmes.

### **Programmes reviewed**

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#### **Global Programmes**

#### **Country Programmes**

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Aid for Trade

Bangladesh

Danida Sustainable Infrastructure Finance

Ethiopia

Partnering for Green Growth and the Global Goals 2030

Ghana

Sector Strategic Cooperation

Kenya

Labour Market Consortia

Mali

Danida Market Development Partnerships

Somalia

Danish Neighbourhood Programme

Tanzania

Danish Arab Partnership Programme

Uganda

Danida Fellowship Centre

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The study considers a series of questions concerning Danida programme-support for improving the framework conditions for PSD.



## **Trends in support for PSD and improved framework conditions**

The study identified two major programme themes in Danida's global and country programming. The first is Green Growth and Climate Change Adaptation, where Danida has, for some time, recognized the role framework conditions play in supporting green growth and aiding climate changing mitigation. The second is Legal, Regulatory and Administrative Reform, where Danish programming has acknowledged the importance of a conducive regulatory framework for doing business.

Other, less frequent, but significant global programming themes are: Labour Market Reform, Investment Facilitation and Promotion, Enterprise Development, and Access to Finance. Similarly, within the selected country programmes, the less frequent themes are Business Advocacy and Public-Private Dialogue, Investment Facilitation and Promotion, Access to Finance, Enterprise Development, and Value chain and Market Systems Development.

The study included a brief overview of the work of four other bi- and multilateral development agencies that support improvements in the framework conditions for PSD (i.e., Germany, Sweden, the International Labour Organisation, and the World Bank Group). Support for PSD within these agencies was found to be integrated across a number of programming themes, including support for improving business environments, legal and regulatory frameworks as well as market systems and value chain development and financial inclusion. These programmes are largely framed by an interest in green growth, sustainability, competitiveness, and job creation. All agencies are concerned with the conditions for small business development. The issues affecting young people and gender equity are also relatively common.

The principles of Doing Development Differently have recently been incorporated into Danish development assistance. This seeks to improve the relevance and effectiveness of development cooperation through two broad strands. First, by reinforcing a holistic approach to development. Second, by applying an adaptive approach with an increased emphasis on learning. These principles are relevant when considering the future of Danida's programming associated with improving the framework conditions for PSD. They suggest opportunities for new programme synergies that are based on a more holistic and integrated model of development that address emerging challenges when creating more conducive conditions for desired development outcomes.

## **Evidence of results in support for PSD and improved framework conditions**

The general evidence on the impact of business environment reform on PSD and economic growth and poverty reduction shows that it is possible to assess the performance of programmes in supporting change at the outcome level. However, it has proved more difficult to apply evaluation techniques and standards that provide robust evidence for an assessment of programme impacts and results (e.g., whether these outcomes lead to economic growth and poverty reduction).

The evidence of Danish programmes reviewed shows some success among programmes that support improving the framework conditions for PSD. However, there is a need to better understand how the design, implementation and monitoring of Danish programmes can be improved to achieve better outcomes and to ascertain attributional impacts and results, or as a very minimum, their contribution to impacts and results. The analysis of Danish support for business advocacy funds has been particularly encouraging with a longitudinal impact assessment in Tanzania estimating that support projects had 'saved industry or contributed to' the economy with some USD 1.6 billion, comparing favourably with the USD 12 million programme cost.<sup>1</sup>

The study demonstrates the importance of formulating a theory of change in which the sequencing of programme effects is clearly described in order to identify specific programming linkages and assumptions that can be measured and evaluated.

## **Role of political-economy drivers**

Very little attention was found to be given to political economy analysis or anti-corruption issues directly in Danish programmes supporting improved framework conditions for PSD. While many Danida programmes have incorporated components, sub-components or themes that have addressed public sector governance and the promotion of human rights, these engagements are typically focused on public sector authorities and, in some cases, civil society organisations, rather than private sector organisations. The concerns regarding the governance of the private sector and corporate governance more broadly have generally not been addressed.

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1 Coffey (2015) Best-AC Longitudinal Impact Assessment; Fifth Final Report, Commissioned by the UK Department for International Development and Danida.

## **PSD and sustainability**

Denmark recognizes that climate change has extensive, negative consequences on living conditions in developing and emerging economies. This has the potential to undermine the achievement of the SDGs. Danish engagement has been effective in supporting an increasing partner country commitment to mainstreaming climate change adaptation. Danida faces many opportunities to further explore, identify and test possible windows of opportunities for mainstreaming climate change adaptation in the Danish support for PSD.

## **Support for inclusive models of PSD and improved framework conditions**

Very few Danish programmes were found supporting improved framework conditions for PSD and specifically targeting refugees and host communities. Many other donor and development agencies pay significant attention to this issue. This includes providing programme support to broaden the representation of businesses in reform-oriented public-private dialogue processes, ensuring these processes include a stronger representation of women, young people, migrants, and young people.

## **Towards the in-depth complex evaluation**

A series of recommendations for the forthcoming evaluation are presented:

1. Explore the extent to which the programme modalities outlined in the Aid Management Guidelines for bilateral programming are conducive for successful support to improving framework conditions for PSD. For example, it may be useful to ensure that programmes apply longer timeframes to achieve better framework conditions (e.g., ten-year timeframes, compared to five-year timeframes).
2. Assess what role Danish embassies have played and whether the role of the embassies could or should be strengthened.
3. Consider in more detail the pros and cons of a focused programme in which specific framework conditions are addressed as compared with a broader programme in which poor framework conditions are treated indirectly or only associated with a specific investment.
4. Assess the extent to which Danish programmes have both been informed by political-economy reflections and contributed to changes in the political-economy dynamics and drivers of reform.
5. Undertake a more detailed evaluation of Danish programming for framework conditions and PSD at the country level. Specifically, it is recommended that the following countries be selected: Kenya, Mali and Tanzania.
6. Undertake a more detailed evaluation of specific programme themes that intersect with Danish programming for framework conditions and PSD at global and country levels. Specifically, it is recommended that the evaluation take a 'deep dive' into the support for improving framework conditions for PSD in the thematic areas of green growth and climate change adaptation.
7. Formulate a general theory of change that shows how Danida's programming at global and country levels should improve the framework conditions for PSD promoting economic growth and consequently poverty alleviation. This would most likely follow the forthcoming evaluation when the evidence of past programming is more clearly understood.

# 1. INTRODUCTION

The Evaluation, Learning and Quality (ELQ) Department commissioned this study of the approaches development agencies are taking to improving the framework conditions for private sector development (PSD) in developing countries (i.e., the 'Global South').<sup>2</sup> The study seeks to capture the main trends in how Danida and other development agencies support the improvement of the framework conditions in the Global South in order to support PSD.

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<sup>2</sup> The review has been drafted by external reviewers: Simon White and Mikkel Klim with comments and guidance from Marina Buch Kristensen and Henrik Vistisen from ELQ. Responsibility for content and presentations of findings and recommendations rests with the authors.

## **2. STUDY OBJECTIVES AND APPROACH**

The objective of this study has been to capture the main trends in how Danida and other development agencies support the improvement of the framework conditions in developing countries. Where relevant, the study has sought to highlight good practices, approaches and examples. It is anticipated that the study findings will help ELQ prepare the terms of reference for an in-depth complex evaluation of the subject, which would be conducted in the autumn of 2021. See Annex 1 for the Terms of Reference.

The study provides updated information and learning regarding the effectiveness and impacts of providing support to improve the business environment based primarily on a literature review of existing evaluations, evaluation studies and other relevant publications (See Annex 2). Bilateral as well as multilateral aid modalities have been considered. In addition, a number of other both bilateral and multilateral donors and development agencies have been consulted.

### **2.1 Approach to the review**

This study begins in Chapter 3 with a discussion on how to define framework conditions for PSD and the role that donor and development agencies perform in supporting reforms. This discussion considers the somewhat narrow definition of the business environment for PSD and locates this within a broader set of framework conditions relevant to Danida programming. It identifies a number of functional areas for reform that affect PSD and to which Danida programmes have some connection. Before concluding, this chapter considers the evidence connecting PSD and framework conditions to economic development and poverty reduction.

Following this, Chapter 4 of this report maps selected Danish global and country programmes based on a set of programming themes. Eight current global programmes have been selected for review because of their relevance to PSD and improvement of the framework conditions for PSD in developing and emerging economies. These are discussed in Section 4.1. A selection of Danish country programmes is then mapped (Section 4.2). Eight countries were selected for mapping because of the range of PSD-related programmes they contain. Seven of these countries are in Africa, one in Asia. While the study initially planned to examine country programmes over a ten-year period (i.e.,

from 2011 to 2021), it was difficult to obtain older country programme documentation. Thus, while it was not possible for the study to observe a change in country programming trending over time, it is anticipated that the forthcoming evaluation will have a greater opportunity to do this. Despite this, it has been possible to examine the current country programmes and, in most countries reviewed, documentation on the previous country programmes (i.e., which may have begun around 2015-17). In addition, this study draws from the results of more extensive evaluations of country programming (e.g., the Danida evaluation of the Ghana-Denmark partnership from 2007-2017).<sup>3</sup>

Having mapped the selected global and country programmes, the study takes a closer look at specific PSD and framework conditions programme themes. The most common themes identified in the mapping are discussed (Section 4.3). Finally, Section 4.4 briefly reviews the PSD and framework conditions or business environment related programmes of four other agencies. Two of these are bilateral agencies, the other two are multilateral agencies. This provides an interesting point of comparison. Annex 5 provides the results of consultations with the four agencies.

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3 Government of Denmark (2018) Evaluation Ghana-Denmark partnership (2007-2017); results, sustainability and transformation, Danida, Copenhagen.

### 2.2 Key study questions

This study considers a series of questions concerning Danida programme-support for improving the framework conditions for PSD that were identified in the terms of reference for this review:

1. Trends in support for PSD and improved framework conditions: What are the main trends in the Danish support to framework conditions for PSD in priority countries the last ten years? How does this trend compare with the support provided by other development partners?
2. Evidence of results in support for PSD and improved framework conditions: Are there any good examples from ongoing or completed Danida projects or other programmes with verifiable results and best practices when it comes to poverty reduction? Are there examples which may can be studied in more details in an evaluation?
3. Role of political-economy drivers: Are there lessons to be learned from identifying and responding to political economic drivers in PSD and improved framework conditions?<sup>4</sup> For example, has Danida or other development partners been able to identify and work with companies or business associations with strong interest in 'horizontal' rule of law enforcement? Are there examples which may can be studied in more details in an evaluation?
4. PSD and sustainability: Are there any good examples of Danida or other donors having contributed to improving the environment for achieving the triple goal of the 'three Ps' (i.e., people, planet and profit)? Are there examples that may be studied in more details in a future evaluation?
5. Support for inclusive models of PSD and improved framework conditions: Are there any examples of Danida or other donors having contributed to improving the environment for businesses to engage with refugees and host countries and communities while boosting humanitarian assistance?

The answers to these questions, based on the study findings, are presented in Section 5.1.

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4 This may involve the use of political economic analysis in conducting an assessment of framework conditions when designing or appraising programmes. Political economy analysis is about understanding the political dimensions of any context and actively using this information to inform policy and programming. Politics is the formal and informal ways through which contestation or cooperation occurs in a society. Political processes are dynamic and occur at all levels of society and this analysis involves looking at the dynamic interaction between structures, institutions and actors to understand how decisions are made.



### 3. IMPROVING THE FRAMEWORK CONDITIONS FOR PRIVATE SECTOR DEVELOPMENT

This chapter establishes a conceptual basis for understanding framework conditions for PSD. While there is no clear operational definition for the term that can be applied in the context of a programme evaluation, either in Danida's strategy or in the broader literature, this report formulates a definition based on the general range of themes addressed within Danida's PSD and related programmes. As discussed below, the somewhat narrowly defined 'business environment' is framed by the broader definition of the 'investment climate'. Connected to these are a set of strategic Danish themes that are accommodated within the term 'framework conditions'.

#### 3.1 Defining framework conditions in Danida programming

The Danish Strategy for Development and Cooperation and Humanitarian Action (The World 2030) assigns particular attention to creating 'favourable framework conditions for the private sector', so that it may increase its contribution to the United Nations (UN) Sustainable Development Goals (SDGs) in the developing countries and globally'.<sup>5</sup>

*A good business climate* grows from a foundation based on a well-functioning judicial system and respect for the human rights, effective, responsible and inclusive civic institutions, anti-corruption policies, building of infrastructure and gender equality. *A good business climate* and a responsible private sector can contribute to promoting democratic processes – and the other way around. Building of institutions, private land and property rights and economic freedom are crucial. Land and property rights are also often part of the livelihood and the food production for many poor people in the developing countries, which we must contribute to protect. *Framework conditions* also comprise a healthy labour force, including through access to i.a. health services, including combating HIV/AIDS,

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5 Government of Denmark (2017) The World 2030; Denmark's Strategy for Development and Cooperation and Humanitarian Action, Ministry of Foreign Affairs, Copenhagen (p. 28).

and the civil society organisations' support of vocational and labour market programmes. [Italics added to highlight the terms used.]

The World 2030; Denmark's Strategy for Development and Cooperation and Humanitarian Action (p. 28)

This study specifically focuses on programmes that improve the framework conditions for PSD and is particularly concerned with the development of a more enabling business environment, or 'business climate' to use the term used in the quote above, for the private sector in developing and emerging economies, rather than the development of the Danish private sector per se. PSD is considered a public good that contributes to economic development and poverty reduction in developing and emerging economies.

### 3.2 The business environment and private sector development

This study's approach to conceptualising the role of 'framework conditions' for PSD recognizes and builds on a rather narrow definition of the 'business environment' which the Donor Committee for Enterprise Development (DCED) formulated in its 2008 *Donor Guidelines for Business Environment Reform*.<sup>6</sup> This defines the business environment as 'a complex of policy, legal, institutional, and regulatory conditions that govern business activities' and positions the business environment as a sub-set of the investment climate. This definition includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.). See Figure 1 on next page.

Beyond the business environment is a broader set of factors that affect the circumstances in which private enterprises start-up and operate.<sup>7</sup> While the World Bank, in the World Development Report 2005, *A Better Investment Climate for Everyone*, does not provide a clear definition of the investment climate, it generally suggests it 'reflects the many

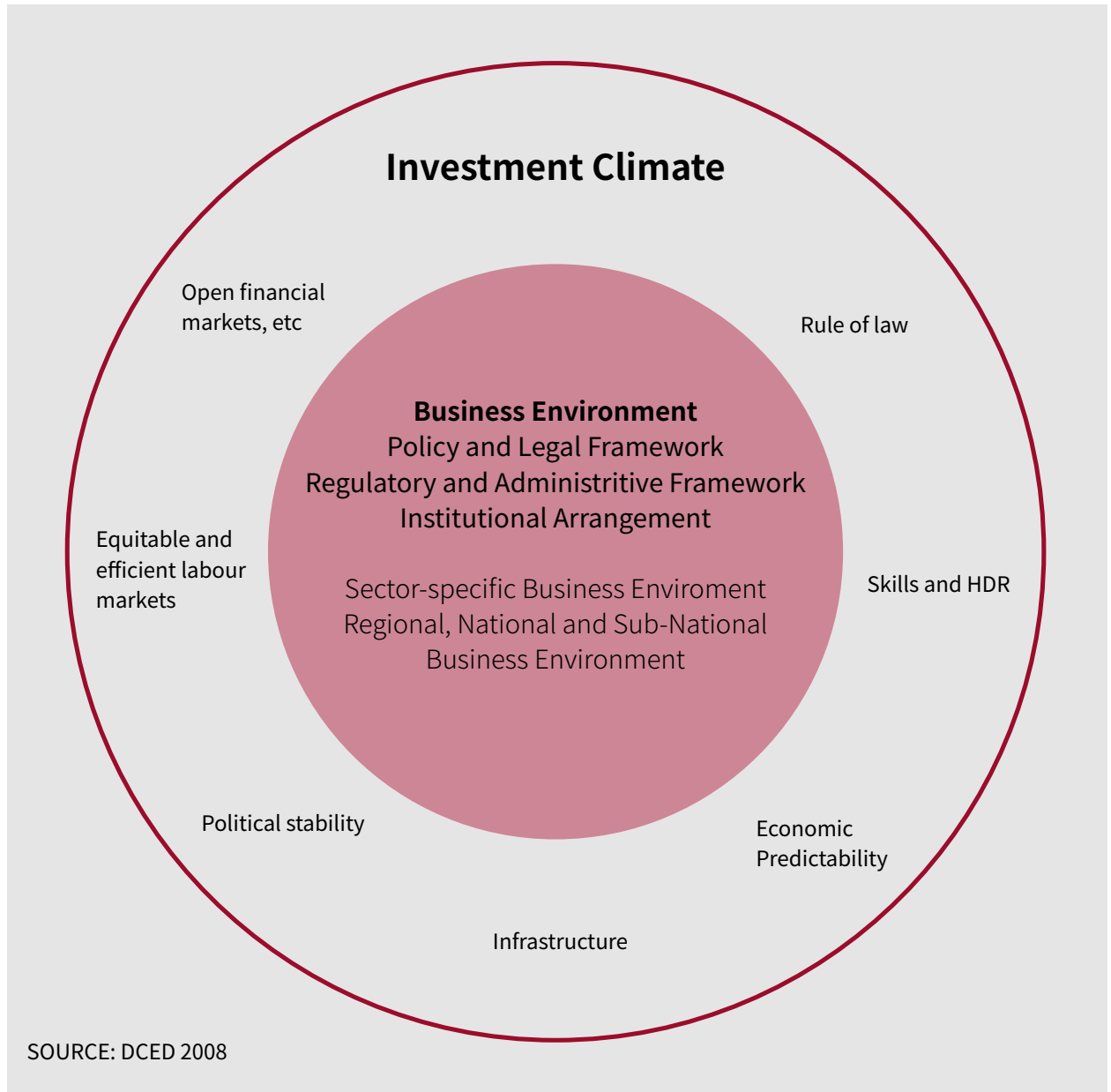
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6 As an active member of the DCED and its Business Environment Working Group for many years, Danida was a part of the process in 2007/8 in which this definition was formally adopted.

7 DCED (2008) [Supporting Business Environment Reforms: Practical Guidance for Development Agencies](#).

location-specific factors that shape the opportunities and incentives for firms to invest productively, create jobs, and expand'.<sup>8</sup>

**FIGURE 1: RELATIONSHIP BETWEEN THE INVESTMENT CLIMATE AND BUSINESS ENVIRONMENT**



8 World Bank (2005): World Development Report 2005, A Better Investment Climate for Everyone, World Bank Group, Washington DC, p. 2.

Despite its common usage, there does not appear to be any universally agreed definition for the term 'framework conditions'. The Global Entrepreneurship Monitor applies the term 'National Entrepreneurial Framework Conditions' which take into account the advancement of each society through the three phases of economic development (i.e., factor-driven, efficiency-driven and innovation-driven).<sup>9</sup> It is also worth noting that the World Economic Forum publishes the annual Global Competitiveness Report, which covers 134 major and emerging economies. It assesses the ability of countries to provide high levels of prosperity to their citizens. The Global Competitiveness Index measures the institutions, policies and factors that set the sustainable current and medium-term levels of economic prosperity. This assessment encompasses '12 pillars of economic competitiveness'. The benchmarking activity was paused in 2020, as a result of the coronavirus (COVID-19) pandemic, and a special report published for policymakers on responses to the pandemic. This report highlights the importance of the 'enabling environment', which it says encompasses 'both formal and informal institutions; utilities and infrastructure such as transport, energy, water and telecommunications; as well as the framework conditions set by monetary and fiscal policy, and more broadly, public finances' (p. 12).<sup>10</sup>

Other indicator-based measures of framework conditions and business environments include the World Bank Doing Business assessments. These apply a selected set of ten indicators that affect the time and costs associated with doing business in a particular economy.<sup>11</sup> There are also an increasing number of Subnational Doing Business assessments published. In August 2020, the World Bank announced that a number of irregularities had been reported regarding changes to the data in the Doing Business 2018 and 2020 reports. As a result, they have paused the publication of the 2021 report to conduct a systematic review and assessment of data changes that occurred for the last five reports as well as an audit of the data collection processes and a review of the

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9 The [Global Entrepreneurship Monitor](#) is a not-for-profit academic research consortium that has as its goal making high quality international research data on entrepreneurial activity readily available to as wide an audience as possible. GEM is the largest single study of entrepreneurial activity in the world. For a discussion on 'National Entrepreneurial Framework Conditions' see Herrington, M. and A. Coduras (2019) '[The national entrepreneurship framework conditions in sub-Saharan Africa: a comparative study of GEM data/National Expert Surveys for South Africa, Angola, Mozambique and Madagascar](#)', *Journal of Global Entrepreneurship Research* 9 (60).

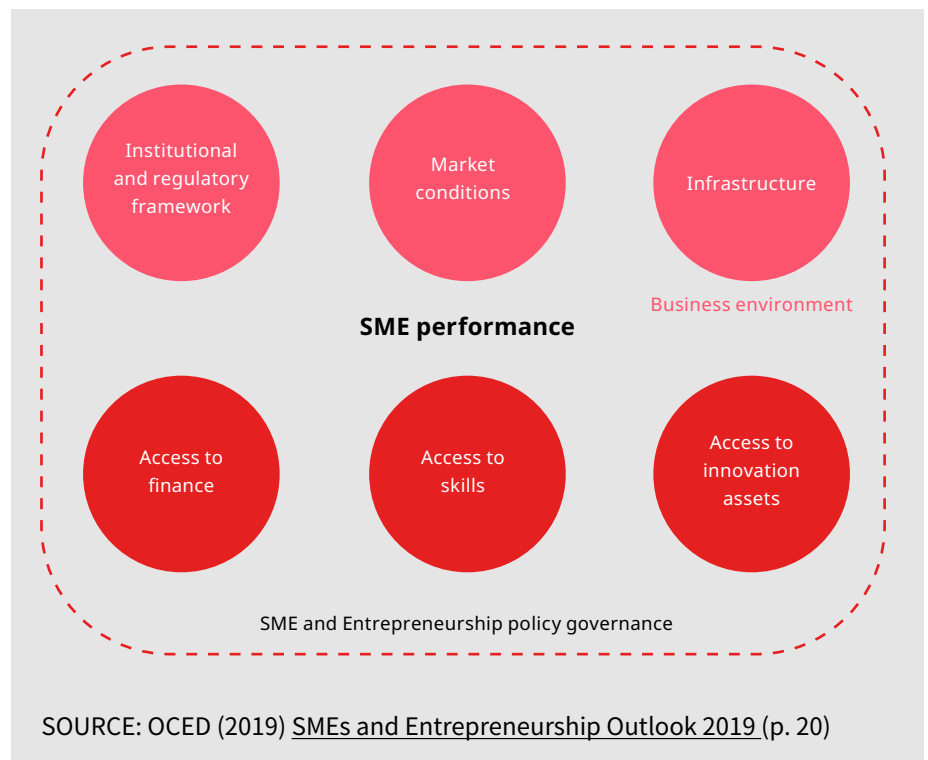
10 World Economic Forum (2020) [The Global Competitiveness Report Special Edition 2020: How Countries are Performing on the Road to Recovery](#), WEF, Geneva.

11 Doing Business indicators include: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

controls to safeguard data integrity.<sup>12</sup> These announcements have ignited further criticism of the Doing Business methodology.<sup>13</sup>

More recently, the Organisation for Economic Cooperation and Development (OECD) has presented empirical evidence on the composition and economic contributions of small and medium-sized enterprises (SMEs) and entrepreneurship on economic performance, ‘with a view to exploring national approaches for improving the business environment for SMEs and entrepreneurship’. This report presents a conceptual framework composed of six pillars, underpinned by a cross-cutting element on SME and entrepreneurship policy governance. This describes how the business environment and ‘strategic resources’ influence SME performance. In this case, the business environment is comprised of the institutional and regulatory framework, market conditions and infrastructure.<sup>14</sup> See the figure below.<sup>15</sup>

**FIGURE 2: SME AND ENTREPRENEURSHIP CONCEPTUAL FRAMEWORK**



12 World Bank (2020) ‘[Doing Business – Data Irregularities Statement](#)’, 27 August.

13 For example, see Jayati Ghosh (2020) ‘[Stop Doing Business](#)’, Project Syndicate, 10 September. Viewed 15 April 2021.

14 OECD (2019), *OECD SME and Entrepreneurship Outlook 2019*, OECD Publishing, Paris.

15 OECD (2019) also contains a more detailed version of this conceptual framework (Ibid. pp. 20-23).

Importantly, OCED (2019; 21) highlights that ‘SMEs are typically more dependent on their business ecosystem than larger firms. Smaller firms are more vulnerable to deficient framework conditions, market failures and economic shocks, while inefficient infrastructure hampers their access to markets and the strategic resources they need to operate’.

Returning to developing and emerging economies, the DCED (2008) indicates that donor and development agencies support developing-country governments to improve the business environment because of the significant influence the business environment has on the development of the private sector and on economic growth and the generation of livelihoods and jobs. Business environment reform (BER) is supported because it influences a change in the behaviour of private enterprises in ways that lead to increased levels of investment and innovation, and the creation of more and better jobs. This is done by:

- Reducing business costs: to increase profits (that may lead to increased investment) or increasing market share (and thereby output and employment);
- Reducing risks: poor or frequently changing government policies, laws and regulations pose a risk for business, thus, reducing the cost of capital (and thereby increasing the number of attractive investments in the market); and
- Increasing competitive pressures through new entry: to stimulate the efficiency and innovating incentives of the market.

The DCED describes four ‘levels’ of the business environment (i.e., regional, national, subnational, and sector) as well as identifying a number of ‘functional areas’ of BER that have a ‘direct impact on setting the environment for private enterprise operation’. These functional areas are listed below and have been applied when mapping and reviewing Danida’s and other agencies’ PSD programming:

- Simplifying business registration and licensing procedures;
- Improving tax policies and administration;
- Improving labour laws and administration;
- Improving the overall quality of regulatory governance;
- Improving land titles, registers and administration;
- Simplifying and speeding up access to commercial courts and to alternative dispute resolution mechanisms; and
- Broadening public-private dialogue processes with a particular focus on including informal operators, especially women.

Two other DCED functional areas have been excluded from the mapping and review contained in this report because they extend beyond the primary concerns of this study. These are: (1) ‘improving access to market information’, which is only included in this study where programme interventions specifically focus on Legal, regulatory and administrative reform that improve access to market information; and (2) ‘enabling better access to finance’, which is only included in this study where programme interventions specifically focus on Legal, regulatory and administrative reform that improve access to finance and not, for instance, the provision of financial services directly to enterprises.

There are many ways in which Danish development programmes support the improvement of framework conditions for PSD. The terms of reference (Annex 1) identified a number of ‘key areas’ in PSD and framework conditions in relation to Danish programming. These were developed further to establish a set of programming themes that emerge across the Danish PSD programming. These are presented in the figure below.

**FIGURE 3: FRAMEWORK CONDITION THEMES**

Mapping Indicators	Definition or Application
<b>Legal, Regulatory and Administration Reform</b>	Business registration, licensing, taxation administration, land reform administration. This is considered a core business environment issue (DCED 2008).
<b>Labour Market Reform</b>	Labour courts, conflict and mediation, social dialogue, collective bargaining agreements. This is included in the DCED (2008) ‘functional areas’ of BER, listed above.
<b>Investment Facilitation and Promotion</b>	Foreign investment policies, programmes and agencies. Legal, regulatory and administration reform related to investment (i.e., foreign and domestic investment) is often included in the ‘narrow’ business environment definition. However, investment promotion is typically focused on promoting foreign investment opportunities and is not necessarily seen as a core business environment issue. More recently, emphasis is given to both – facilitation and promotion. <sup>16</sup>

16 See: JICA (2019) Business Environment Reform and Investment Promotion; Study Report, Donor Committee for Enterprise Development, Cambridge, UK; and White, S. and Fortune, P. (2015) Business Environment Reform and Investment Promotion and Facilitation: Rapid Evidence Assessment. London: Coffey International Development.

Mapping Indicators	Definition or Application
<b>Trade Regimes, Facilitation, and Promotion</b>	Trade policies, laws, regulations, promotion programmes and agencies. Legal, regulatory and administration reform related to trade is often included in the 'narrow' DCED definition, but trade promotion (e.g., export promotion programmes) is not necessarily treated in the same way.
<b>Commercial Justice and Dispute Resolution</b>	Commercial courts; alternative dispute resolution mechanisms. This is included in the DCED (2008) 'functional areas' of BER.
<b>Human Rights</b>	Rights of marginalized and other social groups (e.g., refugees, migrant communities). In terms of framework conditions, this theme focuses on ensuring human rights in more inclusive forms of economic and employment development through legal, regulatory and administration reforms as well as the inclusion of marginalized social groups in public-private dialogue.
<b>Governance and Political Economy</b>	Includes public sector governance programmes that address the regulation of the private sector, as well as programmes that seek to reduce corruption, which is often involves public and private actors, and the promotion of responsible business practices. While not considered within the narrow business environment definition, improvements to legal, regulatory and administration frameworks often improve governance, increase transparency and accountability, while reducing the opportunity for corruption (e.g., by introducing or strengthening rule-based procedures and removing discretion).
<b>Gender Equity</b>	While gender is likely to be integrated into other development engagements, the mapping considers whether there are programmes that specifically address gender barriers to employment and business development. <sup>17</sup>
<b>Youth</b>	Programmes that specifically address barriers to youth employment and business ownership. From a framework conditions and business environment perspective, this theme focuses on the legal, regulatory and administration barriers that reduce participation by young women and men in business and the economy more broadly. Danida has a strong policy focus on youth, especially in Africa.
<b>Business Advocacy and Public-Private Dialogue</b>	Advocacy funds and capacity building support to business member organisations. This is considered a core business environment issue (DCED 2008).
<b>Infrastructure Development</b>	Infrastructure is typically considered an investment climate issue. Good infrastructure is an essential enabling requirement for business and economic development. While this has traditionally been led and funded by government, increasing attention has been given to facilitating private investment into infrastructure, including the promotion of public-private partnerships (PPPs) around infrastructure projects.

17 See DCED (2016) Business Environment Reform and Gender; Technical Report, DCED, Cambridge; DCED (2016) Supporting Business Environment Reforms: Practical Guidance for Development Agencies; Annex: Gender and Business Environment Reform, DCED, Cambridge.



Mapping Indicators	Definition or Application
<b>Social Investments</b>	As with infrastructure development, above, the investment theme is typically considered an investment climate issue. However, there are new trends in investment emerging. This is a broad theme dealing with a number of concerns. The European Commission defines social investment as being ‘about investing in people... policies designed to strengthen people’s skills and capacities and support them to participate fully in employment and social life’. <sup>18</sup> The OECD refers to social impact investment, which deals with ‘the provision of finance to organisations addressing social needs with the explicit expectation of a measurable social, as well as financial, return’. <sup>19</sup> Danida’s global programming contains a number of social investment initiatives that encompass sustainability and the use of public and private investments, including PPPs, to contribute to achieving the SDGs and dealing with climate change.
<b>Green Growth and Climate Change Adaptation</b>	While this is another broad programme theme, the specific concern within the context of framework conditions is with the use of policy, legal, regulatory and administration reform oriented towards catalysing new investments into green growth and mitigating negative impacts of PSD on the environment.
<b>Access to Finance (BER Focus)</b>	Includes financial sector reform and access to a wide range of financial products and services. This is included in the DCED (2008) ‘functional areas’ of BER. However, it does not include the direct provision of finance to private enterprises. The emphasis given to ‘BER focus’ reflects the understanding that the provision of financial services for PSD is a major topic of its own; one that has been previously evaluated. Here, the focus is on programmes that address the policy, legal, regulatory, and administration of financial services.
<b>Enterprise Development</b>	Encompasses a broad range of issues, including business services (e.g., management training). A very broad programme area, which is often supply oriented, while BER is a demand-side approach; growing focus on market systems development (MSD) and in how to achieve better programming links between BER and MSD.
<b>Value Chain and Market Systems Development</b>	Enterprise development applying systemic models in selected markets and value chains. There is growing interest in finding better programming links between BER and MSD and value chain development. Here, again, the focus is not on input provided to individual firms, but rather on the business environment that governs the functioning of value chains and market systems and how this can be improved.
<b>Skills Development</b>	Focus here is not on capacity building and skills development provided to the ultimate beneficiaries, but rather efforts to strengthen vocational education and training systems and institutions.

18 European Commission Employment, Social Affairs and Inclusion, [Social Investment website](#), accessed 19 April 2021.

19 OECD [Social Impact Investment website](#), accessed 19 April 2021.

### **3.3 What the evidence says on the link between framework conditions and development results**

Before reporting on the findings of this study in terms of the trends in Danida's programming for PSD and improvements to the framework conditions, this section provides a brief overview of what the evidence says on the link between framework conditions and development results. This draws from a range of published reports that present evidence on the importance of framework conditions to private sector performance, economic growth and poverty reduction. This section does not reflect the findings of Danish evaluations, which are discussed in Chapter 4 when presenting specific global and country programmes.

As shown above, donor and development agencies support BER because it influences a change in the behaviour of private enterprises in ways that lead to increased levels of investment and innovation, and the creation of more and better jobs. This is done by reducing business costs and risks and increasing competitive pressures. The DCED has an [Evidence Framework](#) that presents a results chain for donor and development agency support for PSD, including BER programming. The results chain generally reflects those used by a wide range of donor and development agencies in their PSD programming.

The World Bank Group (WBG) notes that private firms are at the forefront of the development process providing more than 90 per cent of jobs, supplying goods and services, and representing a significant source of tax revenues. In 2015, the World Bank's Independent Evaluation Group published an evaluation of WBGs support to reforms and business regulations.<sup>20</sup> This described how the ability of private firms to 'grow, create jobs, and reduce poverty depends critically on a well-functioning investment climate, defined as the policy, legal and institutional arrangements underpinning the functioning of markets and the level of transaction costs and risks associated with starting, operating and closing a business. The evaluation found that, within the limits of the available measures of investment climate indicators, the WBG had been successful in improving the investment climate in client countries. This was measured by the number of laws enacted, the streamlining of processes and time, or the simple cost savings for private firms. However, the impact on investment, jobs, business formation, and growth was not found to be straightforward, neither was the social value of regulatory reforms. As a result, the implications for social inclusion and shared prosperity as reflected in effects on a range

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20 World Bank (2015) [Investment Climate Reforms: An Independent Evaluation of World Bank Group Support to Reforms and Business Regulations](#), World Bank, Washington, DC.

of stakeholders had not been properly included in the design of reforms and assessment of their impact. While regulatory reforms need to be designed and implemented with both economic and social costs and benefits in mind, in practice, WBG support had focused predominantly on reducing costs to businesses.

Other agencies have commissioned studies to evaluate the development impacts of PSD and BER and to identify good practices and lessons learned. For example, a 2011 independent meta-evaluation of Swiss State Secretariat for Economic Affairs (SECO) support for BER found 'good results in delivering outputs in the form of new laws, elimination of unnecessary regulations, streamlining of procedures, modernisation of regulations and their implementation, providing training and capacity building'.<sup>21</sup> Similarly, at the outcome level, the results were found to have been 'reasonable'.<sup>22</sup> However, when considering the impact of SECO-supported BER programmes on job-creation and investments, the evaluation could not make any generalized statement. While this was described as 'disappointing', it was considered as a 'reflection of the fact that attribution challenges increase the further we move along the results chain'. Moreover, the report found 'a total absence of analysis of ultimate impacts on economic opportunities, improved livelihoods for poor people, integration in regional and global markets and sustained economic growth in all the result-reporting from the projects.

There is evidence that shows that business environment and investment climate reform leads to increased levels of domestic and foreign investment, productivity, innovation, greater number of firms and job growth, as well as resolving commercial disputes, protecting consumers and the environment, and preventing monopolistic practices. For example, in Chile, unemployment fell from 19.6 to 8.7 per cent in four years, while in Sweden, unemployment halved in a similar timeframe. In both instances, rapid growth in private sector investment was seen due to improvements in the business environment.<sup>23</sup>

Using World Bank Doing Business data from 172 countries, Haidar (2012) found that, on average, each business regulatory reform is associated

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21 SECO (2011) The Role and Effectiveness of SECO Cooperation in Business Environment Reform, Commissioned by the Evaluation and Controlling Section (WEKO), Economic Cooperation and Development Division at the State Secretariat for Economic Affairs (SECO) Bern.

22 For example, in terms of ranking in the Doing Business, countries with SECO BER projects have with few exceptions done better than the average for all countries. However, in terms of outcome in the form of cost savings by the private sector due to easing of the administrative burden and overall reduction of red tape, there are clear attempts in many of the portfolio projects to quantify such results.

23 Cited in European Bank for Reconstruction and Development (2017) Private Sector Diagnostic: Egypt.

with a 0.15 per cent increase in the growth rate of Gross Domestic Product.<sup>24</sup> Also using Doing Business data, Djankov, et. al. (2006) found that improving from the worst to the best quartile of business regulations within their sample implied a 2.3 percentage point increase in average annual growth.<sup>25</sup> Similarly, Eifert (2009) found that relatively poor and relatively well-governed countries grow about 0.4 and 0.2 percentage points faster respectively in the year following more reforms. In both groups of countries, investment rates accelerated by about 0.6 percentage points in the subsequent year.<sup>26</sup> Djankov et. al. (2018) found that business-friendly regulations are correlated with lower poverty headcount. A ten per cent improvement on the overall Doing Business indicator results in a two per cent reduction in the poverty headcount. Improvements in the enforcing contracts indicator are associated with even larger changes in the poverty headcount.<sup>27</sup> Finally, analysis using a database of some 25,000 firms from 78 developing countries concludes that the developmental impact of foreign direct investment is highly dependent on how good or bad a country's general business environment is.<sup>28</sup>

In their assessment of the published evidence concerning the causal links between BER and poverty reduction, White and Fortune (2015) reviewed 176 studies to find that the links between BER and poverty reduction are not direct.<sup>29</sup> No studies were found that attempt to present evidence of a direct link between BER and poverty reduction. Instead, evidence on the links or channels through which BER was found to indirectly contribute to poverty reduction. Two causal links were found to be relevant: (1) where BER directly affects the decisions made by businesspeople leading to increased firm investment (e.g., improvement in business registration, obtaining a license, tax registration, dealing with labour laws, and land titling); and (2) where BER affects economic

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24 Haidar, Jamal Ibrahim (2012) 'The Impact of Business Regulatory Reforms on Economic Growth', *Journal of the Japanese and International Economies* 26 (3); 285-307.

25 Djankov, S., C. McLiesh and R. Ramalho (2006) 'Regulation and Growth', *Economics Letters* 92 (3): 395-401.

26 Eifert, B. (2009), 'Do Regulatory Reforms Stimulate Investment and Growth? Evidence from the Doing Business data 2003-2007', Benjamin Eifert, CGD Work Paper No. 159, January 2009.

27 Djankov, S., D. Georgieva and R. Ramalho, (2018) 'Business regulations and poverty', *Economics Letters* 165; 82-87.

28 Farole, T. and D. Winkler (2014) 'The Role of Mediating Factors for FDI Spillovers in Developing Countries: Evidence from a Global Dataset', in Farole, T. and D. Winkler (2014) Making Foreign Direct Investment Work for Sub-Saharan Africa: Local Spillovers and Competitiveness in Global Value Chains, *World Bank*, Washington DC.

29 White, S. and P. Fortune (2015) Business Environment Reform and Poverty: Rapid Evidence Assessment, Coffey International Development, London.

growth.<sup>30</sup> In this second instance, the researchers are careful about making these outcome claims and while there is strong and consistent evidence on the positive association between the quality of business regulation and economic growth, there is little evidence found that confidently asserts the relationship between BER and economic growth.

The brief review above demonstrates the importance of formulating a theory of change in which the sequencing of programme effects is presented in order to identify specific programming linkages and assumptions that can be measured and evaluated. In general, BER programme evaluations have been able to assess the performance of programmes in supporting change at the outcome level (i.e., where successfully produced programme outputs are used by beneficiaries to achieve broader programme outcomes). For example, where donor support for a one-stop-shop business registration centre has led to improvements in how government administers business registration processes, making these easier, cheaper and more transparent. This may have led to increases in business registrations overall. However, beyond this level, it has proved more difficult to apply evaluation techniques and standards that provide robust evidence for an assessment of whether more business registrations had led to economic growth and poverty reduction.

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30 There are a range of studies and evaluations associated with specific BER interventions of this kind. For example, in the field of business registration reform see DCED (2017) [What do we know about the effectiveness of business registration support and reforms?](#) Key studies referenced in the DCED Evidence Framework, DCED, Cambridge. Working Document, last updated: August 2017.

## 4. MAIN TRENDS IN DANIDA'S SUPPORT TO FRAMEWORK CONDITIONS FOR PRIVATE SECTOR DEVELOPMENT

This chapter presents the overall findings of the review. This is done in the three steps. First, the overall trends in Danish PSD programming are presented. This draws on the results of the programme mapping, which covers a selection of the most relevant Danish global programmes as well as country programmes.

Second, a deeper review of specific thematic programmes related to PSD and the improvement of the framework conditions is provided.

Third, the trends in other donor and development agency programming are reviewed. This describes the support for improvements in framework conditions and business environments provided by Sweden and Germany, representing bilateral programming support, as well as by the International Labour Organisation (ILO) and the WBG, representing multilateral programming support. The approaches taken by each of these agencies provide a valuable point for reflection regarding the future direction of Danida's work in this area.

### 4.1 Danish global programmes

Denmark has a number of global programmes that are in some way connected to supporting reforms to the framework conditions for PSD. The following global programmes were reviewed for this study:

1. Aid for Trade
2. Danida Sustainable Infrastructure Finance
3. Programme for Global Green Growth Goals
4. Sector Strategic Cooperation
5. Labour Market Consortia
6. Danida Market Development Partnerships
7. Danish Neighbourhood Programme

8. Danish Arab Partnership Programme

9. Danida Fellowship Centre

## Aid for Trade

The Danish Programme for Support to Multilateral Aid for Trade Activities 2018-20 (A4T) assists developing countries in their efforts to benefit from increased trade opportunities and market access towards better integration in the global economy, while also allowing these countries to develop their comparative advantages. Its strategic objective is to strengthen SME competitiveness and integration in global and regional value chains through support for the International Trade Centre (ITC), the Global Alliance for Trade Facilitation GATF, the Standards and Trade Development Facility, and the World Economic Forum (WEF) in synergy with Danish bilateral programs and policies in Ethiopia, Ghana, Burkina Faso, Mali, Niger, and Vietnam. Furthermore, Denmark is a significant funder of the Enhanced Integrated Framework, which is the only multilateral partnership dedicated to assisting least developed countries to use trade as an engine for growth, sustainable development and poverty reduction. There are three priority areas: (1) connecting SMEs to global and regional value chains through value adding goods and services, supported by sustainable investment; (2) reducing trade costs for SMEs through better management of non-tariff measures, especially sanitary and phytosanitary standards, and implementation of the World Trade Organisation's (WTO's) Trade Facilitation Agreement; and (3) leveraging action and funding for Aid for Trade through ITC's and GATF's innovative projects and effective coordination with governments, donors and the private sector.

The focus and results of this programme are strongly directed towards SME competitiveness. While many programmes adopt an export promotion approach to this work, this programme is focused on the trade regime, including value chains and the cost of trade. Thus, by focusing beyond the firm, this programme pays attention to the framework conditions in which exporting SMEs operate.<sup>31</sup> Indeed, the programme document describes how previous Danish strategies for multilateral Aid for Trade activities have 'traditionally prioritized support for governments' integration of trade policy into their overall policies and strategies for economic development', while the current programme illustrates how Denmark now wants to broaden its support to multilateral Aid for Trade to include the private sector. This includes a gradual shift 'towards

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31 Particular attention is given to women owned enterprises (e.g., in Ethiopia).

support for better framework conditions for and competitiveness of SMEs'.<sup>32</sup>

In summary, A4T offers considerable scope for supporting the improvement of the framework conditions for PSD with a clear emphasis on the issues affecting SMEs in trade. These issues include capacity building for SMEs, adopting a somewhat typical enterprise promotion approach, while also focusing on the legal, regulatory and procedural barriers to trade by SMEs in development and emerging economies.

### Danida Sustainable Infrastructure Finance

The Danida Sustainable Infrastructure Finance (DSIF) programme provides access to finance for sustainable infrastructure projects in developing countries based on the countries' development strategies, delivering measurable results toward the SDGs that create growth and employment in developing countries.<sup>33</sup> DSIF can leverage finance for sustainable infrastructure projects in developing countries based on the countries' development strategies. DSIF aims to deliver measurable results toward the SDGs that create growth and employment in developing countries.<sup>34</sup>

This programme is not a typical PSD-related programme. While it contributes to raising private capital for the financing of projects in selected developing countries, supporting development projects which can neither be financed on ordinary commercial terms nor with grant assistance, it actively involves the Danish private sector. However, the programme acknowledges that 'technical knowhow and appropriate regulatory frameworks need to be in place to ensure a viable and sustainable investment'. On this basis, DSIF offers technical assistance and support to authority-to-authority cooperation, if necessary, to transfer institutional knowledge in the relevant sector area. Thus, all contracts financed by DSIF contain a training package to develop capacity for optimal operation and maintenance of the DSIF

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32 Danida (no date) Strategy for Denmark's Multilateral Aid for Trade activities 2018-20.

33 As of January 2020, Danida Business Finance became Danida Sustainable Infrastructure Finance (DSIF). The change of name reflects the nature of the projects that are financed in accordance with the Danish government's commitment to sustainable and climate resilient infrastructure in developing countries (DSIF website, '[What we offer](#)', viewed 20 March 2021).

34 DSIF offers subsidised loans to infrastructure projects in developing countries with income per capita below USD 3,995 (2020). The following countries are eligible for DSIF support: Afghanistan, Bangladesh, Burkina Faso, Egypt, Ethiopia, Ghana, India, Indonesia, Kenya, Mali, Morocco, Myanmar, Niger, Nigeria, Pakistan, Palestine, Philippines, Somalia, Tanzania, Uganda, Ukraine, and Vietnam.



investment.<sup>35</sup> However, on the whole, this programme was not designed to deal specifically with the improvement of framework conditions. It only engages in this in order to reduce the risks associated with specific investments. As such, it does not specifically support improvements to the framework conditions for PSD in general.

### **Programme for Global Green Growth Goals (P4G)**

The P4G programme seeks to become a leading forum for developing public-private partnerships (PPP) to deliver on the SDGs and the Paris Climate Agreement. P4G was established to reflect Denmark's investment in inclusive, sustainable growth and development in developing and emerging economies. The programme brings together business, government and civil society organisations in PPPs to advance market-based solutions that help meet global needs in key areas.<sup>36</sup>

The design of P4G builds on experiences from the Global Green Growth Forum (3GF), a high-level public-private partnership that brought together 200 invited global leaders from government, business, finance and civil society to collectively spur green growth and design the architecture for a green economy. However, 3GF was criticized for not bringing about the needed results and changes to the required scale and for lacking a mechanism to support relevant projects through grants. Moreover, 3GF was viewed as a very 'Danish' initiative with very little international collaboration.<sup>37</sup> In contrast, P4G works with partner countries and global partner organisations that are actively engaged in addressing climate and sustainability issues. A<sup>38</sup> coordination hub, manages P4G and is hosted by the World Resources Institute (WRI) in Washington DC. National platforms have been established in most partner countries as well as in Denmark.

The programmes' theory of change suggests that the public and private sectors must work together in partnerships to develop market conditions that drive innovative, sustainable, and profitable

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35 DSIF (2020) Guiding Principles for Danida Sustainable Infrastructure Finance, DSIF.

36 These are food and agriculture, water, energy, cities, and circular economy (SDGs 2, 6, 7, 11, and 12). With its focus on partnerships, P4G also contributes to SDG 17.

37 Government of Denmark (2017) Partnering for Green Growth and the Global Goals 2030; Programme Document, Danida, Copenhagen.

38 Current P4G partner countries are: Bangladesh, Chile, Colombia, Denmark, Ethiopia, Indonesia, Kenya, the Republic of Korea, Mexico, the Netherlands, South Africa, and Vietnam. Partner organisations are: Cities Climate Leadership Group (C40), Global Green Growth Institute (GGGI), International Finance Corporation (IFC), UN Global Compact (UNGC), WEF, and WRI.

solutions, promoting growth and decent jobs in the process. National platforms have been established to support this engagement. They are strategic mechanisms designed to 'support policy reforms to help bring transformative investments to scale, they can facilitate partnership access to a broader pool of potential investors, and they can help identify new complementary and synergistic investments and partnerships that contribute to catalysing sustainable and transformative change'. However, national platforms vary in their levels of maturity and potential capacity to identify and drive reforms.<sup>39</sup>

P4G supports two types of partnership engagement: market-driven and market-generating.<sup>40</sup> These vary in the extent to which they represent the development of private enterprises in developing economies. More often than not, partnerships originate from a developed economy, including Denmark in a few cases, which then find local partners in a developing economy. Thus, P4G's contribution to improving the framework conditions for PSD in the Global South is somewhat limited. However, P4G is innovative in its approach to create high-level commitment and dialogue and has been successful in creating awareness about challenges and solutions within the SDGs targeted by P4G.

P4G represents a trend in Danish programming which is focused on green growth and climate change adaptation, which is combined with improvements to the framework conditions and partnerships that foster enterprise development. Thus, this programme offers considerable scope for contributing to improved framework conditions in order to foster PSD while promoting green growth.

### Sector Strategic Cooperation

The SSC Initiative was launched in January 2015 and was initiated within the framework of the Danish Strategy for Development Aid and Humanitarian Assistance (2017) and the Danish Government's Strategy for Economic Diplomacy (2018). The SSC Initiative supports peer-to-peer cooperation and capacity development between Danish

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39 Government of Denmark (2021) Partnering for Green Growth and the Global Goals 2030 P4G; Midterm Review Report, Evaluation, Learning and Quality Department, Ministry of Foreign Affairs, Copenhagen (p. 12).

40 Market-driven partnerships are driven by the business case. These are partnerships where commercial and non-commercial actors co-create, finance and implement new business models, technologies or products that contribute to sustainable development. Market-generating partnerships are not driven by immediate commercial prospects, but rather by a broader ambition and long-term commercial interest in transforming the market conditions and ultimately generating a market for more sustainable solutions.

public authorities and partner authorities in transition economies and middle-income countries. The aim is to contribute to sustainable growth and development by improving the framework conditions of the SDGs established by the UN's 2030 Agenda for Sustainable Development. In the period from 2015 to 2020, a total of around DKK 350 million was granted to interventions and research carried out by 21 Danish authorities, engaged in 40 SSC projects in 18 partner countries.

The main objective of the SSC Initiative is to mobilize partnership cooperation in sectors where Denmark has strong expertise and technology. It also has two additional objectives as it aims to strengthen and expand bilateral relations between Denmark and the partner countries and, in the longer-term, it is expected to open the doors for transfer of Danish expertise and technologies on commercial terms.

The SSC Initiative was evaluated in 2020. Overall, the evaluation found that the SSC Initiative to be young, with results still emerging, but with a promising potential for achieving impact. Furthermore, the evaluation found that SSC judged by the preliminary results and the potential for scalability and longer-term impact, in many ways is punching above its weight compared to the resources invested in the programme. The evaluation noted that there had been varying interpretations of private sector engagements and how it should be addressed by Danish authorities, embassies and embassy-based sector counsellors.<sup>41</sup> While 'a mutual understanding of private sector engagement' had emerged in the programme with the main focus being 'to improve the enabling environment for the private sector', overall, the programme focused on commercial private sector contributions. While 'some sectors and partners found it relevant to engage the Danish private sector more actively' in dialogue, others found this to be a conflict of interest.

Overall, the contribution of the SSC Initiative to PSD and the improvement of framework conditions for business has been limited. While there is some scope for expanding upon this, the 2020 evaluation cited above does not recommend this. Broadly, the SSC Initiative is framed as a partnership between public sector agencies and the engagement with private sector entities is limited. Indeed, in some SSC countries, there is a concern with directly engaging private investors and private Danish firms when other activities of the country engagement are supporting policy, legal and regulatory reform. However, there is a significant opportunity to work with private investors, from Denmark and elsewhere, on investment opportunities and the kinds of framework conditions that may be more conducive to private investment in

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41 Government of Denmark (2020) Evaluation of the Danish Strategic Sector Cooperation, Evaluation, Learning and Quality Department, Ministry of Foreign Affairs, Copenhagen.

strategic sectors for sustainable growth. Indeed, the SSC Initiative reports limited success in this area. There is significant scope for improving these synergies and the forthcoming evaluation may provide opportunity for exploring this further.

### Labour Market Consortia

The Strategic Partnership Agreement (SPa) – Labour Market Consortia (LMC) is made up of the United Federation of Workers in Denmark (3F), Danish Trade Union Development Agency (DTDA), and the Confederation of Danish Industry (DI).<sup>42</sup> The LMC makes use of the experiences from the Danish labour market model to support improvements of labour market conditions of developing countries. The project runs from 2018-2021 (DKK 260 million) and covers activities in 28 countries, guided by the following impact objective: 'Well-functioning labour markets and a conducive business environment contribute to inclusive growth with due respect of human rights. It focuses on four main areas: (1) an organised labour market; (2) social dialogue; (3) better framework conditions; and (4) competitive companies operating in a sustainable and responsible manner. The four areas promote development for the benefit of both the developing countries and Denmark and also contained in the SDG 8 concerning decent work and sustainable economic growth.

There are two outcomes under the thematic objective of 'framework conditions support private sector development and inclusive growth'. These are: 'improved business environment' and 'improved labour market regulation and social policies.'

A 2019 review of the LMC found that while the thematic objectives and the corresponding outcomes are relevant and a good reflection of SDG 8, most of the outcome indicators in the result framework are aggregated and do not allow for an assessment of the actual achievements of the SPa-funded activities. For example, 'an improvement of the business environment is not necessarily the result of DI's involvement'.<sup>43</sup>

Among the review recommendations, is the proposal that the LMC consider increasing the programme's focus on countries where MFA is financing labour-market relevant SSC Initiative projects or green growth and employment programmes; or where MFA's business instruments are an important part of the portfolio; or where there is a strong

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42 Prior to the SPa-LMC, the three partners have benefitted from separate appropriations under Danida's support to civil society.

43 DMFA (2019) The Labour Market Consortium (LMC) 2018-2021; Review Report, DMFA, Copenhagen.

presence of Danish private sector interests in the form of investments or supply-chain links. Thus, the Spa-LMC offers significant scope for improving the framework conditions for private sector employment and creates opportunities for greater support for business environment reform. This programme integrates work on framework conditions with social dialogue and PSD, while improving the synergies with other global programmes and Danish private investments.

## **Danida Market Development Partnerships Programme**

The Danida Market Development Partnerships (DMDP) was initiated in 2016 as a new type of programme built on multi-stakeholder partnerships. DMDP operates as a challenge fund providing support to commercially oriented partnerships for sustainable market development. The partnerships are built around a commercially viable business case that addresses key development issues in the country of implementation. DMDP is not sector specific and, in principle, partnerships in all sectors can apply for funding. However, the project should be aligned to the core business of the commercial project partners and clearly contribute to SDG8.

DMDP applies competitive selection-based criteria and a transparent application process. The 2016 pilot phase, where five projects were approved, was followed by a 2017-2020 programme with a total budget of DKK 326.5 million for partnership projects. In total, 36 DMDP partnerships have been approved up to 2020. DMFA contribution is DKK 6-10 million per partnership (i.e., in 2016-2017 DKK 5-8 million).

DMDP also endeavours to create wider market effects. A separate programme outcome is dedicated to wider market effects: 'Improved conditions and opportunities for doing business within targeted sectors benefit a larger number of stakeholders (wider market effects)'. Beyond the narrow business case of the commercial partners, DMDP projects are required to promote wider market effects, which vary from project to project. Some projects are testing models that can be replicated by other commercial actors; others will actively engage in BER activities that support their own project's success, but which will also benefit others; while still others address specific local development challenges which will benefit a much broader group of people than those engaged by the partners. Thus, while the DMDP projects should support reforms of framework conditions, the activities generally will be focused on fairly narrowly defined challenges and often in a specific sector. Thus, DMDP is a good illustration of some of the challenges related to measuring the results of projects that seek to strengthen framework conditions. Firstly, donor-supported projects can only contribute to, and advocate for, reforms and changes in framework conditions. Where changes do occur,

it is often difficult to attribute these directly to the project. Secondly, it is challenging to document the causal links that connect improvements to framework conditions to improvements for beneficiaries (e.g., as framework conditions improve, there are many links that then lead to companies growing and employing more staff). DMDP is a relevant programme for further investigation in the forthcoming evaluation because it highlights many of the opportunities and challenges for supporting better framework conditions in a multi-country programme.

**BOX 1: SYNERGIES BETWEEN THE SSC INITIATIVES AND DMDP**

Interesting examples are emerging where the business focus of the DMDP programme is well aligned to the policy agenda of the SSC Initiative.

The SSC Initiative in Indonesia has a project on strengthening the policy framework for organic dairy. DMDP has approved a concept note from a consortium including amongst other Danish Agriculture and Food Council, Arla Foods and a large Indonesian Dairy processor on producing organic dairy products in Indonesia based on locally sourced organic milk.

The SSC Initiative in Kenya has a project on circular economy focused on plastic. DMDP has two projects focusing on transforming waste to value and build commercial business cases on plastic collection and recycling.

## **Danish Neighbourhood Programme**

The Danish Neighbourhood Programme (DANEP) promotes human rights and democracy and strengthening sustainable and inclusive economic growth in Ukraine and Georgia. This programme takes an approach to growth and employment that focuses on the 'sustainable and inclusive aspects of the otherwise rapidly evolving business environment reform agenda'. It supports the development of an inclusive labour market that addresses issues such as youth employment and gender discrimination. This includes supporting improved social dialogue, a well-functioning and inclusive labour market as well as enhanced support for businesses, while 'improving the business environment and creating more decent jobs and sustainable growth, particularly for youth and women'.<sup>44</sup>

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44 DMFA (2017) Strategic Framework for the Danish Neighbourhood Programme 2017-2021, October, DMFA, Copenhagen.

While listed here as a global programme, DANEP only covers two countries and adopts a somewhat narrow focus in this regard. However, its support for the development of an inclusive labour market that addresses issues such as youth employment and gender discrimination is relevant. DANEP is interesting because it combines support to boost private sector employment in both quantitative (i.e., the number of jobs created through enterprise development) and qualitative terms (i.e., the promotion of decent work through social dialogue and labour market improvements).

## **Danish Arab Partnership Programme**

The Danish Arab Partnership Programme (DAPP) covers Egypt, Jordan, Morocco and Tunisia and is a key Danish foreign policy instrument vis-à-vis the Middle East and North Africa (MENA) region since its inception in 2003. DAPP combines country-level and regional interventions and is a unique instrument for building relations between Denmark and MENA partners. The core intervention logic is to facilitate linkages between Danish and partner country institutions. A 2015 evaluation found that DAPP 'has proved a relevant and adaptive foreign policy and development programme', despite 'challenging and highly dynamic conditions and great socio-cultural variations of the MENA region'. DAPP interventions have supported human rights, equality and job creation across the targeted partner countries.

In the 2013-2016 DAPP programme, one of four thematic areas was 'economic growth and job creation' with 'labour market reform and social dialogue' as one of three immediate objectives. The programme supported projects such as 'Decent Jobs for Egypt's Young People in Qalyoubia and Menoufia' (ILO) and 'Support for Labour Intensive Employment in Infrastructure and Social Services' (through the Social Fund for Development) administered by the World Bank).

In its current phase (i.e., 2017-2022), DAPP has a budget of DKK 1,000 million and involves six development engagements, three under a thematic programme on governance and three under a thematic programme on economic opportunities. The theory of change is to promote Danish foreign policy interests in a vision of a democratic, stable and prosperous MENA. This change is pursued by addressing strategic challenges through two programmes. The first enhances governance standards by right-holders and duty-bearers. The second promotes economic opportunities for young men and women. The three engagements under the thematic programme on economic opportunities include: (1) labour market and social dialogue; (2) youth participation and employment; and (3) entrepreneurship and access to finance.

In terms of framework conditions, the engagement on labour market and social dialogue is of particular interest. Implemented by a consortium consisting of the DI and the DTDA, the engagement works to build the capacity of labour market partners to engage (e.g., through social dialogue and conflict resolution and prevention support). It supports cooperation among labour market partners and legal reform for increased labour market flexibility, job creation, inclusiveness, and decent jobs.

Overall, the 2020 mid-term review found that DAPP is progressing well despite delays that have occurred in a challenging context. The programme had contributed to building more trust between the labour unions and employers' organisations. In terms of more tangible achievements, the review reports that more than 40 collective bargaining agreements were signed during 2019 covering more than 100,000 workers in Tunisia, Jordan and Morocco. The engagement also has a separate outcome targeting labour market legislation and enforcement. Here the engagement had contributed to development of position papers and advocacy efforts. However, the review found little progress had been made on changing laws and regulations and, indeed, it was hard to see how the outputs defined in the four outcomes directly led to improved economic opportunities for young men and women.

Thus, DAPP is a good illustration of some of the challenges related to measuring the results of projects that seek to strengthen framework conditions. Firstly, donor-supported projects can only contribute to, and advocate for, reforms and changes in framework conditions. Where changes do occur, it is often difficult to attribute these directly to the project. Secondly, it is challenging to document the causal links that connect improvements to framework conditions to improvements for beneficiaries (e.g., as framework conditions improve, there are many links that then lead to companies growing and employing more staff). DAPP is a relevant programme for further investigation in the forthcoming evaluation because it highlights many of the opportunities and challenges for supporting better framework conditions in a multi-country programme.

### **Danida Fellowship Centre**

Danida supports collaborative research and the building of research capacity in developing and emerging economies prioritized by Denmark's development cooperation through the Danida Fellowship Centre (DFC). The funding aims to create new knowledge and to strengthen local research capacity in order to find new solutions to existing and emerging challenges. DFC administers the application rounds for research projects and manages research support including the monitoring of project implementation. Each year about 25 projects



are granted with a total budget around DKK 200 million. Projects cover a wide range of topics of which some are also of relevance for this study. See the Box 2 below.

**BOX 2: EXAMPLES OF RESEARCH PROJECTS FUNDED BY THE DANIDA FELLOWSHIP CENTRE**

Decent work and inclusive industrialisation, Ethiopia, 2020-2025, DKK 10.3 million

Informal worker organisation and social protection, Tanzania and Kenya, 2016-2021, DKK 9.9 million

Reintegration through active labour market reforms, Myanmar, 2019-2022, DKK 5 million

Overcoming barriers to improving OHS amongst SMEs, Myanmar, 2020-2023, DKK 5 million

Addressing Maritime Insecurity, Ghana, 2020-2022, DKK 5 million

Employment generation and labour market regulation, Vietnam, 2009-2013, DKK 2.2 million

A 2020 evaluation of Danida support to development research covers the period from 2008 to 2018. A total of around DKK 2 billion was granted to research projects assessed by the evaluation, which included case studies in Ghana, Uganda and Vietnam. The evaluation confirmed that the research supported by Danida was of high quality in terms of technical integrity, relevance and originality.<sup>45</sup> The evaluation finds the most visible and significant contribution of Danida's financing to be the development of basic use-focused, applied research capacities of master's and PhD students, some postdoctoral fellows, and other researchers in low-income countries.

There has been a strong focus on the dissemination of the results of research. The evaluators found that this undoubtedly improved the chance of take-up and use of results in policy and practice. This is confirmed by a large number of reports on the uptake of results, some of which are in national policy and regulations. Most are at the level of local communities or institutions. However, the different worlds of researchers, politicians, policymakers, and business tend to impede

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45 DMFA (2020) Evaluation, Development Research 2008-2018, p. 11.

large-scale success. With few exceptions, there is a lack of relationships or structures where findings can be shared in a systematic way. Low capacities and time prevent many Danish embassies from promoting such efforts. In summary, the evaluation found that the research funded by DFC has done much that is valuable in a national context while real impact on 'development', especially at scale, has seldom been achieved.

DFC presents an opportunity to contribute to the improvement of framework conditions for PSD in developing and emerging economies. Well-focused and robust research is a key ingredient to identifying the barriers and constraints to PSD and to devising relevant reform programmes. Thus, DFC could be an important actor in Denmark's future efforts to expand upon this work.

### Danish global programme mapping

Following the brief analysis of selected global programmes provided above, these programmes are mapped to determine their overall contribution to Denmark's global work in supporting better framework conditions for PSD. The figure below presents a summary of trends in Danish global programming based on the key programming themes.

**FIGURE 4: SUMMARY OF TRENDS IN DANISH GLOBAL PROGRAMMING**

Framework Conditions Themes	A4T	DSIF	DMDP	P4G	SPa-LMC	SSC	DAPP	DANEP	DFC	SCORE
Legal, Regulatory and Administrative Reform	●	-	-	●	●	●	-	●	●	HIGH
Business Advocacy and Public-Private Dialogue	-	-	-	●	-	-	●	-	●	LOW
Labour Market Reform	-	-	-	-	●	●	●	●	●	MED
Investment Facilitation and Promotion	●	●	●	●	-	-	-	-	●	MED
Trade Regimes, Facilitation, and Promotion	●	-	-	-	-	-	-	-	●	LOW
Commercial Justice and Dispute Resolution	-	-	-	-	-	-	-	-	●	NIL
Human Rights	-	-	-	-	-	-	●	-	●	LOW
Governance and Political Economy	-	-	-	-	-	-	●	-	●	LOW
Green Growth and Climate Change Adaptation	-	●	●	●	-	●	-	●	●	HIGH

Framework Conditions Themes	A4T	DSIF	DMDP	P4G	SPa-LMC	SSC	DAPP	DANEP	DFC	SCORE
Access to Finance (BER Focus)	-	●	-	-	-	-	●		●	MED
Enterprise Development	●	●	●	-	-	-	●		●	MED
Value chain and Market Systems Development	-	-	●	-	-	-	-		●	LOW
Gender Equity	●	-	●	-	-	-	●	●	●	MED-LOW
Youth	●	-	●	-	-	-	●	●	●	MED-LOW
Infrastructure Development	-	●	-	-	-	-	-	●	●	LOW
Social Investments	-	●	●	●	-	-	-		●	MED-LOW
Skills Development	-	-	-	-	-	-	●		●	LOW

KEY: Major-Minor Programme Focus: ● = Major focus; ● = Minor focus  
 Scoring: HIGH more than three ●; MEDIUM = 2-3 ●; LOW = Less than one ●

As the table above shows, there are two programme themes in which framework conditions are prominent (i.e., rated 'high' above):

- Green Growth and Climate Change Adaptation (major: DSIF, P4G, SSC, and DANEP; minor: DMDP and DFC)
- Legal, Regulatory and Administrative Reform (major: A4T, P4G, SPa-LMC, DANEP; minor: SSC and DFC)

Other themes where there is significant programming (i.e., rated 'medium' above) are:

- Labour Market Reform (major: SPa-LMC, DAPP, DANEP; minor: SSC and DFC)
- Investment Facilitation and Promotion (Major: A4T and P4G; minor: DSIF, DMDP and DFC)
- Enterprise Development (major: DMDP and DAPP; minor: A4T and DSIF)
- Access to Finance – BER Focus (major: DSIF and DAPP; minor: DFC)

While Human Rights, Gender Equity and Youth were often cited as crosscutting issues, these did not feature strongly as programme themes or target groups related to supporting better framework conditions for PSD. The exceptions were DAPP, which focuses strongly on human rights, youth employment and gender. However, it is interesting to note that this programme also had the most geographical focus of the global programmes reviewed.

### 4.2 Danish country programme mapping

The review of the most recent or current Danish country programmes has focused on a selection of programmes most oriented towards PSD and support for improving the framework conditions for the private sector. An overview of the selected country programmes is presented in Annex 4.

The initial review mapped the programming in the following countries:<sup>46</sup>

- Bangladesh (BGD)
- Ethiopia (ETH)
- Ghana (GHA)
- Kenya (KEN)
- Mali (MLI)
- Somalia (SOM)
- Tanzania (TZA)
- Uganda (UGA)

The results of this mapping are presented in Figure 5, on next page.

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<sup>46</sup> Abbreviations based on the officially assigned ISO 3166-1 alpha-3 codes, [United Nations International Trade Statistics Knowledgebase](#), viewed 19 March 2021.

FIGURE 5: SUMMARY OF TRENDS IN DANISH SELECTED CURRENT COUNTRY PROGRAMMES

Framework Conditions Themes	BGD	ETH	GHA	KEN	MLI	SOM	TZA	UGA	SCORE
Legal, Regulatory and Administrative Reform	-	●	●	●	●	●	●	●	HIGH
Business Advocacy and Public-Private Dialogue	-	-	●	●	●	●	●	-	LOW
Labour Market Reform	-	-	-	-	-	-	●	-	MED
Investment Facilitation and Promotion	-	-	●	●	●	-	●	-	MED
Trade Regimes, Facilitation, and Promotion	-	●	-	●	●	-	-	●	LOW
Commercial Justice and Dispute Resolution	-	-	-	-	-	-	-	-	NIL
Human Rights	-	-	-	-	-	-	-	-	LOW
Governance and Political Economy	-	-	-	-	-	-	-	-	LOW
Green Growth and Climate Change Adaptation	●	-	●	●	-	-	●	●	HIGH
Access to Finance (BER Focus)	-	-	●	●	●	●	●	●	MED
Enterprise Development	-	-	●	●	●	●	-	●	HIGH
Value chain and Market Systems Development	●	●	●	-	-	●	●	●	HIGH
Gender Equity	-	-	-	-	-	-	-	-	NIL
Youth	-	-	-	●	●	-	-	-	MED
Infrastructure Development	-	-	-	-	●	-	-	-	LOW
Social Investments	-	-	-	-	-	-	-	-	LOW
Skills Development	●	-	●	●	●	●	-	-	MED
<b>COUNTRY SCORE</b>	MED	MED	HIGH	HIGH	HIGH	MED	HIGH	HIGH	

KEY: Major-Minor Programme Focus: ● = Major focus; ● = Minor focus  
 Scoring: HIGH more than three ●; MEDIUM = 2-3 ●; LOW = Less than one ●

NOTE: This mapping focuses on PSD-related programming at the country level and does not include other elements of the country programmes (e.g., health, education, human rights).

The mapping above shows the countries with the highest volume of PSD and framework conditions programming are Ghana, Kenya, Mali, Tanzania, and Uganda. The most common themes for reform are (i.e., scoring 'high'):

- Legal, Regulatory and Administrative Reform
- Business Advocacy and Public-Private Dialogue
- Investment Facilitation and Promotion
- Green Growth and Climate Change Adaptation
- Access to Finance (BER Focus)
- Enterprise Development
- Value chain and Market Systems Development

Danida support for Trade Regimes, Facilitation, and Promotion (which was mostly achieved through support to TradeMark East Africa, discussed further below) and Skills Development were themes which were scored 'medium' and show a reasonable size within the country programmes reviewed. The issues of young people were also scored as 'medium', although this was largely based on the emphasis given to youth-related programming in Kenya and Mali.

Programming themes with a 'low' score or in which no programmes were found (i.e., 'nil') are:

- Infrastructure Development
- Social Investments
- Commercial Justice and Dispute Resolution
- Human Rights
- Governance and Political Economy
- Labour Market Reform
- Gender Equity<sup>47</sup>

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47 In many cases Danish funded programmes are mainstreaming gender equality rather, than formulating dedicated interventions targeting women. Indeed, as referenced later in this report, there can be an important argument for directly addressing the barriers found in existing framework conditions that inhibit the economic empowerment of women.

Figure 6, on the next page, presents data in an effort to review the prominence of these programme themes across global and country programmes.

**FIGURE 6: SUMMARY OF TRENDS IN DANISH SELECTED CURRENT COUNTRY PROGRAMMES**

Framework Conditions Themes	Global Programmes score	Country Programmes score	
Legal, Regulatory and Administrative Reform	HIGH	HIGH	●
Business Advocacy and Public-Private Dialogue	LOW	HIGH	●
Labour Market Reform	MED	LOW	●
Investment Facilitation and Promotion	MED	HIGH	●
Trade Regimes, Facilitation, and Promotion	LOW	MED	●
Commercial Justice and Dispute Resolution	NIL	NIL	●
Human Rights	LOW	NIL	●
Governance and Political Economy	LOW	NIL	●
Green Growth and Climate Change Adaptation	HIGH	HIGH	●
Access to Finance (BER Focus)	MED	HIGH	●
Enterprise Development	MED	HIGH	●
Value chain and Market Systems Development	LOW	HIGH	●
Gender Equity	MED-LOW	NIL	●
Youth	MED-LOW	MED	●
Infrastructure Development	LOW	LOW	●
Social Investments	MED-LOW	LOW	●
Skills Development	LOW	MED	●

Note: The colours assigned provide a general reflection on the degree to which the programming theme is most prominent across global and country programmes.

● High-High, ● High-Medium, ● High-Low, ● Medium-Low, ● Low-Low/Low-Nil.

Based on the above table, it can be observed that the most common framework condition themes contained in the Danida programmes reviewed (i.e., scoring 'high' in both categories) are:

- Legal, Regulatory and Administrative Reform
- Green Growth and Climate Change Adaptation
- Investment Facilitation and Promotion

Following this, the next most common are Access to Finance (BER Focus) and Enterprise Development. Danida programmes focussing on Business Advocacy and Public-Private Dialogue and Value chain and Market Systems Development were less common. Both of these featured highly in country programmes, but low in global programmes.

In the middle ground, were the following programme themes;

- Trade Regimes, Facilitation, and Promotion
- Labour Market Reform
- Social Investments
- Skills Development
- Gender equity
- Youth

Programming themes scoring low across both global and country programmes are:

- Commercial Justice and Dispute Resolution
- Human Rights
- Governance and political economy
- Infrastructure Development



### 4.3 Review of Danida thematic programming

This section provides a deeper review of the specific thematic programmes related to PSD and the improvement of the framework conditions that were found across the global and country programmes. Drawing on the discussion above and the frequency of themes represented in Figure 6 the following themes emerge:

- Legal, Regulatory and Administrative Reform
- Investment Facilitation and Promotion
- Green Growth and Climate Change Adaptation

These are discussed below. Furthermore, a few key trends across Danish programmes have been identified which are presented below:

- Business Advocacy Funds
- Labour Market Reforms
- Trade Regimes, Facilitation and Promotion

#### Legal, Regulatory and Administrative Reform

The mapping of the global and bilateral programmes shows that legal, regulatory and administrative reform are a common theme within Denmark's PSD and framework conditions programming. This is a recognition of the huge importance of a conducive regulatory framework for doing business, as presented in Section 3.3.

Across the Danish supported programmes, legal, regulatory and administrative reform often progress slowly and, subsequently, requires resources spread over time to succeed. An interesting analysis is to better understand what the parameters are to succeed in reforming the regulatory framework and which type of interventions yield the best results in the form of reforms. See Box 3, on next page.

**BOX 3: SUPPORTING BUSINESS ENVIRONMENT REFORMS – KEY MESSAGES**

A healthy business environment is essential for growth and poverty reduction.

Business environment reform is complex, operating on many levels and involving a very wide range of stakeholders.

Business environment reform is always political and development agencies should therefore take care to analyse the political context.

Government should lead and own reform; donors should support them.

Development agencies should ensure that the inputs and participation of all stakeholders, including politicians, officials, the formal and informal private sector, and civil society, are reflected in the reform process.

Development agencies should ensure that systems are in place for donor coordination.

Development agencies should sequence reforms according to context. 'Quick wins' and taking advantage of ad hoc opportunities such as changes of government, may build reform momentum. However, a long-term perspective is essential to ensure sustainability.

Development agencies should understand and manage the implementation gap typically found between the adoption of regulation or principles and changing practice and enforcing regulations on the ground.

Development agencies should ensure the reform process has a strong communication programme so that all stakeholders are engaged and made aware of the benefits of reform.

SOURCE: DCED (2008).

The approach to regulatory reforms differs across the Danish engagements and it is interesting to analyse which approach to BER has proven to work well. See Annex 3 for more information on country programmes.

Some programmes have dedicated components working on the legal and regulatory framework. For example, the National Environmental

Management Authority (NEMA) in Kenya, which focuses on green growth, and the labour market component of the Tanzania country programme. Others integrate work to strengthen framework conditions as one of many activities of a component (e.g., agricultural commercialisation clusters in Ethiopia). Compared to broad-based reform programmes, such as the Business Environment Strengthening Tanzania (BEST) programme, more targeted programmes appear to have clearer drivers of change and lines of responsibility, which makes it easier to build relationships and trust between the development partners and the respective line ministries and develop flexible solutions (e.g., Financial Sector Deepening Trust in Tanzania, Tax Modernisation Programme in Ghana and Tanzania, and Trade Mark East Africa in Kenya and Uganda). Thus, the forthcoming evaluation could explore further the pros and cons of a programme that is focussed on specific legal, regulatory or administration reform (e.g., within specific sectors, markets or subnational territories) as compared with programmes that endeavour to improve a broader range of business environment constraints.

There are interesting comparisons to be made regarding national and regional reforms. In some cases, the regulatory framework is well established, and the critical challenge is to improve enforcement and bring the new policy framework to life. For some Danish interventions it is enforcement and implementation that are the central reform challenge (e.g., Local Investment Climate programme in Tanzania and to some extent the NEMA programme in Kenya).

Over time the Danish guidelines to the design of bilateral programmes has evolved. In mid-2000s guidelines were introduced stipulating that a Danida sector programme could contain no more than three components, each component no more than three sub-components, and each sub-component no more than five main outputs. As the Danish approach to bilateral programming was revised in 2012, new requirements were introduced to work with a maximum of five engagements in a bilateral country programme. As budgets in many cases increased, the implication of this decision was a move towards fewer and larger engagements. An illustrative example of this development is the development in the Business Sector Programme Support (BSPS) to Tanzania. The three latter phases of the BSPS Tanzania are presented in Box 4, on next page.

**BOX 4: DEVELOPMENT IN DANISH SUPPORT TO TANZANIA**

<b>BSPS II (2003-2008)</b>	<b>BSPS III (2008-2013)</b>	<b>BSPS IV (2013-2019)</b>
Budget DKK 209 million	Budget DKK 500 million	Budget DKK 600 million
Four components: 18 sub-components and 15 direct partners.	Three components: eight sub-components and ten direct partners.	Three components: six sub-components and six direct partners.
SOURCE: BSPS III and BSPS IV Programme documents.		

The more stakeholders and partners, the more complex a programme can become. As such there is a sound argument for focusing the efforts and lowering the transaction costs. However, this is a challenge when working with reforms that are complex and require the involvement of multiple autonomous stakeholders (i.e., public as well as private stakeholders). One stakeholder will rarely have the mandate or the capacity to address all dimensions of the constraints faced by the sector. Thus, the forthcoming evaluation could explore to which extent the modalities for bilateral programming are conducive for successful support to BER.

Due to their diplomatic status, Danish embassies are in a unique position to engage in dialogue with government authorities in partner countries. The Danish coat of arms can open doors that business membership organisations (BMOs) cannot. However, embassy resources have been reduced over the years and the staff, while highly professional, are rarely sector experts. The SSC initiative is an interesting example where sector skills and the clout of the embassies are combined to engage in cooperation with public authorities to improve the framework conditions. The evaluation could assess what role the embassies have played and whether the role of the embassies could be strengthened (e.g., as part of the general policy dialogue with host governments).

**Investment Facilitation and Promotion**

The promotion of private investment, including foreign direct investment and domestic investment, is considered key to the economic growth of developing economies through PSD, the creation of employment and technology transfer. Governments of many developing countries are reforming their legal and regulatory frameworks for investment and developing investment promotion agencies, programmes and incentives. Meanwhile, achievement of the SDGs is predicated on a high volume of investment, much of which must come from the private

sector.<sup>48</sup> In the SDGs context, the promotion of private investment is considered critically important. Thus, a renewed challenge for the donor community is to more effectively support BER towards promoting private investment, i.e., to play a more effective catalytic role in promoting private investment through BER in developing countries. This is in keeping with the principles agreed in the Monterrey Consensus on Financing for Development.<sup>49</sup>

There are a number of Danish global programmes reviewed above that incorporate Investment Facilitation and Promotion (e.g., A4T, P4G, DSIF, DMDP). It is also recognized that the Danish Investment Fund for Developing Countries (IFU), which provides advisory services and risk capital to companies wishing to do business in developing countries and emerging markets, is an important player in the investment space. Similarly, this programme theme is a strong feature of four of the eight country programmes (i.e., Ghana, Kenya, Mali, and Tanzania).

There are a number of ways in which donor and development agencies can play a catalytic role in promoting private investment.<sup>50</sup> However, the performance of assistance programmes in the area of promotion of investment through BER in the past had been mixed at best.<sup>51</sup> Assistance programmes have focused on creating an enabling environment, investing in improving the business environment including the legal and regulatory framework, capacity development and basic infrastructure with considerable success. However, whether this has contributed to the final objectives of private investment, employment, productivity, and growth remains unclear. The research outcomes are inconclusive on the dynamic links between BER and private investment, employment, productivity, and growth. However, a recent analysis of this research shows that donor-supported macro level investment and growth require a holistic approach combining BER and investment promotion and a broader macro development policy framework aimed at structural reforms. Specifically, BER can be used to catalyse structural transfor-

48 UNCTAD (2015) estimates total additional investment requirements, public and private, of SDGs at USD 2.5 trillion (UNCTAD 2015 Investing in Sustainable Development Goals – Action Plan for Private Investments in SDGs.)

49 See UN (2002) Financing for Development, Monterrey Consensus of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002.

50 For example, see: OECD (2015) Policy Framework for Investment 2015 Edition, OECD Publishing, Paris.

51 For example, see: White, S. and Fortune, P. (2015) Business Environment Reform and Investment Promotion and Facilitation: Rapid Evidence Assessment, London: Coffey International Development; and WBG (2018) Global Investment Competitiveness Report 2017/2018: Foreign Investor Perspectives and Policy Implications, Washington, DC: World Bank.

mation and can enhance the transmission effects of industry reforms.<sup>52</sup> Moreover, well-functioning institutions have been found to magnify the benefits of foreign direct investment.<sup>53</sup>

Support for investment facilitation and promotion and supporting institutions is increasingly relevant for Danida's framework conditions and PSD programming. More attention should be given to this theme. Indeed, the forthcoming evaluation should pay attention to this issue, especially in terms of the links with Danish global investment and partnership programmes (e.g., DSIF, P4G, DMDP).

### **Green Growth and Climate Change Adaptation**

Denmark's Strategy for Development and Cooperation and Humanitarian Action is based on the international framework for development presented by the SDGs. It recognizes that climate change has 'extensive, negative consequences for the living conditions in both the poor countries and the growth and transition countries and may undermine the SDGs' (p. 28). Moreover, the strategy highlights the role of partnerships 'as a way of promoting Danish interests in our international engagements'. Indeed, 'innovative and courageous partnerships that are willing to take risks... can increasingly catalyse the development of markets and attract knowledge and financing' (p. 11).<sup>54</sup> As a result, it is not surprising to see that green growth, climate change adaptation and the promotion of partnerships (i.e., PPPs in the case of P4G or partnerships between government authorities as in the case of the SSC) is a major feature of the reviewed programmes. This includes global programmes such as the DSIF, DMDP, P4G and the SSC.

This theme is also pronounced in Danida's country programme. For example, the Country Programme for Bangladesh 2016-2021 has a thematic programme on Climate Resilience and Sustainable Energy; the Country Programme for Ethiopia 2018-2022 supports 'the vision of building a climate resilient green economy'; the Kenya Country Programme 2016-2020 includes a thematic programme focused on Green Growth and Employment; and the Tanzania Country Programme, which supports improved employment and income opportunities for farmers and MSMEs 'through green inclusive growth'.

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52 Japan International Cooperation Agency (2019) 'Business Environment Reform and Investment Promotion', Study Report, Donor Committee for Enterprise Development, Cambridge, UK.

53 See WBG (2018) Op. Cit.

54 Partnerships may take many forms; from agreements between countries or between public and private actors or between private players to a more loosely defined network of partners, including businesses, civil society and research institutions. The importance of partnerships in development cooperation will always depend on how they contribute to fulfilling the development objectives (pp. 11-12).

Most of the PSD country programmes are mainstreaming green growth and climate change adaptation issues. Typically, the choice of sectors is influenced by green considerations and in some cases dedicated funding is allocated to these themes. An example is the Uganda Agriculture Business Initiative (aBi) Trust, which in 2015 launched a Clean Technology Fund providing funding to interventions mostly at the production end of the value chain like organic manure, water harvesting and biogas systems.<sup>55</sup> Challenges have been experienced with mainstreaming. For instance, when it comes to defining what is a green financing or a green job.

Green growth has been a priority area in Denmark's development cooperation for some time, both as a thematic focus for programming of new activities and for mainstreaming in other thematic areas. The 2014 guidance note on programming for green growth makes specific reference to programmes that seek to improve the overall framework conditions for climate change mitigation and adaptation.<sup>56</sup>

The 2020 evaluation of Danish support for climate change adaptation in developing countries noted that Denmark has provided financing for international climate change interventions since 2002. Bilateral development assistance has supported developing countries in particular, but also for adaptation in emerging economies.<sup>57</sup> In 2008, Denmark established the Climate Envelope, an important mechanism for Danish climate funding covering both mitigation and adaptation initiatives, and in 2012, this was split into two frames: the poverty frame that encompasses climate change adaptation and mitigation in low-income countries and is managed by the Ministry of Foreign Affairs and the global frame for emerging economies covering mitigation and managed by the Ministry of Climate, Energy and Utilities.<sup>58</sup> The evaluation found that Danish engagement had been effective in supporting an increasing partner country commitment to mainstreaming climate change adaptation. It went on to recommend that greater clarity over what climate change adaptation is and how

55 See Agriculture Business Initiative website, '[aBi and Green Growth](#)', visited 12 May 2021.

56 DMFA (2014) [Danida Green Growth Guidance Note](#), DMFA, Copenhagen.

57 Funding has also been provided for global and regional multilateral interventions, such as the Least Developed Countries Fund managed by the Global Environment Facility, the Climate Investment Funds managed by multilateral development banks including the World Bank, and the Green Climate Fund. Moreover, Denmark has also provided funding to Danish NGOs through the Fund for Climate and Environment managed by *Civilsamfund i Udvikling*.

58 In 2016, guiding principles for the Danish Climate Envelope were developed with a theory of change which stated that: 'The specific impact that is targeted by the Climate Envelope is the following: (i) reduced greenhouse gas emissions, and (ii) increased climate resilience specifically for vulnerable and marginalised groups.'

Danish development cooperation can best support both mainstreaming and transformation, including 'exploring, identifying and testing possible windows of opportunities for mainstreaming climate change adaptation in the Danish support for PSD' (p. 17-18).<sup>59</sup> The PEM Consult (2019) review of Danish support to sustainable growth and employment in developing countries recommended that, given Danish comparative advantages, a consolidation of programmes associated with green growth and the circular economy could be undertaken, along with support to agribusiness.<sup>60</sup>

Despite the recognition of the role framework conditions play in supporting green growth and aiding climate changing mitigation, the support for improving the framework conditions for PSD is not as prominent as other kinds of programme interventions. Instead, Danish programmes tend to support partnerships, enterprise development and direct firm investments. While there is ample scope to include support for framework conditions for PSD in this theme, the specific areas where reforms are required deserve careful consideration at global and country levels.<sup>61</sup> Future programming in this field could encompass the design and adoption of policy frameworks that promote the transition to green growth and climate adaptation (e.g., entrepreneurial start-ups, innovation, enterprise development), the use of legal and regulatory instruments (e.g., tax incentives, standards and certification, product licensing, waste management), programmes and services (e.g., business and financial services, green industry clusters and ecosystems), and knowledge management associated with green growth and PSD (e.g., research and development, case studies, best practices).

### **Business Advocacy Funds**

The majority of the first generation of Business Sector Development programmes comprised a component on BER in the form of support to relevant ministries. However, in many cases the progress was not as expected. For example, support provided to the first phase of the Ghana Private Sector Development Strategy encountered challenges in government leadership and the lack of ownership of reforms by key ministries, departments and agencies.<sup>62</sup> Thus, there emerged a stronger push for reforms of the business environment that were led by the

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59 Government of Denmark (2020) Evaluation of Danish Support for Climate Change Adaptation in Developing Countries, PEM Consult and ODI, Ministry of Foreign Affairs, Copenhagen.

60 PEM Consult (2020) Cross cutting study on Danish support to sustainable growth and employment in developing countries.

61 For example, see DCED (2017) The search for synergy: Business Environment Reform and Green Growth; A practical guide for policy practitioners, DCED Cambridge.

62 Government of Denmark (2018) Evaluation Ghana-Denmark partnership (2007-2017); results, sustainability and transformation, Danida, Copenhagen, p. 41.



private sector. To this end, greater attention was given to supporting non-state actors in their advocacy and dialogue with the state. As a result, significant resources were allocated to strengthening the capacity of BMOs and other types of private sector organisations (PSOs) to improve their ability to identify business environment constraints and barriers to PSD and engage in constructive evidence-based dialogue with public sector stakeholders and advocate for BER.

One approach supported in a number of countries was the establishment of business advocacy funds. These funding facilities provided funding and capacity building support to private sector organisations and academia. Funding was provided for projects targeting a specific constraint and advocate for an improved business environment. See Figure 7.

**FIGURE 7: OVERVIEW OF DANIDA-SUPPORTED BUSINESS ADVOCACY FUNDS**

The advocacy funds in Ghana, Tanzania, Kenya and Zimbabwe were

Country	Year	Fund	Budget
Ghana	2004-2020	<u>Business Sector Advocacy Challenge (BUSAC) Fund</u>	Total grant budget of USD 48 million
Tanzania	2005-2018	<u>BEST Dialogue</u> (formerly BEST-AC)	2005-08 (unknown) 2008-13 DKK 65m 2013-19 DKK 97m
Kenya	2006-2020	Business Advocacy Fund	2016-20 DKK 68m
Mozambique	2011-2016	<u>FAN</u>	2011-16 DKK 65m
Zimbabwe	2012-2016	Zimbisa	2012-16 DKK 9m

co-funded with other donors such as the United Kingdom, Sida and the United States Agency for International Development.<sup>63</sup>

The approach adopted by the individual funds varied from country to country and evolved over time. All advocacy funds, to varying degrees, operated as challenge funds and have provided funding for BMOs, PSOs and other stakeholders of relevance for strengthening the business environment, such as community-based organisations (CBOs), media and academia. See Box 4 on next page.

63 Furthermore, the United Kingdom, through the former Department for International Development, funded a similar type of fund in Nigeria called the Enable Fund in 2008-2017.

**BOX 4: SUMMARY OF FOUR DANIDA-FUNDED BUSINESS ADVOCACY FUND FACILITIES**

**BEST-Dialogue in Tanzania**

Designed with four main outcomes:

1. The Advocacy and dialogue fund supporting advocacy efforts of BMOs;
2. Capacity building of selected BMOs to enable them to engage in a sustained dialogue with selected government institutions;
3. Support to communication and media to encourage greater public debate on the importance of sustainable, private sector-led growth; and
4. Support to Research and Knowledge Management

From 2013-2019 BEST-Dialogue supported over 65 PSOs with grants, training and technical assistance.

**Business Sector Advocacy Challenge (BUSAC) Fund, Ghana (Phase III)**

Designed with five windows:

1. For district based PSOs, CBOs and rapid response business advocacy actions
2. Advocacy issues of national or sectoral significance, green growth issues
3. A facility for the creation of public-private dialogue (PPD) platforms
4. Post advocacy facility; and
5. Support for PSOs to provide business development services to their members

Between 2004 and 2020, the BUSAC fund provided over 1,100 business advocacy grants to PSOs and farmer-based organisations in all 16 regions of Ghana. Grants worth USD 48 million.

**Business Advocacy Fund in Kenya**

Four key areas of support:

1. Advocacy support: grant funding to support dialogue and advocacy;
2. Capacity building: training and mentoring to build the capacity of business associations to engage in effective dialogue and advocacy;
3. Sustainability support: grants and mentoring to build long-term sustainability within associations; and
4. Media awareness: training on how to raise media awareness and encourage quality coverage of the importance of creating an enabling environment for business.

Between 2016 and 2020 the fund supported 48 BMOs with 108 grants totalling around USD 2.9m

**FAN Fund in Mozambique**

Four windows:

1. Increase the management capacity and performance of business member organisations;
2. Strengthen the private sector organisations' capacity and effectiveness in advocating for policy and institutional changes to improve the business environment and tripartite social dialogue;
3. Promote national structures and partnerships for dialogue between public and business member organisations and labour or trade unions at national and local levels; and
4. Strengthened international partnerships for a better and more responsible and sustainable business environment in Mozambique.

The engagements in Tanzania ended in 2019 and in 2020 the engagements in Kenya and Ghana came to an end. There are no longer active advocacy funds in any Danish bilateral programmes.

There is a substantial body of documented evidence associated with the advocacy funds, which explores the link between advocacy work, BER and ultimately economic growth and job creation. Danida undertook an evaluation of the Business Sector Advocacy Challenge (BUSAC) Fund in 2014, which found that 'BUSAC has contributed to create a more conducive climate for public-private dialogue and made duty bearers appreciate the value of consulting private business representatives on issues affecting these'. However, the evaluation report went on to say that 'it is not possible to establish a clear link between BUSAC-funded advocacy actions and the overall business environment and the link is even more tenuous to growth and employment'.<sup>64</sup> In Tanzania a longitudinal impact assessment conducted from 2010 to 2014 concluded that BEST-AC had 'made a significant difference, in terms of improved capacity of PSOs to argue their case, in reforms delivered and in the impact arising from those reforms'.<sup>65</sup> Indeed, at the time, PSOs had engaged in as many as 250 dialogues with the government each year. The level of activity had grown substantially, 'with more dialogues, more invitations to consult, more alliance formation, more research reports and policy position papers and, as a result, more changes in public policy'. The assessment indicated that PSOs had achieved 62 reforms in public policy, though they actually report a rather higher figure in their quarterly reports. It was estimated that projects supported by BEST-AC had 'saved industry or contributed to the economy some USD 1.6 billion, which compares favourably with the USD12 million cost of BEST-AC'. While, in most cases, the impact 'is still in the future', this was 'in part because of reversals and in part because the time horizons for advocacy exceed even the five years of the longitudinal impact assessment' (p. 2). Similarly, there is a wealth of documentation on the results of the activities of the Kenya BAF. A large number of case stories are available to document achievements in a narrative form.

A brief assessment of documentation and evaluations reveal tendencies across the business advocacy funds. Generally, there is evidence that the funds have succeeded in building the capacity of the BMOs and have contributed to strengthening the relationships between BMOs and governments. Across these countries, there are many positive case

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64 Government of Denmark (2014) Evaluation of the Business Sector Advocacy Challenge Fund Ghana, Evaluation undertaken by Oxford Policy Management.

65 Coffey (2015) Best-AC Longitudinal Impact Assessment; Fifth Final Report, Commissioned by the UK Department for International Development and Danida.

stories that show how advocacy work has contributed to improving the overall business environment. However, it has been challenging to document in a tangible manner how the work of the advocacy funds and partners transforms into larger scale business environment reforms and how the funding of the advocacy funds can be attributed to job-creation and growth.

### **Labour Market Reforms**

Support to strengthening the labour market scored 'medium' in the global programmes mapping and 'low' in the country programme mapping. As such it is not ranked in the top as the most common framework condition theme across the Danish engagements. However, in terms of understanding shifts in Danish support to framework conditions, the support to strengthen the labour market is interesting as a significant shift has taken place.

In the period from 1997 to 2012 the bilateral country programmes in Tanzania, Kenya, Ghana, and Vietnam comprised dedicated components and subcomponents to support the labour market. However, the support to the labour market was not continued in the new programme phases and today none of the Danish bilateral programmes comprise a labour market component. In those countries with business advocacy funds (e.g., Ghana, Kenya, Mozambique, and Tanzania) labour market organisations were included as eligible partners in research and advocacy projects.

Today, the majority of support to strengthening the labour market is provided through headquarter managed allocations (e.g., SPa-LMC and the SSC in Myanmar and Bangladesh). It is not clear whether it is a deliberate strategic choice that has been made to change course, but it is suggested the envisaged complex evaluation looks into trends and strategic choices involving this aspect.

Below is an overview of Danish funded engagements to support labour markets (see Box 5 on next page).

**BOX 5: DANISH-FUNDED ENGAGEMENTS IN SUPPORT OF LABOUR MARKETS**

**Country Programmes**

Danish Neighbourhood Programme (DANEP), Inclusive labour market implemented by ILO, 2017-2021

Tanzania, Labour Market Components, BSPS I (1997-2003), BSPS II (2003-2008), BSPS III (2008-2012)

Kenya, Labour market Component, 2006-2010

Ghana, Labour market Component, 2006-2010

Ghana, Skills Development Fund, 2010-2020

Vietnam, Labour Market Component

**Global Programmes**

The Labour Market Consortium, 2017-2022, (cf. Section 4.1 above)

Strategic Sector Cooperation engagement in Myanmar (working environment) and in Bangladesh (Labour market regulation and enforcement, working environment), 2016-2021

Danida Market Development Partnership in Myanmar (known as MYPOD), 2016-2021, (cf. Section 4.1 above)

The Danish Arab Partnership Programme 2017-2022 comprises an engagement on labour market and social dialogue implemented by a partnership between the Confederation of Danish Industries and the DTDA. In the earlier phase of DAPP a number of initiatives were also supporting the labour market such as an ILO-Implemented Project Decent Jobs for Tunisia's Young People - Tackling the Challenge, 2003-2022, (cf. Section 4.1 above)

Better work Phase IV - a partnership between the International Labour Organisation (ILO) and the International Finance Corporation (IFC), aims at improving working conditions and boosting competitiveness in the global garment industry, 2017-2022

ILO core contribution to fund activities supporting ILO's strategic objectives which include the promotion of fundamental principles and rights at work, employment, social protection and social dialogue, 2014-2022.

The support to the labour market under the global programmes is characterized by more narrowly defined commitments with smaller budgets available in the individual partner countries. The budgets for the DMDP and SSC are five to ten million DKK each. SPa-LMC members work in 28 countries with an annual budget frame of DKK 65 million, while DAPP works in four countries over five years with a total budget of DKK 75 million. As a comparison, the labour market sub-components under BPS III 2008-2012 in Tanzania had a budget of DKK 52 million.

The impact of the engagement effects of Danida's support to the labour market is not well documented. No thematic evaluations of support to labour market reform have been carried out. The Ghana country evaluation only briefly considers the labour market programme

component.<sup>66</sup> In Ghana, the (BUSAC) Fund and Skills Development Fund played important roles in promoting the growth and development of the Ghanaian private sector. The links between business advocacy and skills enhancement were documented in a series of case studies of how DANIDA's support programmes have contributed to private sector growth in Ghana through business advocacy and skills enhancement.<sup>67</sup>

### BOX 6: LABOUR MARKET SUPPORT TANZANIA

In Tanzania labour market support was part of the first three phases of the Business Sector programmes (1997-2012). Danish support has contributed to the following:

1. Improved policy, legal and regulatory frameworks for business activities in Tanzania. A number of policies and laws have been put in place and reviewed, including the National Trade Policy, the Employment and Labour Relations Act, the Labour Institutions Act and Workers' Compensation Act.
2. Institutions established and strengthened include the Commission for Mediation and Arbitration, Labour Division of High Court of Tanzania, Occupational Safety and Health Authority, Labour, Economic and Social Council and Wage Boards, which set the minimum wages for private sector, have been established with Danish support.
3. Capacity building support to key labour market partners as The Trade Union Confederation of Tanzania, Association of Tanzania Employers and the Ministry of Labour and employment.

No evaluation of the Danish support has been carried out.

The DAPP programme was evaluated in 2015. Under the support to labour market workstream the evaluation concluded that DAPP projects promoting social dialogue had been 'effective in contributing to reform in the area of labour market reform by operating on a national scale and opening spaces for constructive dialogue between labour market parties.' The evaluation found that the best results were achieved when several projects work on one pathway and focus area of Danish expertise.

The ILO also conducted an evaluation of the Better Work programme, which Danida supports.<sup>68</sup> Better Work has a dedicated outcome on framework conditions "At the national level, ILO, IFC and WBG will have

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66 Government of Denmark (2018) Evaluation Ghana-Denmark partnership (2007-2017); results, sustainability and transformation, Danida, Copenhagen, p. 6.

67 Business Sector Advocacy Challenge Fund (undated) Promoting private sector growth in Ghana through business advocacy and skills enhancement, BUSAC, Accra.

68 Better Work is implemented in nine country programmes in Bangladesh, Cambodia, Indonesia, Vietnam, Jordan, Ethiopia, Haiti, Nicaragua and Egypt. Better Work has 241 staff members of which 210 (87%) are at the country level and 31 (13%) at the global level of which 17 are based in Geneva and 14 in Bangkok (Zollinger, U. 2020. Mid-Term Evaluation of Better Work Global – Phase IV, October, ILO Country Office, Dhaka, Bangladesh).

strengthened institutions and influenced policies that create an enabling environment for decent work and improved business competitiveness.”. Overall, the evaluation concluded that Better Work (Phase IV) ‘is a success story’ and the programme was described as ‘highly relevant’. However, the evaluation also found that while Better Work is on track to achieve the outputs planned for phase IV, the project had, to a lesser degree, succeeded in documenting the results at the impact and outcome-levels. A particular challenge raised in the evaluation is that it is a resource intensive programme with high staff costs. Furthermore, it is a concern that Better Work compared to the size of the global garment industry has a limited impact and initiatives to improve scalability were sought for.

### **Trade Regimes, Facilitation and Promotion**

Engagement in international trade require an understanding of the inter-relations of three different levels in the international trade system: (1) international and regional framework for trade consisting of both the Geneva based WTO trade system as well as regional free trade areas, such as the 2019 African Continental Free Trade Area and trade agreements of other African regional economic communities; (2) a national enabling environment for microenterprises and SMEs to engage in regional and international trade; and (3) microenterprise and SME engagement in regional and international trade.

Aid for trade is not an agenda which draws a lot of attention in the Denmark Ministry of Foreign Affairs (DMFA). This is intriguing considering that a range of DMFA funding in some ways supports efforts to strengthen trade. See Box 7.

#### **BOX 7: DANISH SUPPORT FOR TRADE FACILITATION**

##### **International and regional framework for trade**

A4T programme (c.f. Section 4.1);

Support the African Continental Free Trade Agreement currently prepared by the Danish Embassy in Ethiopia (DKK 50 million in total from 2019-2023);

Support to TradeMark East Africa (TMEA) within bilateral programmes in Uganda (DKK 60m) and Kenya (DKK 75m);

The Regional Economic Integration Support Programme (2012-2015) provided support to the East Africa Community partnership fund and TMEA.

##### **National enabling environment**

National enabling environment to engage in trade (in Tanzania both the BSPS II 2003-2007 and BSPS III 2008-2012 comprised components promoting access to market by supporting the capacity of the relevant ministries to engage in trade negotiations and supporting to the University of Dar es Salaam Business School to establish a Master of International Trade).

In addition to the above, the Trade Council provides considerable support to Danish business. Yet, while the above outline illustrates some interest in Danish support for improving trade regimes, along with trade facilitation and promotion, it is a priority of the Danish Strategy World 2030 that most of the Danish trade engagement is managed through the European Union.

Beyond the above observations, the PEM Consult (2020) study shows that Danish support to sustainable growth and employment focuses on enhancing framework conditions and building the capacity of SMEs. While DBF, SSC, A4T, and SPa-LMC all have a strong focus on supporting the enabling environment, these programmes are aimed at different target groups.<sup>69</sup>

Much of the Danish support for improving trade regimes, along with trade facilitation and promotion, is scattered across a range of delivery entities and programmes. Thus, it is difficult to assess the extent to which Danish programming has actually improved the framework conditions to trade in developing economies in support of PSD. The envisaged complex evaluation could possibly look further into this.

#### **4.4 Trends in other donor and development agency programming**

This section examines the trends in other donor and development agency programming directed at improving the framework conditions for PSD. It describes the support provided by Sweden and Germany, as well as by the ILO and the WBG. The approaches taken by each of these agencies provide a valuable point for reflection regarding the future direction of Danida's work in this area. Annex 5 provides a broader description of the work of these agencies.

Support for business environment and investment climate reform that supports PSD has been well established in the donor and development community for some time. The DCED, which has around 35 members, has an active Business Environment Working Group since 2002.

Each of the four agencies reviewed give significant attention to business environment and investment climate reform. Germany's support for PSD combines donor funding from the Federal German Ministry for Economic Cooperation and Development (BMZ) with implementation by the development agency, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). While there is no definitive

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69 PEM Consult (2020) Cross-cutting study on Danish support to sustainable growth and employment in developing countries, February.



determination of German PSD-BER spending trends, GIZ suggest that PSD programming for BMZ in general and GIZ in particular has increased. The other bilateral donor agency approached for this review, the Swedish International Development Cooperation Agency (Sida) has supported PSD for many years.<sup>70</sup> Its current portfolio addresses identified 'obstacles that make it hard for the private sector to develop and create jobs, which in the long term makes it more difficult for people to improve their standard of living and for the country to strengthen its economy'.<sup>71</sup> This includes business climate reform and financial inclusion, which incorporates support to the World Bank's Facility for Investment Climate Advisory Services designed to simplify trade to create jobs, provide food security, reduce climate impact and contribute to gender equality and sustainable development.

Germany's support to business environment and investment climate reform includes support of the Investment Climate Reform Facility (an EU-led partnership involving GIZ, British Council, Expertise France, and SNV) and the Marshall Plan with Africa, representing 'a new pact on the future between Europe and Africa'. The Marshall Plan addresses 10 major 'starting points', which includes the prioritising of jobs and opportunities for young people and investment in entrepreneurship. Indeed, German development cooperation in Africa prioritizes integrated investment approaches through its 'reform partnerships' and the use of an Integrated Investment Approach (IIA) and Economic and Investment Policy Competence Hubs, which foster stronger linkages between the promotion of private investment and development cooperation.

As a development agency of the UN, the ILO has supported enterprise development for over thirty years, under the leadership of the Enterprise Department. In recent years, attention has been given to Enabling Environment for Sustainable Enterprises (EASE) within the department's SME Unit. It benefits from donor support for specific programmes, including support provided by Danida.<sup>72</sup> The 2007 International Labour

70 For example, see: Danielson, A. (2003) 'Support for Private Sector Development; Summary and Synthesis of Three Sida Evaluations', Sida Studies in Evaluation 03/05.

71 Information on Sida PSD programming was provided by Mr Julian Sievers, Senior Policy Specialist for Trade, Department for International Organisations and Policy Support, Swedish International Development Cooperation Agency (March 2021).

72 The ILO report that the last Danish-funded programme related to PSD was the Programme on Responsible Business in Myanmar (2014-15). In addition, there is a small component on enabling environments for sustainable enterprises in the Neighbourhood Programme (i.e., Georgia and Ukraine) but the core focus of these two projects is on social dialogue, International Labour Standards and labour market governance. In the past five years, the ILO has not received earmarked project-based Danida-funding for PSD-BER focused projects.

Conference's Conclusions Concerning the Promotion of Sustainable Enterprises provide a framework for the ILO's enterprise development programme, which define the components of an enabling environment and promote sustainable enterprises in a manner that aligns enterprise growth with sustainable development objectives and creates productive employment and decent work. The EESE programme seeks to improve the conditions for sustainable enterprises to form and grow, providing new productive and decent employment. Future programming themes related to EESE are likely to include supporting green BER, supporting the formalization of economic units, and supporting improvements in labour laws and regulations for micro and small enterprises. Other areas of future EESE programme are likely to include the use of 'big data' in policy design, the integration of BER into market systems development programmes, support for local reforms within the context of local economic development and support for social and solidarity economy enterprises, BER in fragile and conflict-affected situations, reforms to boost enterprise productivity, and reforms that enhance skills development in SMEs.

The World Bank Group's approach to business environment typically focuses on improvement of the regulatory environments, which it says are 'at the core of efforts to unlock private sector investment and jobs.' Its service offering is centred around four focus areas: business entry, operation, and regulatory technology; indicator-based reforms (e.g., stemming from the annual Doing Business assessments); quality infrastructure; and regulatory governance. The Bank's newly named Competitiveness for Jobs and Economic Transformation, also known as 'Competitiveness for JET', seeks to facilitate the economic transformation needed to enable better jobs for more people in client countries through programmes that promote the entry and growth of competitive firms and sectors. One of four themes is Strengthening the Business Enabling Environment, which supports governments to improve their capacity to facilitate private investment and provide a level-playing field for all market actors. It includes creating an efficient, transparent environment through supporting governments with technical assistance and analytics on improving the policy and regulatory framework; reducing administrative burden and costs; enhancing regulatory predictability; and boosting enforcement and implementation capacities of governments.

These agencies reflect an increasing trend toward orienting business environment and investment climate reform towards specific desired outcomes: employment and sustainability. They highlight the application of highly integrated programme elements, where the synergies between support for business environment and investment climate reform, private investment promotion and sustainably (i.e., green growth) are highlighted.

## 5. SUMMARY, CONCLUSIONS AND EVALUATION RECOMMENDATIONS

This chapter summarises the main findings of the review and presents conclusions and recommendations towards the forthcoming evaluation.

### 5.1 Summary and conclusions

Section 2.2 presents five key questions that have framed this review. These are considered below in a summary of the findings and upon which conclusions can be drawn.

#### **Trends in support for PSD and improved framework conditions**

*What are the main trends in the Danish support to BER in priority countries the last 10 years? How does this trend compare with the support provided by other development partners?*

Due to difficulties in obtaining older programming documents, it has not been possible to establish a ten-year trend in global or country programming. However, this study identifies the major themes in current global and country programmes, with some documentation of early country programmes (e.g., Ghana, Kenya, Tanzania) being available to draw from. The study has also drawn evidence from previous programme and country evaluations.

The review of selected global programmes identified two major programme themes in which framework conditions are prominent. These are: Green Growth and Climate Change Adaptation and Legal, Regulatory and Administrative Reform. Other less frequent but significant programming themes are: Labour Market Reform, Investment Facilitation and Promotion, Enterprise Development, and Access to Finance (BER Focus).

The review of Danida country programming found that the countries with the highest volume of PSD and framework conditions programming are Ghana, Kenya, Mali, Tanzania, and Uganda.

The Danish approach to bilateral programming has evolved and has led to fewer and larger engagements. This is a challenge when working with BER reforms which are complex and require the involvement of multiple autonomous stakeholders (i.e., public as well as private stakeholders).

Across all the country programmes reviewed the most common themes for reform are: Green Growth and Climate Change Adaptation and Legal, Regulatory and Administrative Reform, which are identified as common global programme themes (above), along with Business Advocacy and Public-Private Dialogue, Investment Facilitation and Promotion, Access to Finance (BER Focus), Enterprise Development, and Value chain and Market Systems Development.

Across global and country programmes, the most common framework conditions and PSD programming themes are:

- Legal, Regulatory and Administrative Reform;
- Investment Facilitation and Promotion; and
- Green Growth and Climate Change Adaptation.

Following this, the next most common are Access to Finance (BER Focus) and Enterprise Development. Danida programmes focussing on Business Advocacy and Public-Private Dialogue and Value Chain and Market Systems Development were less common. Both of these featured highly in country programmes, but low in global programmes.

The programming themes that were the least frequent across global and country programmes are: Commercial Justice and Dispute Resolution, Human Rights, Governance and Political Economy, and Infrastructure Development. Moreover, while human rights and governance programmes are a major feature in a number of Danida country programmes these themes are not addressed with a private sector or PSD lens. Instead, these programmes are largely framed around development engagements with public entities or civil society organisations and do not focus on framework conditions associated with PSD or private investment.

Framework conditions and PSD programming that focus on gender equity and young people have not featured strongly in either global or country programmes. While this might be a surprising result, given that Danish programming typically assigns a high priority to these issues, often as crosscutting concerns, this is largely because these issues are not always a focus of PSD programming.<sup>73</sup> There are programmes that specifically focus on young people and youth employment (e.g., DAPP), but these themes are not developed strongly in many other programmes.

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73 DCED work on Women's economic empowerment can serve as inspiration, see: <https://www.enterprise-development.org/implementing-psd/womens-economic-empowerment/>

In 2019, Danida decided to start integrating the Doing Development Differently (DDD) to principles in Danish Development assistance.<sup>74</sup> This seeks to improve the relevance and effectiveness of its development cooperation through two broad strands. First, to reinforce holistic approach to development. Second, to apply an adaptive approach with an increased emphasis on learning.<sup>75</sup> Moreover, increasing attention has been given by donor and development agencies to DDD and other 'adaptive' and 'results driven approaches' to reform.<sup>76</sup> These frameworks are relevant when considering the future of Danida's programming associated with improving the framework conditions for PSD. They suggest opportunities for new programme synergies that are based on a more holistic and integrated model of development that address emerging challenges to creating more conducive conditions for desired development outcomes.

The Danish DDD approach also promotes coherence and collaboration with other donors including multilateral partners. The mapping has also identified areas where Danish funding is provided in collaboration with other bilateral and multilateral agencies in the three targeted countries (i.e., Kenya, Tanzania and Mali). A range of different funding modalities were found, including multi-partner trust funds (e.g., managed by multilateral organisations), delegated cooperation arrangements and, in some cases, more simple arrangements where donors are co-funding an organisation through separate agreements. Some examples are provided in Box 8 on next page.

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74 DMFA (2020) Recent Trends and Issues in Use of Personnel and Partnering for Development; Evaluation Study, Updated synthesis of Evaluations on Technical Assistance Personnel, Evaluation Department, Copenhagen (p. 32).

75 DMFA (2020) Guidelines for Country Strategic Frameworks, Programmes and Projects, Copenhagen (p. 11).

76 For example, see Manuel, C. (2016) Delivering institutional reform at scale: Problem-driven approaches supported by adaptive programming; Second synthesis paper, DFID Legal Assistance for Economic Reform Programme; and Hetherington, D. (2017) VFM Strategy for an Adaptive Approach to BER Programming, Business Environment Reform Facility, September.

### BOX 8: EXAMPLES OF DANISH SUPPORT CHANNELLED THROUGH OTHER DONORS OR MULTILATERAL ORGANISATIONS

**Mali:** The current Private Sector Development Programme comprises a component on Enhancement of Framework Conditions for Entrepreneurship where funding is channelled through a multi-donor trust fund managed by the World Bank Group (i.e., IFC and International Bank of Reconstruction and Development). Furthermore, the Inclusive Finance and Facilitation of Agricultural Value Chains component is co-funded with the International Fund for Agricultural Development, which also manages it. One component of the 2013-2018 PACEPEP programme (Support Programme for Economic Growth and Employment Promotion stimulated by the Private Sector of Mali) was co-financed with the EU Delegation (i.e., delegated cooperation).

**Tanzania:** The Danish BSPS III co-funded a number of engagements of the World Bank-funded Private Sector Competitiveness Programme (PSCP) through a multi-donor trust fund. The World Bank Group has supported business environment reforms in Tanzania amongst other through the PSCP which ran from 2005 to 2018 with a total budget of USD 157 million. PSCP amongst other supported the BEST Program that aimed to lower the costs of investing in, establishing and operating a business in Tanzania by eliminating policy, legal, regulatory and institutional constraints that inhibit a growing and competitive private sector. Component 2 is focused on enterprise development. A range of donors have been funding the Financial Sector Deepening Trust. The BEST-AC and BEST-Dialogue were set up as delegated cooperation arrangements.

**Kenya:** The EU Delegation is through a delegated cooperation set-up channelling funding via the Danish embassy to the Micro Enterprises Support Programme Trust to implement the agriculture finance programme.

It would be interesting to understand better the pros and cons of the various aid modalities in terms of promoting business environment reforms and improving of framework conditions. Multiple donors collaborating increases the resources available and the clout of the joint initiative, but it also adds to the complexity. The evaluation could add value if it can provide learning from the collaboration and co-funding set-ups established in the three partner countries targeted?

#### **Evidence of results in support for PSD and improved framework conditions**

*Are there any good examples from ongoing or completed Danida projects or other programmes with verifiable results and best practices when it comes to poverty reduction? Are there examples which may be studied in more details in an evaluation?*

The brief review of the general evidence on the impact of BER on PSD and economic growth highlights the importance of formulating a theory of change in which the sequencing of programme effects help identify specific programming linkages and assumptions that can be measured and evaluated. In general, BER programme evaluations have been able to assess the performance of programmes in supporting change at the

outcome level (i.e., where successfully produced programme outputs are used by beneficiaries to achieve broader programme outcomes).

Evidence from a range of Danida evaluations of past programmes shows some success in supporting positive outcomes. For example, the evaluation of DFC support to development research found that the most visible and significant contribution of Danida's financing to be the development of basic use-focused, applied research capacities in low-income countries. It also found that the research funded by DFC has done much that is valuable in a national context while the real impact on 'development', especially at scale, has seldom been achieved.

The 2020 evaluation of Danish support for climate change adaptation in developing countries found that Danish engagement had been effective in supporting an increasing partner country commitment to mainstreaming climate change adaptation. It recommended greater clarity over what climate change adaptation is and how Danish development cooperation can best support both mainstreaming and transformation, including 'exploring, identifying and testing possible windows of opportunities for mainstreaming climate change adaptation in the Danish support for PSD'.

There have been a number of evaluations of business advocacy funds, including the BUSAC fund in Ghana, which was found to have contributed to a more conducive climate for PPD and made duty bearers appreciate the value of consulting private business representatives on issues affecting the business community. However, the evaluation found it was not possible to establish a clear link between BUSAC-funded advocacy actions, the overall improvements in the business environment and economic growth and employment. In Tanzania, a longitudinal impact assessment found that BEST-AC had 'made a significant difference, in terms of improved capacity of PSOs to argue their case, in reforms delivered and in the impact arising from those reforms'. Overall, these funds succeeded in building the capacity of the BMOs and contributed to strengthening the relationships between BMOs and governments. It was estimated that projects supported by BEST-AC had 'saved industry or contributed to the economy some USD 1.6 billion, which compares favourably with the USD 12 million cost of BEST-AC'.

Despite the apparent success of business advocacy funds, it is interesting to note that financial support to these facilities as stand-alone entities have come to an end. The most obvious reason for this is that these funds received financial support for a significant period of time, in some cases 15 to 16 years. Thus, some degree of funding fatigue may be the reason which is also driven by the fact that advocacy funds, per design, are not sustainable institutions. Indeed, the overall impact of a number of business advocacy funds over time has not been fully assessed. Such as an assessment could include an independent

evaluation of the overall impacts and a consideration of the value for money of these facilities.

The DAPP 2015 evaluation found promoting social dialogue had been 'effective in contributing to reform in the area of labour market reform by operating on a national scale and opening spaces for constructive dialogue between labour market parties.'<sup>77</sup> The best results were achieved when several projects work on one pathway and focus area of Danish expertise. Similarly, the ILO evaluation of the Better Work programme concluded that Better Work was a success and highly relevant.

The impact of the engagement effects of Danida's support to the labour market is not well documented. No thematic evaluations of the Danish support to labour market reform have been carried out.

### **Role of political-economy drivers**

*Are there lessons to be learned from identifying and responding to political economic drivers in PSD and improved framework conditions? For example, has Danida or other development partners been able to identify and work with companies or business associations with strong interest in 'horizontal' rule of law enforcement? Are there examples which may be studied in more details in an evaluation?*

When proposing this question, the terms of reference specifically note the work the Anti-Corruption Evidence research consortium, which the School of Oriental and African Studies at the University of London leads. This consortium applies an innovative approach to anti-corruption policy and practice by generating evidence that makes anti-corruption real and using research findings to help policymakers, business and civil society adopt new, feasible, high-impact strategies to tackle corruption.<sup>78</sup>

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77 Key DAPP countries in the period from 2003-2014 are: Egypt, Yemen, Jordan, Tunisia, Morocco, Syria and Libya. Evaluation of the Danish Arab Partnership Programme, Synthesis report, 2015, p. 14.

78 The selected sectors include mineral and oil extractives; fertilizers in agriculture; food value chains, textile and garments; electronics and pharmaceutical industries; and technical skills development. Research includes the use of in-depth analysis of power distribution and interests in selected productive sectors, and the mapping of rent capture and other value capture dynamics. For example, the programme has supported research into business development under capitalist accumulation in Tanzania, fertilizers in Nigeria and smuggling and enforcement of tax codes in the garments industry in Bangladesh.



The review of Danida programming shows very little attention is given to political economy analysis or anti-corruption issues directly.<sup>79</sup> However, there is one major exception to this: support for business advocacy and dialogue. As highlighted in the discussion in the previous chapter, Danida has provided significant support to business advocacy funds over the last decade in at least five countries. Much of this advocacy has focused on the concerns of SMEs operating in strategic sectors and value chains, although none of these funds focused exclusively on any sector or value chain. This support was often designed to support non-state, private sector and community-based organisation in their efforts to build a demand for reform.

Beyond the support for business advocacy, many Danida programmes have incorporated components, sub-components or themes that have addressed public sector governance and the promotion of human rights. These issues are somewhat related to the political-economic dynamics of development support, but they typically engage public sector authorities and, in some cases, civil society organisations, rather than BMOs or other forms of PSOs. Thus, the concerns regarding the governance of the private sector and corporate governance more broadly have generally not been addressed.

The Tax and Development Programme in Ghana (2014-2019) also has a focus on strengthening systems for improved transparency and tackling corruption, which included support for the Ghana Integrity Initiative.<sup>80</sup> Similarly, in Tanzania, Denmark supported the revenue authority.<sup>81</sup>

The Danish Ministry of Foreign Affairs funds the Danish Institute for Human Rights (DIHR). DIHR has a particular expertise within human rights mainstreaming in the area of business and is regarded as a global pioneer and leader in this area. DIHR has contributed to mainstreaming of human rights into key international frameworks such as: the UN Guiding Principles on Business and Human Rights; the OECD Guidelines for Multinational Enterprises; the Global Reporting Initiative; the UN Global Compact; the ISO-26000 Standard on Corporate Social Responsibility and has produced a number of tools for human rights due

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79 The Ghana country programme did include a component supporting the development of an anti-corruption network, specifically through the support of Business Practice Codes.

80 The programme comprised support to the Ghana Revenue Authority, the IMANI Centre for Policy and Education and the Ghana Integrity Initiative, which became the Ghanaian chapter of Transparency International. In addition, the DMDP places requirements on companies to comply with and report on standards of responsible business conduct.

81 Denmark supported Tanzania Revenue Authority from 1999-2008 and from 2011-2013. In the latter period, support was provided through the Tax Modernisation Programme Basket Fund.

diligence that reach companies worldwide. The aim of the 2015-2017 Danida support was amongst other to support that this strength at the international policy level was better utilized in DIHR's activities in priority countries.

The independent meta-evaluation of SECO's support for BER, referred to earlier, found that the experience in the donor community in BER indicates the importance of the political economy of reform. Difficulties in achieving lasting impact were often found due to vested interest and rent-seeking by government officials. Improvements to public-private dialogue were cited as one means of overcoming this resistance.<sup>82</sup> More broadly, greater attention has been given by donor and development agencies to the importance of political-economic analysis as a part of a business environment analysis and when designing BER programmes.<sup>83</sup>

While the results of this review show that the main ways in which Danida programming in PSD and framework conditions have identified and responded to political economic drivers in PSD is through support for business advocacy, there is a clear link with the Danida's broader governance and human rights programming. A 2020 assessment of Denmark's support for democracy and good governance found that, the smallest category of the programme mapping 'by far' concerned private sector governance reform, which was found to make up less than one per cent of the Danish governance budget.<sup>84</sup> The assessment found 'very little governance support directed toward private sector reform', but some variation was found. For example, in the Afghanistan country programme, the World Bank-managed Afghanistan Reconstruction Trust Fund receives Danish support to enact reform of policies, regulations, laws, and administrative acts that can create a more enabling environment for agribusiness development.

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82 SECO (2011) Op. Cit.

83 For example, see: DCED (2011) The Political Economy of Business Environment Reform: An Introduction for Practitioners, DCED, Cambridge; European Commission (2020) Business Environment Reform Guidelines, Tools and Methods Series Guidelines No 9, International Cooperation and Development, European Commission, Brussels; European Commission (2019) Handbook on improving the Investment Climate through EU action; Implementation of Pillar 3 in the integrated approach of the External Investment Plan, International Cooperation and Development, European Commission, Brussels; UK Government (2009) 'Political Economy Analysis', How To Note, DFID, London; and Hetherington, D. (2017) What Works in Business Environment Reform in Sub-Saharan Africa and South Asia, Business Environment Reform Facility, DFID, London.

84 Support to this category encompasses the regulatory environment as well as controls and taxation that burden the private sector. Interestingly, this included limited support to taxation of the informal sector in the Mali country programme (Nordic Consulting Group (2020) Democracy and Good Governance Assessment, June, p. 11).

Moreover, there is likely to be some degree of political and economic analysis (PEA) undertaken when designing and appraising PSD and framework conditions programmes.<sup>85</sup> Thus, the forthcoming evaluation could take a closer look at how PEA has been applied and to what extent programmes have had an impact in creating a greater demand for reform. The contribution of more inclusive forms of PPD could also be included.

### **PSD and sustainability**

*Are there any good examples of Danida or other donors having contributed to improving the environment for achieving the triple goal of the 'three Ps' (i.e., people, planet and profit)? Are there examples that may be studied in more details in a future evaluation?*

Denmark's Strategy for Development and Cooperation and Humanitarian Action recognizes that climate change has extensive, negative consequences for the living conditions in both the poor countries and the growth and transition countries and may undermine the SDGs and highlights the role of partnerships as a way of promoting Danish interests in international engagements.

As reported in the previous chapter, the theme of Green Growth and Climate Change Adaptation is prominent among the global and country programmes reviewed. It is clear that Danish programming has paid significant attention to this topic. One interesting country programme example of the level of attention given to this topic is in Kenya. The Country Programme for Kenya 2016-2020 contains a thematic programme for Green Growth and Employment, which has nine green growth engagements focusing on policy and enabling environment, business capacity of informal actors and SMEs, economic infra-structure, and finance.

A recent evaluation of Danish support for climate change adaptation in developing countries found that Danish engagement had been effective in supporting an increasing partner country commitment to mainstreaming climate change adaptation.<sup>86</sup> Examples of this were

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85 The revised DMFA (2020) [Guidelines for Country Strategic Frameworks, Programmes and Projects](#), include consideration of the political economic context. [Annex 1, Context Analysis](#), provides guidance on the context analysis to be carried out during the identification phase and to be updated during the formulation phase. The Annex is closely related to the Fragility, Risk and Resilience Analysis Tool (June 2020), which provides specific guidance on integrating a multi-dimensional and systematic considerations on fragility risks in context analyses.

86 Government of Denmark (2020) [Evaluation of Danish Support for Climate Change Adaptation in Developing Countries](#), PEM Consult and ODI, Ministry of Foreign Affairs, Copenhagen.

found in Ethiopia through the Greening Agricultural Transformation programme and Kenya through the support to the climate change unit in the Office of Prime Minister. However, the evaluation suggests that while Danida had mainstreamed its support at the policy and planning levels, 'there was still a gap between policy and practice - where the Danish cooperation was less able to contribute' (p. 13). The report recommends that 'greater clarity over what climate change adaptation is and how Danish development cooperation can best support both mainstreaming and transformation [including] exploring, identifying and testing possible windows of opportunities for mainstreaming climate change adaptation in the Danish support for PSD' (Recommendation 3, p. 17-18).

In terms of contribution to combating climate change and promoting green growth the Kenya Business Advocacy Fund (2016-2020) included an explicit focus on improving the policy and regulatory framework for a green economy. Similarly, the BUSAC fund in Ghana had a window with an emphasis on Green Growth, as does aBi's Clean Technology Fund in Uganda.

### **Support for inclusive models of PSD and improved framework conditions**

*Are there any examples of Danida or other donors having contributed to improving the environment for businesses to engage with refugees and host countries and communities while boosting humanitarian assistance?*

Only two programmes reviewed were found to specifically target refugees and host communities in this review. One was the Northern Uganda Resilience Initiative (NURI) programme. However, this programme is more oriented towards capacity building and enterprise development than it is towards the framework conditions among refugees and host communities. In Bangladesh the Agricultural Growth and Employment Programme, through a separate engagement, extended its Integrated Farm Management/Farmer Field School activities to the Rohingya refugee hosting communities in Cox's Bazar in southern Bangladesh. The aim is to assist in transitioning from short-term refugee response and humanitarian efforts and more longer-term and durable developmental engagements that penetrates the local communities surrounding the refugee camps.

There is more attention being given to PSD that seeks to improve the framework conditions across the donor and development community. For example, the EU, GIZ and ILO have given this matter more attention in recent years, especially in fragile and conflicted-affected situations. In a number of cases, this includes providing programme support to broaden the representation of businesses in PPD processes, ensuring these processes include a stronger representation of women, young people, migrants, and young people.

## 5.2 Recommendations

This section makes a series of recommendations for the forthcoming evaluation.

It is recommended that the complex evolution into Danida support for PSD and improved framework conditions:

1. Explore the extent to which the programme modalities outlined in the Aid Management Guidelines for bilateral programming are conducive for successful support to improving framework conditions for PSD. For example, it may be useful to ensure that programmes apply longer timeframes to achieve better framework conditions (e.g., 10-year timeframes, compared to five-year timeframes).
2. Assess what role Danish embassies have played and whether the role of the embassies could or should be strengthened.
3. Consider in more detail the pros and cons of a focused programme in which specific framework conditions are addressed as compared with a broader programme in which poor framework conditions are treated indirectly or only associated with a specific investment.
4. Assess the extent to which Danish programmes have both been informed by political-economy reflections and contributed to changes in the political-economy dynamics and drivers of reform.
5. Undertake a more detailed evaluation of Danish programming for framework conditions and PSD at the country level. Specifically, it is recommended that the following countries be selected: Kenya, Mali and Tanzania.
6. Undertake a more detailed evaluation of specific programme themes that intersect with Danish programming for framework conditions and PSD at global and country levels. Specifically, it is recommended that the evaluation take a 'deep dive' into the support for improving framework conditions for PSD in the thematic areas of green growth and climate change adaptation.
7. Formulate a general theory of change that shows how Danida's programming at global and country levels should improve the framework conditions for PSD promoting economic growth and consequently poverty alleviation. This would most likely follow the forthcoming evaluation when the evidence of past programming is more clearly understood.

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