



Evaluation of Danish Support to Framework Conditions for Private Sector Development, 2008-2021

Business Advocacy Thematic Study
December 2022

Quality Assurance:
Carsten Schwensen
Michael Hansen

Authors:
Lars Christian Oxe
Jakob Kjærtinge Faarbæk
Anneke Slob

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Front page photo by Lars Christian Oxe

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List of Abbreviations

AT	Mozambique Revenue Authority
BAF	Business Advocacy Fund
BER	Business Environment Reform
BEST-AC	Business Environment Strengthening Tanzania – Advocacy Component
BMO	Business Membership Organisation
BSPS	Business Sector Programme Support
BUSAC	Business Sector Advocacy Challenge Fund
DDD	Doing Development Differently
DI	The Confederation of Danish Industry
DKK	Danish kroner
ELQ	The Evaluation, Learning and Quality Department of the Danish Ministry of Foreign Affairs
EU	European Union
FAN	Fundação para Melhoria do Ambiente de Negócios
FC	Framework Conditions
FKE	Federation of Kenya Employers
GDP	Gross Domestic Product
GoM	Government of Mozambique
IFC	International Finance Corporation
KAM	Kenya Association of Manufacturers
KCM	Kenya Chamber of Mines
KEPSA	Kenya Private Sector Alliance
KNCCI	Kenya National Chamber of Commerce and Industry
M&E	Monitoring and evaluation
MDA	Ministries, Departments and Agencies
MFA	Danish Ministry of Foreign Affairs
MOTI	Ministry of Trade and Industry
NGO	Non-Governmental Organisation
OECD-DAC	Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC)
PPD	Public Private Dialogue
PSD	Private Sector Development
PSDS	Private Sector Development Strategy
TA	Technical Assistance
TMEA	TradeMark East Africa
ToC	Theory of Change
ToR	Terms of Reference
UK	United Kingdom
USAID	The United States Agency for International Development
USD	US Dollar

Executive Summary

Background and methodology

The Evaluation of Danish support for improving framework conditions for Private Sector Development (PSD) in the Global South during the period 2008-2021 is based on analysis in four countries, Kenya, Mali, Ghana, and Tanzania. The country visits to Tanzania, Ghana and Kenya took place from March to May 2022. For this thematic study on Business Advocacy Funds (BAF), the BAF programme in Mozambique has been included based on a desk study, in order to cover all the major BAF programmes in Danida's portfolio¹. For all country studies and the thematic study, a common theory-based and utilisation-focused approach has been developed. The main data collection methods were document analysis, interviews with various groups of stakeholders and validation workshops. This BAF thematic study was drafted in September-October 2022 and finalised after comments in December 2022. The final version of the BAF thematic study has provided findings and conclusions to the synthesis report for this Evaluation.

The evaluation objectives focus on accountability and learning. On the one hand, past performance of the Danish interventions is assessed in accordance with the OECD-DAC evaluation criteria (relevance, coherence, effectiveness, efficiency, impact and sustainability). Although there is currently no Danida bilateral support to business advocacy, this BAF thematic study aims – on the other hand – to provide lessons learned to Danida's possible future support in this area, for example in relation to Green Growth.

The Evaluation is based on a reconstructed Theory of Change based on programme narratives and international literature. Strengthened advocacy capacity of Business Membership Organisations (BMOs) and the supported advocacy projects were intended to lead to changes in the business environment (policies, legislation or regulation), which would provide benefits for the private sector in terms of reduced cost or risk or better access to markets. Growth in the private sector would then lead to inclusive growth in the economy.

The BAF programmes were implemented from 2003 to 2021, with a total donor funding of DKK 796 million, of which DKK 554 million was committed by Danida. The business advocacy funds were initiated by Danida, and in some cases co-funded by other bilateral donors (USAID, EU, UK, Sweden and the Netherlands). The fund management was contracted to international consulting companies. Over the 15 years, only two consulting companies were responsible for the implementation of advocacy funds in all four countries. The BAF programmes provided advocacy training to BMOs, they supported media coverage of private sector issues and – most importantly – they provided funding and advice to BMO advocacy projects in relation to raising issues towards the authorities at the central or local levels. The BAF programmes promoted an approach to business advocacy emphasising the importance for BMOs to establish documented evidence of the issues to advocate for the necessary changes in the business environment.

Main findings regarding relevance and coherence

The relevance of the BAF programmes was assessed in relation to the needs and challenges of the government and private sector, including linkages to national strategies and programmes, the consideration of cross-cutting issues and the extent to which political economy analysis was applied.

¹ Only a smaller BAF programme in Zimbabwe is not included in the Evaluation.

Furthermore, the internal Danida coherence and coherence with other development actors were assessed.

When they were initiated, the BAF programmes were in line with current development thinking regarding Business Environment Reform (BER), and in Ghana, Tanzania and Kenya the moment was opportune because of the governments' high interest in private sector development and BER. This was not the case to the same extent in Mozambique. In Tanzania, the BAF programme was initially considered a component of the overall BER programme and both in Tanzania and Ghana, Danida funded joint donor-government BER programmes. The support to the demand side of reforms (BMOs) was considered complementary to supporting the supply-side (government) and this was a relevant and innovative approach. Subsequently, when the governments' willingness to undertake reforms waned (in Ghana and Tanzania) and Danida stopped supporting government institutions under the PSD programmes, the relevance of promoting business advocacy was less pronounced.

However, the possibilities for complementarity by addressing the same reform issues through Danida's support to the government and the BAF programmes were in practice not pursued. The demand-driven approach of the BAF programmes meant that instead of addressing specific policy areas pre-selected based on analysis, the BAF programmes to a large extent let the interest of BMOs set the agenda. The demand-driven approach also meant that the BAF programmes mostly addressed issues at the sector level or localised issues. This was especially the case for Ghana, Tanzania and Mozambique. Analysis of drivers of change or political economy factors was not consistently applied and used in the selection of issues or BMOs to support.

The BAF programmes devoted considerable effort to strengthening the advocacy capacity of the BMOs, which was relevant given the increased role of BMOs (in Kenya, Tanzania and Ghana) at the beginning of the evaluation period. The BAF programmes were an integrated part of Danida's PSD support in these three countries and included co-funding and cooperation with other donors, especially in the early phases of support. In the last phase of support, the BAF programmes were not co-funded by other donors (except in Ghana) and external as well as internal coherence and coordination with other Danida PSD support was limited in all four countries, despite initial intentions to do so. The environmental/climate agenda, gender and inclusiveness were to some extent addressed during programme formulation, but there was insufficient attention to these aspects in practice. Only in BUSAC Ghana did gender and poverty orientation constitute important strategic priorities.

Main findings regarding effectiveness, efficiency, impact and sustainability

In all four countries, more than 1,000 BMOs² in total received training in business advocacy, of which over half were in Kenya. Several of the BAF programmes gradually included more support for the general capacity building of BMOs in addition to advocacy support. This support aimed to increase membership and thereby the legitimacy and the financial sustainability of the organisations. The capacity building by the BAF programmes, allowed the BMOs on average to improve their advocacy capacity, especially in the beginning of the BAF support but it did in general not entail more robust BMOs with a larger member base.

The BAF programmes included other output areas depending on the country and the phase. Most of the programmes included an important media component, including journalist training and awareness raising in relation to concrete advocacy issues or aiming to enhance the understanding of the private sector in general. More than 5,400 press articles were published in national and local media in connection with BAF-supported advocacy actions.

It is estimated that approximately half of the advocacy projects in Kenya and Ghana, one-third in Tanzania and a small percentage in Mozambique achieved their stated objective and led to some

² The figure may include some double counting if BMOs received training in several phases of support.

changes in policies, laws, regulations or administrative practices. This resulted in more than 400 changes in both Kenya and Ghana, 116 changes in Tanzania and 10 changes in Mozambique, where data is only available from the first phase of support. While this allows for some comparison between the BAF programmes, there is no benchmark indicating whether this overall is a good result. The 'change' could include a considerable variety of actions, including approving a new policy, law or regulation, improving the implementation of a regulation, adopting the desired change in proposed legislation or regulation or allocating funds for specific infrastructure investment. The actual extent of the implementation of these changes has in most cases not been documented. In some cases (mostly seen in small or local advocacy projects), there was a direct link between the advocacy actions of the BMO supported by the BAF programme and the changes in the business environment but in many cases, most clearly in relation to national level reforms, the advocacy of the BMO was only one element of many contributing to the changes in policies, laws and regulations, which could take years to bring about.

Although public-private dialogue structures were not significantly strengthened as intended, the private sector has overall increased its dialogue and a sustained higher level of private sector influence with the government in Kenya and Tanzania, whereas this is more uncertain in Ghana and Mozambique. Where this development is mostly due to the development of the private sector independently of this programme, it is plausible that the BAF programmes have contributed, especially in Tanzania where the BMOs increased their level of direct communication with Ministries, Departments and Agencies (MDAs) and the perception of the MDAs towards the private sector and its potential contribution to policy development improved.

Outcomes as indicated in the Evaluation ToC, in terms of reduced costs and reduced risks for the private sector, increased turnover and incomes have generally not been monitored as part of the BAF programmes. The information available on outcomes is based on case studies reported by the BAF programmes, interviews and impact studies undertaken. It has not been possible for the Evaluation to establish whether the BAF programmes contributed to the intermediary impact level (increase in investments in the private sector, creation of more jobs and increased competitiveness) or impact (inclusive and green growth in society and thus contribution to the SDGs).

There are a small number of documented cases of advocacy projects that have contributed to positive effects for the private sector, such as reduced costs and risks and/or increased income, especially in specific industries or at the local level. For Ghana, there is anecdotal evidence suggesting that advocacy efforts contributed to the improved income of specific BMO members, including farmer groups. Advocacy for the reduction of taxes and levies was an important part of the support in BAF Kenya and Tanzania. Tax reductions have a direct effect on the cost of doing business and are easily implemented compared to regulatory reforms but may also be temporary. There are also examples of the BAF programmes supporting BMOs in their work with new legislation over a longer period.

In relation to the overall business environment, it is not likely that the BAF programmes have led to significant improvements. Most of the advocacy projects were of a narrow and specific nature, which would not significantly influence for example the doing business indicators in the country.

Many BMOs have obtained a lasting improvement in their capacity to do business advocacy, but they are in general not able to continue to undertake research and documentation in relation to their advocacy, as recommended by BAF. Only the larger BMOs have the in-house capacity to do such work or funding permitting occasional commissioning of documentation and studies.

There is considerable variation among BAF programmes in terms of a number of advocacy projects, the budget size and the scope of the advocacy projects. BAF Mozambique only provided 71 advocacy grants over nine years, whereas BAF Kenya and Tanzania funded almost 300 advocacy projects over

the three phases of support. BAF Ghana provided almost 900 advocacy grants, which was partly due to the smaller average grant size but also because BAF Ghana was the programme with the largest budget.

In terms of efficiency, the financial data available do not allow a comparison of the cost in relation to programme outputs but there are indications that the management costs for BAF Kenya have been below other comparable funds. In Ghana and Tanzania, the funds were initially managed as challenge funds purely responding to applications, but this was later changed to a more proactive approach by the fund manager (as applied in Kenya) which was more effective. There is no indication that the challenge fund set-up had a positive impact on efficiency in comparison with other implementation modalities. The contracting out of the BAFs to consulting firms meant that the embassies became somewhat detached from the implementation of the BAF programmes, limiting the opportunity for adaptive programming.

Explanatory factors include the stronger BMOs in Kenya and the general tailwind of the private sector in view of improved growth and private sector development from 2015 to 2020. In Ghana, there is a deterioration of the business environment around 2015-2016, which may have worked against the programme objectives.

Conclusions

1. The BAF programmes were relevant as support to the demand-side of reforms and complementary to the supply-side of government-focused BER programmes. In taking the initiative to the Business Advocacy Funds, Denmark was rather unique and aimed for an innovative approach.
2. In practice, little synergy was realised between the BAF programmes and overall business environment reform. In addition, the BAF programmes were challenged by a relatively unfocused design, which was not overcome in the implementation and formulation of new programme phases. This led to a demand-driven approach and absence of focus on specific reform issues, i.e. 'let a thousand flowers bloom'.
3. Through the support of BMO capacity building and advocacy projects, the BAF programmes contributed significantly to the private sectors engagement in advocacy, but the level of advocacy was not subsequently sustained by the BMOs and the BAF programmes contributed little to overall BMO sustainability.
4. The BAF programmes did not contribute significantly to the establishment of permanent public-private dialogue mechanisms as intended but BMOs gained better access and more influence on policymaking over the programme period, especially in Tanzania and Kenya.
5. It is estimated that approximately half of the advocacy projects in Ghana and Kenya, one third in Tanzania and a small percentage in Mozambique achieved their stated objectives of changes in policies, laws, regulations or administrative practices, but there is only scattered evidence of effects on the private sector or society at large.
6. Gender and poverty reduction considerations were not well integrated into the programme design and implementation, with the exception of BUSAC Ghana. None of the programmes included significant considerations regarding green growth.
7. Monitoring and evaluation were generally weak and the effects on the private sector or economic development were not adequately assessed during programme implementation.
8. Internal coherence between the BAF programmes and other Danida PSD support has been given little attention. The BAF programmes operated as stand-alone programmes, which led to missed opportunities to realise synergies.

9. The performance of the BAF programmes was heavily influenced by national context factors and in several cases, insufficient political economy analysis hampered programme performance

Lessons

1. It may be relevant to support business advocacy to strengthen the ‘demand-side’ for reforms provided there is capacity and willingness from the ‘supply-side’, the government, to engage in a dialogue and undertake reforms.
2. To enhance its effectiveness, business advocacy should be focused on very specific issues, sectors or industries and based on a good analysis of stakeholders and drivers of change instead of depending on an entirely demand-driven approach.
3. Given the weak monitoring and evaluation of the BAF programmes, which after 15 years did not lead to good insights at the outcome- or impact-level, adequate MEAL systems for these programmes deserve more attention. This would include a better distinction between the various types of results, monitoring outcome levels towards the end of the programmes, case studies and independent external evaluations.
4. The financial and organisational sustainability of BMOs cannot be achieved through a single-project approach as practised in the BAF programmes.

1 Introduction

Evaluation focus and objectives

The Evaluation, Learning and Quality department (ELQ) of the Danish Ministry of Foreign Affairs (MFA) launched an Evaluation of Danish support for improving framework conditions for Private Sector Development (PSD) in the Global South. The Evaluation was commissioned to Nordic Consulting Group (NCG). The evaluation synthesis report is based on country studies in Kenya, Mali, Ghana and Tanzania and this thematic study on Business Advocacy Funds (BAF), which assesses BAF programmes in Kenya, Ghana, Tanzania and Mozambique and covers all the major BAF programmes in Danida's portfolio³.

The evaluation objectives focus on accountability and learning. The first objective requires evaluating the past performance of the Danish interventions in accordance with the OECD-DAC evaluation criteria. In addition, it is necessary to understand what has worked and under which circumstances to draw lessons and provide recommendations in the context of Denmark's new development strategy from 2021 "The World We Share". Although there is currently no Danida bilateral support to business advocacy, this BAF thematic study aims to provide lessons learned for Danida's possible future support in this area, for example in relation to Green Growth.

Evaluation criteria and questions

The evaluation questions (EQs) of the ToR have been regrouped and reformulated to some extent based on the conceptual framework and the Theory of Change. The revised OECD-DAC evaluation criteria⁴ have guided the process, resulting in the following five main EQs:

1. **Relevance:** To what extent has Danish support to framework conditions for PSD responded to the evolving needs and challenges the private sector is facing in partner countries?
2. **Coherence:** To what extent have there been complementarities and synergies between the various types of Danish support to framework conditions for PSD on the one hand and PSD support by other actors on the other?
3. **Effectiveness:** What are the results of the Danish support to framework conditions for PSD and what are the main factors affecting the results?
4. **Efficiency:** What have been the main efficiency challenges of the Danish support to framework conditions for PSD and how have these challenges been addressed?
5. **Sustainability:** To what extent has Danish support to framework conditions for PSD been sustainable?
6. **Impact:** Is there evidence of (intended or unintended, positive or negative) intermediary impact and overall impact of the Danish support to framework conditions for PSD?

In addition, there are various sub-questions and for each sub-question indicators and data collection methods have been identified in the evaluation matrix (see Annex 1).

BAF Thematic Study

In this report, the findings and conclusions from the BAF Thematic Study are presented. It is based on country-level evaluations of Business Advocacy Funds supporting business advocacy of Business Membership Organisations (BMOs) in Ghana, Kenya, Tanzania and Mozambique. The programmes

³ Only a smaller BAF programme in Zimbabwe is not included in the Evaluation.

⁴ OECD/DAC Network on Development Evaluation, Better Criteria for Better Evaluation. Revised Evaluation Criteria. Definitions and Principles for Use, December 2019.

were implemented from 2003 to 2021 as indicated in Figure 1.1, with a total donor funding of DKK 796 million, of which DKK 554 million was committed by Danida. The BAF-programmes are further described in Chapter 3.

Figure 1.1 Overview of the duration of Business Advocacy Funds

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Ghana	BUSAC I (2003-09)						BUSAC II (2010-15)						BUSAC III (2016-21)						
Kenya				BAF I (2006-10)			BAF II (2011-15)			BAF III (2016-21)									
Tanzania	BEST-AC I (2003-08)			BEST-AC II (2008-13)			Best Dialogue (2013-19)												
Mozambique									FAN I (2011-16)				FAN II (2017-20)						

Source: Programme documentation.

All four BAF programmes have now been finalised⁵ and there are no other business advocacy programmes in Danida’s bilateral portfolio. The Evaluation may, however, still contribute to Danida’s learning and future programming by presenting the experience and lessons learned from the past programmes and suggestions on how business advocacy could be incorporated in future programmes. The report was prepared by Lars Christian Oxe and Jakob Kjærtinge Faarbæk under the overall supervision and contributions of the Evaluation Team Leader Anneke Slob.

The assessment of the BAF programme in Mozambique was undertaken as a separate desk study in August-September 2022 (included as an annex to this report), whereas the assessment of the BAF programmes in Ghana, Tanzania and Kenya was undertaken as part of the Evaluation country studies April-June 2022 and presented in the respective country reports. Validation and discussion of the interim findings took place in an online workshop on 20 September 2022 with the participation of consultants involved in the BAF programmes. Subsequently, a draft report was submitted to ELQ for comments, which were subsequently addressed.

As outlined in the evaluation inception report, the BAF study is based on a thorough review of the programme documentation available for the four programmes as well as interviews with involved individuals and organisations during the field visits. Part of the information was cross-checked with other informants when they were interviewed for other aspects of the Evaluation. The study also used the available evaluations and impact studies regarding the business advocacy funds (see further in Chapter 5). The retrieval of information was guided by the evaluation matrix used throughout the Evaluation (included in Annex 1) and the theory of change (ToC) for the business advocacy funds. As a basis for assessing the approach and design of the business advocacy funds, a brief study on the earlier donor experience with business advocacy was undertaken (see Chapter 2).

Evaluation challenges

The BAF thematic study met various specific evaluation challenges that are briefly summarised below:

- For the programme in Mozambique, where the Danish embassy has been closed, it was a challenge both to access the documentation (progress and final reports) and to identify and

⁵ FAN Mozambique continues as a national foundation but currently with no funding for activities.

obtain interviews with national staff. Despite considerable efforts very limited documentation and key persons were available.

- The validation workshop only had participation from two persons engaged in the programmes and BUSAC Ghana was not represented.
- Programme documentation was generally available, but it included very limited assessment of the extent to which the programmes achieved their outcomes in relation to the private sector and the impact on economic and social development.

2 Business Advocacy

With the increased focus on the role of the private sector in reaching development goals from the late 1990's and on-wards came also more awareness of the importance of the business environment. Danida, as well as other development partners, provided support to develop and implement changes in the policy and legislative framework with the focus on developing conducive framework conditions for a market economy and, in many countries, de-engaging the state from direct involvement with the private sector. The annual World Bank Ease of Doing Business reports played an important role in this process by ranking countries and publicly assessing their progress in relation to central elements of business environment reform.

Engaging the private sector in dialogue and consultations with the government was included in several donor business environment reform programmes and especially the World Bank Group has provided extensive support to the establishment and management of PPD structures. From 1997 on-wards, IFC supported the establishment of Public-Private Dialogue (PPD) mechanisms and working groups in at least 22 countries and the World Bank supported the establishment of Presidential Investor Advisory Councils in at least seven countries, including Tanzania and Ghana (both established in 2002)⁶. These were regular and structured meetings regarding private sector framework conditions established by the government but with the purpose of including private sector representatives and not just singular enterprises. The rationale for supporting PPD as part of the business environment is clear:

- Promoting better diagnosis of investment climate problems and design of policy reforms.
- Making policy reforms easier to implement.
- Develop mutual trust and understanding between public and private sectors, improving social cohesion and civil society.

According to a review undertaken in 2009, and based on previous impact assessment, these initiatives jointly saved the private sector at least USD 400 million through more than 400 policy changes⁷, but half of the PPDs supported achieved no or limited reforms. The effects were largest in South and South-East Asia. When the PPD forums worked well they were characterised by strong ownership by the government, an effective secretariat and the right composition of members from the private and public sectors. The challenges in these programmes included in some countries a lack of interest and commitment at the highest political level, little use of evidence in the dialogue, unrealistic expectations of the government's implementation capacity and an exclusive focus on central-level government.

The World Bank Group developed a community of practice around the PPDs, established a Charter of Good Practice in 2006 (revised in 2015), published a good practice handbook and organised in total nine global PPD workshops, of which one was held in Copenhagen and hosted by the Confederation of Danish Industry (DI) in 2015. The community of practice seems no longer to be active. This substantial experience in relation to PPD was available during the period when Danida designed and implemented the BAF programmes.

The approach taken by Danida was in some respects different from that of the World Bank and did not directly engage the government. The design of the BAF programmes was based on a market approach

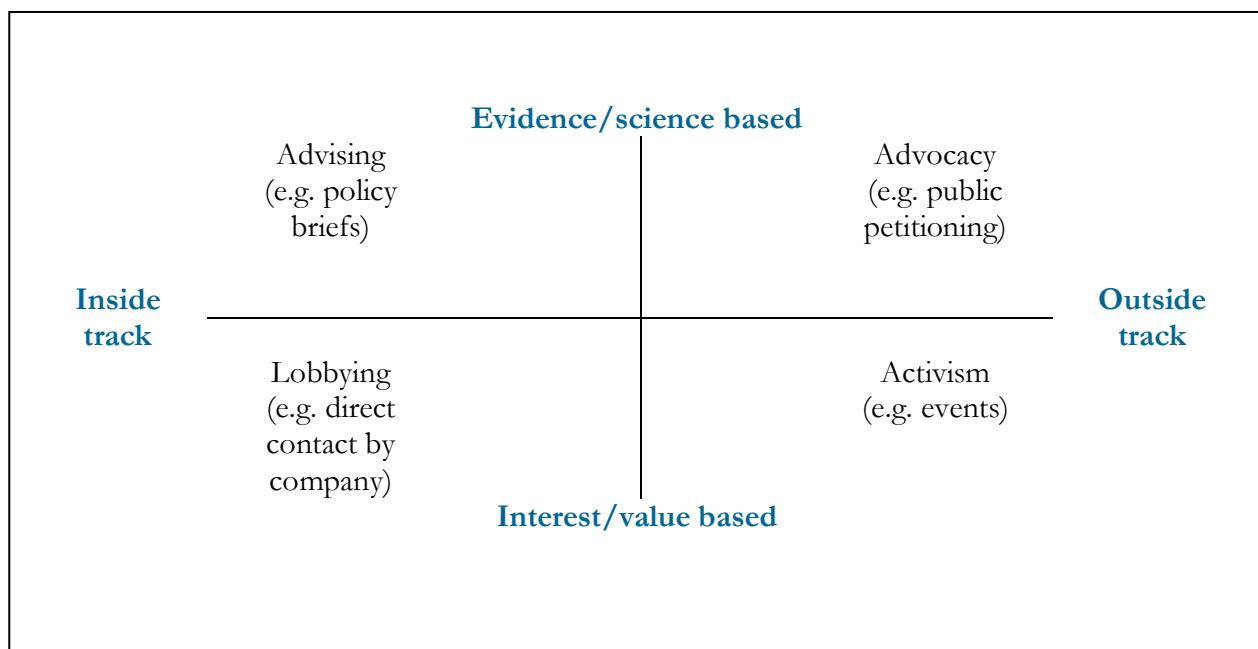
⁶ Review of World Bank Group Support to Structured Public-Private Dialogue for Private and Financial Sector Development, World Bank, April 2009. Independent evaluation of 30 WBG-supported Public Private Dialogue and Reform Platforms for Private Sector Development, Presentation by Malcolm Toland.

⁷ State of Play – Public-Private Dialogue, Benjamin Herzberg and Lili Sisombat, World Bank, 2016.

to business environment reform, which considered the private sector as the ‘demand-side’ for reforms and the public sector – the duty bearer – as the supplier of reforms and their implementation. Danida already supported the supply side and now wanted, along with other development partners, to emphasize the demand side.

There are many strategies for influencing policy decisions and they can be grouped according to whether they take an ‘inside track’ approach that works closely with decision-makers, or an ‘outside track’ approach that seeks to influence change through pressure and confrontation⁸. There is also a distinction between approaches that are led by evidence and research and approaches that are driven by, primarily, values and interests⁹. On this basis, the activities of advocacy organisations can be categorized into four different approaches and accompanying types of policy influencing (Figure 2.1). The private sector uses both an inside track and an outside track for influencing policies, but the BAF programmes were generally focused on an evidence-based outside track. In addition, to establishing research and evidence and presenting it to the relevant Ministries, Departments and Agencies (MDA), all BAF programmes included a substantial engagement with media, which is also based on an approach using the outside track. Media were supported both in relation to specific advocacy campaigns but also with the purpose of increasing capacity and understanding of the private sector and the role media could play in the public perception of the private sector.

Figure 2.1 Policy influencing approaches



Source: Tools for Policy Impact, ODI, 2004.

Theory of Change

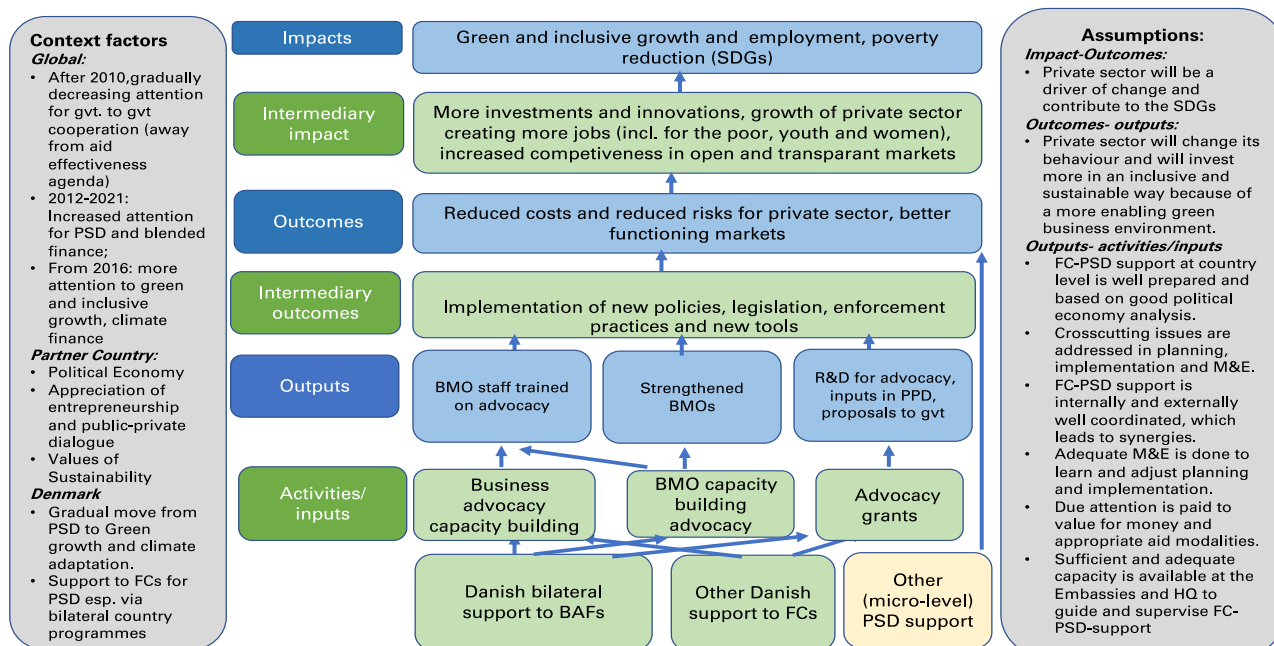
As part of the evaluation inception report, a Theory of Change (ToC) for business advocacy was reconstructed by the Evaluation Team based on the understanding of the logical framework and result

⁸ A guide to monitoring and evaluating policy influence, Harry Jones, ODI Background Note, 2011.

⁹ Tools for Policy Impact: A Handbook for Researchers Daniel Start and Ingie Hovland, ODI, October 2004.

matrix of the BAF programmes¹⁰. The ToC for business advocacy was later merged with the overall ToC for business environment reform and more precise activities, inputs and assumptions (Figure 2.2).

Figure 2.2 Reconstructed Theory of Change for Danida BAF support



The strengthened advocacy capacity of BMOs and the supported advocacy projects were intended to lead to changes in the business environment (policies, legislation or regulation), which would provide benefits for the private sector in terms of reduced cost or risk or better access to markets. Growth in the private sector will then lead to inclusive growth in the economy. Green growth was furthermore indicated as an overall objective in the last phases of support.

This ToC only partially reflects the ToC of the programmes (to the extent it was explicit), which did in several cases not aim beyond the changes in policies, legislation and regulations. As described below, the lack of attention to the economic and social implications of the changes in the business environment is considered an important weakness in the design of the programmes.

Several assumptions need to be fulfilled for this results chain to succeed. One assumption is that cross-cutting issues of green growth, gender and inclusiveness/poverty orientation are adequately addressed in programming and implementation. In relation to the BMO, it should have a certain basic level of capacity and the necessary legitimacy in terms of adherence to address the issue. On the government side, there should be a willingness to include private sector views and capacity to undertake the business environment changes and ensure implementation where that is relevant. Advocacy should be considered just one element in the policy-making process and there is a substantial difference between addressing lawmakers or the administration in Ministries, Departments and Agencies (MDAs). Larger reforms are formed over years and are subject to influence from many sources, of which private sector advocacy is only one.

¹⁰The BAF programme in Kenya developed a Theory of Change including causal loops instead of a linear results chain. This nuanced and explained feedback loops in the causal chain. The causal loops theory did not seem to have any practical implications for monitoring or reporting.

Subsequently, for the reforms to have a positive effect on the private sector and the economic, social and environmental development in the country, a range of other assumptions need to be fulfilled. These include that the business environment reform (BER) not only benefits a small group of businesses but is not anti-competitive (favouring some companies over others or increasing the possibilities of new competitors to enter the market) or leads to negative externalities in terms of negative environmental or social effects.

The same methodology for undertaking advocacy was applied in all four BAF programmes, called the five-step model¹¹:

1. Establish the issues – which may come from business, from government, from other stakeholders (such as consumers, employees, NGOs, etc) and may require effort before a BMO has an idea of the real issues and the priority;
2. Evidence the issues – which requires excellent research, including a systematic gathering of views, the ability to distil objective evidence from reliable sources and to draw logical conclusions and a process for developing consensus internally;
3. Express your policy – which requires the consideration of policy options and the preparation of a compelling argument and justification for the chosen option;
4. Engage appropriate people in Government – including possibly public officials and elected politicians depending on the issue – to influence policy; and
5. Evaluate and monitor progress – to ensure that, when the public sector agrees changes, they are put into practice.

The implementation of this recommended approach is further discussed in the following chapters.

¹¹ Five steps to reform public policy: An introduction to advocacy and dialogue. Irwin & Grayson, the Business Advocacy Network.

3 Business Advocacy Fund Portfolio

Table 3.1 below provides an overview of the four business advocacy funds under Evaluation. As presented in the table, the BAF programmes in Ghana, Tanzania and Kenya were implemented in parallel, almost in the same period. Mozambique was introduced somewhat later and was also considerably smaller than the other funds. Even though the fund managers were identified by an open tender for each implementation phase, there was a remarkable continuation both in consulting companies and in key staff.

Table 3.1 Overview of Business Advocacy Funds in Ghana, Kenya, Tanzania and Mozambique

	Ghana	Kenya	Tanzania	Mozambique
Name	Business Sector Advocacy Challenge Fund (BUSAC)	Business Advocacy Fund (BAF)	Business Environment Strengthening Tanzania – Advocacy Component (BEST-AC) Best-Dialogue (Phase 3)	The Foundation for the Improvement of Business Environment (FAN)
Period of Danida support	2003-2021	2006-2021	2003-2019	2011-2020
Danida funding (commitments)	DKK 169 million	DKK 133 million	DKK 141 million	DKK 111 million
Total funding	DKK 338 million	DKK 135 million	DKK 212 million	DKK 111 million
Other donors	DKK 169 million** Phase 1: USAID, UK Phase 2: USAID, EU Phase 3: USAID, EU	DKK 2 million Phase 2: UK	DKK 74 million* Phase 1: Sweden, Netherlands, UK Phase 2: Sweden, UK	None
Fund Manager	COWI	Coffey / TetraTech International	COWI	Coffey / TetraTech International (Phase 1)
Number of grants	1163	295	354	103

Sources: Programme documentation and completion reports.

* USD 12.4 million with an exchange rate of 1 USD = 6 DKK.

** Not all of the EU contribution for BUSAC III was disbursed.

Ghana

The Business Sector Advocacy Challenge Fund (BUSAC) was established by Danida in 2004 and funded in three phases up until its closure in 2021. With Denmark as the initiator and lead donor, other donors provided substantial funding to the programme. In BUSAC II, funding from the EU and USAID was provided via Danida and this constituted the first delegated cooperation of USAID in Ghana. BUSAC III specific objectives were formulated as:

- Policies, laws and regulations relating to the private sector have been enhanced and contribute to an improved enabling environment for business at national and local levels,
- Strengthened institutional, technical and financial capacity of BMOs to pursue business advocacy actions and to become more sustainable.

BUSAC funded training and capacity building of BMOs as well as specific advocacy projects. There was an important media component. Initially, BUSAC was operated as a challenge fund but halfway into BUSAC II, invitational grants were introduced where the fund manager played a more proactive role. Compared to the other business advocacy funds, BUSAC had a high number of projects, which was due to a higher overall budget and a substantially lower project size.

Kenya

The Business Advocacy Fund (BAF) was established in 2006 with the aim of improving the business environment in Kenya. BAF provided support to business advocacy projects, capacity building in relation to the advocacy of business membership organisations (BMOs), sustainability support to BMOs and media training. BAF was implemented by an externally recruited fund manager. Danida established BAF and continued support for over 15 years. DFID provided approximately DKK 2.2 million in funding for BAF 2 earmarked for climate change-related activities. BAF 3 specific objective was formulated as:

- Support business membership organisations (BMOs) to engage in private-public dialogue and advocate policy reform to improve the business-enabling environment in Kenya

BAF projects were identified through a dialogue between the BMO applicant and the fund manager and there were no predetermined application deadlines as for the other funds. In addition to funding advocacy projects, BAF included a substantial component of training and capacity strengthening of BMOs, both general organisational capacity and specific advocacy capacity. BAF also included a media component.

Tanzania

The first phase of Business Environment Strengthening Tanzania – Advocacy Component (BEST-AC) was funded through the basket fund for the sector-wide BEST programme and established in 2004. Subsequently, BEST-AC continued as a separate programme with funding from Denmark, UK and Sweden and in the last phase only Denmark. The BEST-Dialogue-specific objective was:

- Private Sector influences the public sector to improve the business environment in a well-informed, sustained dialogue in an open and transparent space.

BEST-AC and BEST-Dialogue were challenge funds providing grants based on applications primarily from Private Sector Organisations for capacity building and advocacy. In addition to this, BEST-AC and BEST-D had a media component and a component providing support to the University of Dar es Salaam.

The programme was implemented by a consulting company and managed from an office in Tanzania Private Sector Foundation, a leading association of BMOs in Tanzania.

Mozambique

The Business Advocacy Fund was established as a project in 2011 and subsequently as a foundation in 2017. FAN was created to:

- Enhance the quality and credibility of private sector interest organisations to engage effectively in private-public dialogue

Initially, FAN Mozambique included capacity strengthening of four pre-selected BMOs, with other “secondary” organisations also being identified for capacity- and advocacy support. The project then

made a gradual shift towards more focus on a challenge fund approach. Phase 1 was implemented by a consulting company, but later a national foundation was established, which was the implementing agency in Phase 2. The national foundation was established with a challenge fund approach and a strong emphasis on capacity development, while also including workstreams dedicated to international partnerships and platform building.

FAN Mozambique (Phase 1) included a research component that aimed to build the capacity of research institutions and tendering of research projects. Both phases included a collaboration between FAN and the Danish Confederation of Industries (DI).

4 Relevance and Coherence

In line with the evaluation matrix, the relevance of BAF support is in this chapter assessed in relation to the needs and challenges of the government and private sector, including linkages to national strategies and programmes, the consideration of cross-cutting issues and the extent to which political economy analyses was applied. Furthermore, the internal Danida coherence and coherence with other development actors are assessed. Relevance and coherence issues include many of the aspects which in the ToC are assumptions that need to be in place for the activities to lead to the envisaged outputs.

Main findings regarding relevance and coherence

- When they were initiated, the BAF programmes were in line with current development thinking regarding BER and in Ghana, Tanzania and Kenya the moment was opportune because of the government's high interest in private sector development and BER. This was not the case to the same extent in Mozambique.
- The support to the demand side for reforms complementary to supporting the supply side was innovative.
- Subsequently, when the governments' willingness to undertake reforms waned (in Ghana and Tanzania) and Danida stopped supporting government institutions under the PSD programmes, the relevance of promoting business advocacy was less pronounced.
- The possibilities for complementarity by addressing the same reform issues through Danida's support to the government and the BAF programmes were in practice not pursued. The advocacy issues that were supported by the BAF programmes were identified by BAF and the BMOs.
- The demand-driven approach of the BAF programmes meant that instead of addressing specific policy areas pre-selected based on analysis, the BAF programmes to a large extent let the interest from BMOs set the agenda – "let a thousand flowers bloom."
- The demand-driven approach also meant that the BAF programmes mostly addressed issues at the sector level or localised issues. This was especially the case for Ghana, Tanzania and Mozambique.
- Strengthening advocacy capacity was relevant given the increased role of BMOs (in three out of four countries) at the beginning of the evaluation period.
- There was insufficient political economy analysis which affected the design and may have contributed to the slower implementation of reforms advocated by BAF grantees.
- While the BAF programmes in Tanzania, Ghana and Kenya included co-funding and cooperation with other donors, especially in the early phases of support, external as well as internal coherence and coordination with other Danida PSD support was limited in all four countries.
- The environmental/climate agenda, gender and inclusiveness were addressed at an overall level, but there was insufficient attention to these aspects in practice. Only in BUSAC Ghana did gender and poverty orientation constitute important strategic priorities.

Complementarity between BAF programmes and supply-driven BER support

The underlying assumptions of the ToC refer to good coordination and complementarity of PSD programmes. As stated above in Chapter 2, the initial rationale for the BAF programmes was that they as demand-driven programmes would be complementary to the Danida supply-driven BER support.

Although the national political and economic context in the four countries was different, they all had in common that at the time of BAF establishment there was increased attention on the role of the private sector in development from both government and development partners. In Kenya, Ghana, Tanzania

and Mozambique national business environment reform strategies and programmes were introduced at about the same time. In Kenya, the development of the PSD strategy was initially supported by Denmark, but Danida did not play an important role in funding its implementation. This is also the case in Mozambique, where an overall business environment strategy was launched in 2008 but the donor funding was limited. The PSD Strategy (PSDS) in Ghana and the Business Environment Strengthening Tanzania (BEST) were very central in the Danish PSD support programmes up to 2010. In both these cases, the justification for establishing advocacy funds was linked to the introduction of a national business environment reform programme led by the government and funded by multiple development partners. In Tanzania, the business advocacy fund (called BEST-AC) was initially considered a component of the BEST programme, although outsourced and implemented independently by the government. The advocacy programmes were justified as supporting the ‘demand side’ for business environment reforms in a market approach where the government reform programme was considered the supply side.

Initially, the focus of the BAF programmes was on strengthening the advocacy capacity of BMOs and in this indirect way enhancing advocacy activities towards the government. During the first phases of support, the support for specific advocacy activities became more important and eventually dominant.

The emphasis of the BAF programmes was on the role of BMOs, but the role of the private sector in policy formulation goes beyond pushing for certain reforms and also includes responding to government proposals for reforms as part of consultation processes and undertaking continuous dialogue through public-private dialogue (PPD) structures. In the interest of increasing sustainability, the establishment of permanent platforms for PPD eventually became part of the BAF programmes, although predominantly through support to business associations.

However, there seems not to have been an attempt to ‘match supply and demand’ by aligning the applications for advocacy projects to issues addressed and prioritised in the overall business environment reform. The advocacy projects in all four BAF programmes addressed the contrary constraints in a large variety of sectors and themes directed at both local and central levels of government. Especially in Ghana and Tanzania, the advocacy funds approved a considerable number of projects addressing local constraints.

FAN Mozambique was introduced in 2011 but did not include references or linkages to the national business environment strategy introduced three years earlier. The implementation of the reform programme saw little progress and the government did not encourage public-private dialogue.

Funding and supporting advocacy activities of BMOs in Kenya was relevant in the context of the increased interest from the government to include stakeholder consultations in the legislation process and in a period where the devolution prompted counties to take on a more important role in local economic development and in regulating the business environment. BAF Kenya, however, only used this momentum at the county level to a significant degree during the second phase.

In Ghana and Tanzania, there was initially a reform impetus, but it developed into a less conducive reform environment when the jointly donor-funded national BER programme in both countries was not extended, around 2010. From then, the opportunity to support the same policy issues from the demand side and supply side disappeared. The BAF programmes were managed independently of other programmes and the embassies were not insisting on alignment with government issues. In both programmes, it lasted almost the entire second phase (approximately until 2015) before it was clear that

a continuation of the joint donor-government BER programme had to be abandoned. The two advocacy programmes were nevertheless extended to a third phase based on what was considered good results. The demand-driven nature of the funds was considered enough to ensure the relevance of the issues addressed and there was regard (by the embassies or others) for the larger context in which the BAF programmes could have played a role. The emphasis on advocacy projects at local levels of government (especially in Ghana) should most likely be considered in this perspective.

The BAF programmes were well aligned with Danida's strategies of addressing the framework conditions for the private sector at the beginning of the evaluation period and as indicated above, an integrated component in the Danida PSD support. As the Danida PSD programmes gradually moved to only providing direct support to the private sector and no support to public institutions, the BAF programmes became less relevant for the overall objectives of Danish PSD support.

The BAF programmes were hence not designed to address specific issues in the national business environment. Their overall objectives were of a general nature, in several cases referring to the doing business indicators as indicators of overall programme impact.

Relevance to private sector needs

The BAF programmes had a demand-driven approach which meant that the advocacy issues should originate from BMOs and be driven by the BMOs. It was considered important that the advocacy issues were 'owned' by the BMOs in order to ensure national ownership and alignment with BMO mandates. This also meant that there were no pre-defined issues or priorities for the selection of advocacy projects. The BAF programmes had an approach of 'letting a thousand flowers bloom'.

When assessing whether the advocacy projects addressed the main private sector priorities in the countries, it is relevant to refer to various surveys that provide an indication of the private sector needs in the four countries¹². The needs vary between the countries, but in general, issues related to the broader investment climate are ranked at the top, including access to energy and other infrastructure and access to finance. Either just below these issues or in some countries at the same level, are issues related to high levels of taxes and levies. In some countries, the cumbersome administrative processes ('red tape' and outright corruption) in general, and especially related to imports and exports, are also highlighted.

The Agrochemicals Association of Kenya (AAK)

The VAT Act, 2013, reclassified pest control products which had till this time been zero-rated for VAT to exempt and, additionally, introduced VAT at 16% on all the ingredients, including imported ingredients, used in the processing and manufacturing of pest control products (PCP).

The effects of the change of VAT status in 2013 led to a significant decline in sales of agrochemical products. Sales fell by 87% over two years, leading to loss of revenue of KES 175 million and a consequent loss of corporation tax, estimated at KES 5 million.

AAK successfully convinced the parliamentary committee to amend the bill to zero rate agricultural PCPs and all the inputs. This was adopted and assented in the Finance Act 2017, effective from early April 2017.

The key results from this reform are reduced cost of raw materials and, by extension, a reduction in cost of locally manufactured pesticides leading to a reduction in imported pesticides as well as greater affordability for farmers and potentially a higher level of tax revenue as the industry increases its profitability.

Source: The Impact of BMO Advocacy, BAF Kenya, 2020 and Evaluation Team interview.

¹² Business enterprise surveys, Doing Business surveys, Investment climate surveys.

The BAF programmes have to a large extent addressed industry-specific issues but based on the BAF project portfolio overviews, there are only a few examples of advocacy projects addressing framework conditions in relation to what is considered the overall most important issues for the private sector: energy, the financial sector or transport. Cross-cutting issues related to reducing the time and effort spent on administrative processes were included to some extent.

Ghana is an exception because most of the advocacy projects addressed local-level, sector-specific issues and many of the local projects aimed at attracting government attention and resources benefitting a specific group of people, often farmers. These projects were usually not related to reforms but more to the allocation of resources.

While the BAF programmes were not closely linked to national BER priorities, BAF Kenya and especially BEST-AC in Tanzania funded a considerable number of projects in relation to the reduction of taxes, fees and levies, which according to national surveys was a top priority for the private sector.

Quality of programme design

The BAF programmes supported the BMOs in pursuing an evidence-based outside track for influencing policies. The risk of rent-seeking behaviour from pursuing the interests of individual companies was reduced when engaging BMOs and not companies in lobbying. Concerning the advocacy typology in Chapter 2 (Figure 2.1), the outside track is in the typology described as more confrontational, which may be the case, but the BMOs were rarely directly confrontational and in line with norms and cultures more often sought an advisory role in the longer term.

The BMOs were trained in the five-step model (see Chapter 2), which involved that advocacy is based on evidence and factual presentations of the issues. Interviews with BMOs have indicated that this simple model provided a value-addition to their advocacy approach, especially in relation to the second step emphasising the need for evidence. An important share of the advocacy project funding was allocated to gathering and documenting evidence. The lacking advocacy evidence was considered a major weakness of the earlier programmes establishing PPD structures, and this aspect has consequently been indicated by BMOs as an important element introduced by the BAF programmes. As will be discussed later, the fifth step about monitoring and assessing progress seems to have been partially lost in programme implementation.

The four BAF programmes supported both general capacity building and BMO capacity to undertake advocacy. The role and importance of BMOs varied significantly between the four countries.

In Kenya, large BMOs like Kenya Private Sector Alliance and Kenya National Chamber of Commerce and Industry were already engaged in dialogue with the government, had a certain experience and capacity for advocacy and had been supported over some time both by Danida and by other development partners. Supporting these larger organisations was a 'safe bet' for the BAF programme at the expense of the additionality of the support. The Kenyan government introduced an obligation for government entities to ensure adequate public participation in 2010 so the framework for engaging in PPD came into place during the programme.

In Tanzania and Ghana there were also many BMOs, and when the advocacy funds were initiated around 2003, establishing a public-private dialogue was in its early stages. Although many of the BMOs had a clear perception of their role, they had limited knowledge of evidence-based business advocacy and little capacity to formulate policy proposals and lobby for reform.

In Mozambique in 2011, the BMOs were generally not as advanced as in the other countries and the private sector had little capacity to engage in dialogue with the government and did not have a clear understanding of their advocacy role as private sector representatives towards the government. The government did in general not encourage advocacy or private sector influence on policies and the preconditions for strengthening business advocacy capacity may not have been in place.

The approach to capacity building was slightly different between the BAF Programmes. Based on the state of the BMOs in the four countries, it would be expected that Kenyan BMOs would be less in need of capacity strengthening and would be better able to take on board new approaches presented by the advocacy fund. However, capacity building was a very strong element of BAF Kenya, including support to some of the larger associations that were already very active in business advocacy. FAN Mozambique also devoted considerable efforts to capacity strengthening of the BMOs and especially in its last phase, this element became the most dominant. This was relevant – and even necessary – when considering the low capacity of the BMOs in Mozambique, but as indicated above, the prerequisites in terms of the overall framework for PPD and the government’s inclination to include the BMOs in policy formulation may not have been fully in place.

There were results frameworks developed for the BAF programmes and the consulting companies responsible for fund management reported on these. Only in the last phase of support did the results framework become of a quality which to some extent could be used for monitoring. The challenge continued to be, however, that the outcomes in the results frameworks were generally at a very low level in the results hierarchy and were, at best, the programme outputs¹³ and the outputs reported were often activities. The results framework did in most cases not go beyond the changes in policies, laws and regulations. Where BAF programme objectives addressed private sector growth, this was not reported on. This contributed to the lack of reporting on outcomes related to the private sector during the programme implementation and between phases (see further in Chapter 5).

Political Economy Analysis

Good programme preparation including political economy analysis is an assumption in the ToC (Figure 2.2) for the policy advocacy to influence the government and promote the envisaged changes. Danida aid management guidelines also recommend that political economy analysis is undertaken as part of the programme preparation and this aspect has been increasingly emphasised in recent years. Attention to political economy analysis is especially important in relation to business advocacy where vested interest, political capture and a limited interest in political reform are common.

The political economy analysis is, however, not reflected in BAF programme documents and political economy analysis was not included in Danida’s aid management guidelines until 2011¹⁴. Official programme documents may not allow the inclusion of such analysis, but a political economy analysis should at least be reflected in the assumptions or risks described in the programme documents, which has generally not been the case for the BAF programmes.

Interviews in connection with all BAF programmes have indicated that issues surrounding political economy have to some extent been considered during implementation, but more in-depth analysis that include attention to the main obstacles, network relations, informal power etc. does not seem to have been carried out. Little analysis was undertaken before or during the BAF programmes regarding the business environment and political economy, including drivers of change and important stakeholders of

¹³ Outcomes were centred around direct results of the BAF programmes, for example, capacity strengthening of BMOs and their engagement in PPD.

¹⁴ Guidelines for Programme Management, Danida, Ministry of Foreign Affairs, 2011.

the BMOs supported. The BAF programmes did in general not analyse how segments of the private sector and/or BMOs are related to formal power, while it is well-known that some businesses and also some BMOs might be directed related to specific political parties.

BEST-AC Tanzania, however, funded research documenting some aspects of the power and economic interests in relation to key productive sectors, indicating that some sectors, especially the traditional export sectors, are more prone to interference than others. This underlined the importance of considering who stands to win and who may lose when assessing whether to fund an advocacy proposal. It furthermore explained why BMOs in horticulture and tourism seemed to have a better advocacy influence than many of the other BMOs supported by the programme.

Cross-cutting Issues

An underlying assumption in the ToC is that cross-cutting issues of green growth, gender and inclusiveness/poverty orientation are adequately addressed in programming and implementation.

While the environment was an important cross-cutting issue in Danida's development assistance for decades, green growth was increasingly emphasised from the Strategy "A Right to a Better Life" in 2012, where it was one of four overall thematic areas of development assistance¹⁵. Green growth was introduced as an overall objective in the PSD programmes subsequently and hence in the last phases of the BAF programmes in Tanzania and Ghana but it was not translated into specific targets or criteria in the selection of projects beyond a very high-level consideration. In BAF Kenya, the second phase included a dedicated window for climate change advocacy funded by the UK. However, only nine grants were issued under this window¹⁶ and it was not continued. The explanation provided by BAF was that there was a lack of interest from the BMOs. In its third phase, BAF Kenya became an engagement under the Green Growth and Employment Programme 2016-2020 with the overall development objective to support the "transition to green growth with higher employment." This was, however, not included in the outcomes or outputs of BAF 3 and was not reflected in the project portfolio. On the contrary, several of the advocacy projects supported may have led to negative environmental effects (e.g. the support to the Agrochemicals Association of Kenya, see box) and the BMOs interviewed by the Evaluation Team did not encounter any specific requirements from the fund manager regarding environmental safeguards. It may have been a deliberate choice for the BAF fund managers not to focus on green growth. The increased emphasis on green growth in the latter part of the evaluation period was reflected in the BAF programme documents but did result in many projects within this theme.

Gender equality is described as important in the programme documentation but does in general not seem to have influenced the design or selection of advocacy projects. BUSAC Ghana was the exception. The fund manager reported consistently on gender, including disaggregated data where relevant and gender aspects seem to have been mainstreamed in the activities. The gender issues were largely neglected by the three other BAF programmes.

In relation to poverty reduction and inclusiveness, the programmes do in general not seem to have been concerned with possible distributional consequences between segments of the private sector or within the BMOs. A broader policy impact assessment seems to not have been undertaken either before the decision to fund a project or after the project implementation. In some cases, it could be part of the advocacy research undertaken in the project. As the only BAF programme, BUSAC Ghana

¹⁵ The Right to a Better Life, Ministry of Foreign Affairs, August 2012.

¹⁶ BAF 3 Development Engagement Document.

deliberately pursued a poverty-oriented strategy in the selection of BMOs and advocacy projects, which was reflected both in overall objectives and outcomes and in its implementation. The large number of rural projects targeting small-holder farmers was an expression of this strategic orientation. As described above, this also meant that BUSAC Ghana to a lesser degree contributed to the reform of the overall business environment.

Internal Coherence

It is one of the assumptions in the Theory of Change that the BAF programmes are coherent and well-coordinated with other Danida programmes in order to obtain synergies. As described above, in the initial programme design there were good linkages between the BAF programmes and other components of Danida's PSD programmes in relation to business environment reform. However, the coherence of the PSD programme design was only apparent at a general level and did not penetrate the prioritisation of specific business environment issues where there could have been synergies with other PSD components. Subsequently, these possible linkages disappeared because Danish support to the 'supply side' BER was not continued.

According to the progress and completion reports, approximately half of the projects in Tanzania and 45% in Ghana addressed issues related to agriculture and primary production. There was good overall coherence in terms of design and strategy with the Tanzania country programme's focus on the agriculture sector and the inclusive growth aspects of the Ghana country strategy. In practice, however, there was no systematic effort (selection criteria or joint planning) to fund advocacy projects linked to issues coming out of the direct support provided to the agriculture sector or value chain development under the PSD programmes.

The BAF programmes in Kenya and Tanzania were implemented in parallel with Trade Mark East Africa (TMEA), which was supported by Danida in both countries. TMEA also supported business advocacy. In Kenya, TMEA was represented on the board of BAF and vice versa. According to informants, the BAF programmes did not engage in coordination and exchange of experience with TMEA and were not perceived as being actively seeking a collaboration.

In Mozambique, there was clear potential for synergies with other components and programmes. For example, the District Roads component that worked with improved road maintenance and job creation for small enterprises and the Agri-business Development (ABD) component that worked towards increased commercialisation of smallholder farmers had a quite clear potential for synergies with FAN. In addition, the Environment Sector Programme Support (ESPS) 2011-2015 and the Climate Change and Environment Programme (CCEP) 2015-2017 included an engagement dedicated to policy-level work aimed at capacity development to undertake advocacy work. While there were overall considerations concerning coherence the potential was not realised.

In relation to one of the larger BMOs in Kenya, the Kenya Association of Manufacturers, Danida provided support through four channels: the BAF programme, TMEA, a twinning arrangement with the Danish Confederation of Industries and a separate component under the PSD programme. The potential challenges and opportunities from using these different channels of support do not seem to have been addressed.

External Coherence

There was some cooperation and exchange between the four BAF programmes during the implementation, including an exchange of approaches and methodologies, joint seminars, etc. The

cooperation among the programmes was promoted by a small group of technical advisers within the Danish MFA and through the use of some of the same consultants across the programmes. There was also cooperation with a similar UK-funded programme in Nigeria¹⁷.

In terms of collaboration and coherence with other development partners, the BAF programmes in Tanzania and Ghana were co-funded by the EU, UK, USAID, Sweden and the Netherlands. The UK also provided limited funding to BAF Kenya in its second phase. Danida was the lead donor in all programmes and managed the funding as delegated cooperation. Only BUSAC Ghana maintained its co-funding (from USAID and partly EU) throughout the three phases, whereas the other programmes relied exclusively on Danida-funding in their final phase. In Mozambique, there was no co-funding and coordination with other donors were limited. Interviews with representatives of other development partners suggest that their analysis of the continued relevance of the advocacy programmes differed from Danida's analysis and they considered other aspects more important, as the international development agenda moved further away from PSD framework conditions. The lack of overall BMO sustainability was also seen as an issue of concern by other donors (see Chapter 5). The Evaluation has not looked in detail at the BER portfolio of other donors to assess whether the BAF programmes addressed some of the same issues. In general, there was no deliberate strategy to address other issues than those suggested by the BMOs in their applications.

¹⁷ Enhancing Nigerian Advocacy for a Better Business Environment (ENABLE).

5 Effectiveness, Impact and Sustainability

In this chapter outputs, outcomes, impact and sustainability are assessed based on the assessment presented in the country reports of the Evaluation where more detailed information on the individual programmes can be found. The ToC for the BAF programmes (Figure 2.2) indicates that the capacity building of BMOs and the support to their business advocacy activities should lead to outputs in the form of strengthened BMO capabilities in relation to advocacy as well as the research and advocacy outputs of the advocacy projects. The resulting changes in policies, legislation and regulation are considered intermediate outcomes for reaching the actual outcomes of reduced cost and risks for the private sector, leading to increased turnover and investments and eventually inclusive economic growth and contribution to the SDGs.

Main findings regarding effectiveness, impact and sustainability

- There is considerable variation among BAF programmes in terms of number of advocacy projects, the budget size and the scope of the advocacy projects.
- Capacity building by the BAF programmes, allowed the BMOs on average to improve their advocacy capacity, especially in the beginning of the BAF support, but it did in general not entail more robust BMOs with a larger member base.
- It is estimated that approximately half of the advocacy projects in Kenya and Ghana, one third in Tanzania and a small percentage in Mozambique achieved their stated objective and led to some changes in policies, laws, regulations, or administrative practices.
- The private sector has overall increased its dialogue and influence with government in Kenya and Tanzania over the evaluation period, whereas this is more uncertain in Ghana and Mozambique.
- There are scattered examples of advocacy projects that have contributed to positive effects for the private sector, such as reduced costs and risks and/or increased income, especially in specific industries or at local level.
- The BAF programmes are not likely to have led to improvements in the overall business environment or to more investments and job creation beyond the micro-level.
- Despite the increased advocacy capacity in the BMOs, they are in general not able to continue to undertake research and documentation in relation to their advocacy, as recommended by BAF and their membership base has not been improved.

Outputs and intermediary outcomes

Key data regarding programme implementation, outputs and intermediary outcomes across the four BAF programmes are presented in Table 5.1, below. As described above there are only a little data available on actual programme outputs as defined in the Evaluation ToC, because much of the reporting is focused on activities. Furthermore, there are a few indicators which are included in BAF reporting across the four programmes. It should be stressed that the data cover the entire BAF programme and not just the Danish funding.

The number of **advocacy projects** was an important performance indicator for the funds. BAF programmes in Ghana, Kenya, Tanzania and Mozambique funded a total of 1,570 advocacy projects. As indicated in Table 5.1, the number of projects varied considerably between countries. The BAF programme generally achieved and often exceeded its targets in relation to the number of funded

grants¹⁸. With 1,163 projects in total, of which 890 were advocacy projects, BUSAC in Ghana was by far the programme with the most projects. The 362 projects in BUSAC Ghana, Phase 1 alone were implemented by 351 organisations, whereas BAF-Kenya's 293 projects over all three phases were distributed on 90 BMOs. Mozambique stands out as the programme with the least number of projects. The second phase of FAN only worked with the capacity strengthening of BMOs and did not include advocacy projects, although according to the programme document that was the intention.

It should be noted, however, that size and contents of the advocacy projects varied considerably both within and between the BAF programmes. The budget size of the advocacy projects also varied considerably, with projects addressing issues at the local/decentralised level often being relatively small. Tanzania and Kenya advocacy projects usually included considerable expenses to research and documentation of the topic in question – creating the evidence, which would be the basis for advocacy. In the smaller projects in Ghana, the documentation was prepared in a more pragmatic way, often by interviewing members of the BMO. Furthermore, training of BMO staff or elected representatives would be included in advocacy projects in some cases and in other BAF programmes there would be separate training projects or training courses. While the (sometimes costly) establishment of evidence was an important step in the advocacy approach, and especially required when addressing the national level authorities, there is no evidence to suggest that the larger and more costly projects were more effective than the smaller projects.

Table 5.1 Achievement of outputs and intermediate outcomes across BAF programmes

	Ghana	Kenya	Tanzania	Mozambique	Total
Total number of advocacy grants	890	295	354	71***	1610
Number of BMOs capacity building	279	580	141	16	1,016**
Number of people trained in BMOs	16,000	7447	468	2,103	26,018**
Media coverage (number of press articles)	1,365	3,425	625	na	5,415
Number of changes in BER	50%* (445)	426	116	10***	973

Sources: Programme documentation and completion reports.

* Estimated share of advocacy projects reaching their objective based on progress reports.

** Could include overlap if the same BMO/people were trained in two phases.

*** Only data for Phase 1 is available for FAN Mozambique.

There was also considerable variation among the programmes in terms of the number of projects achieving the **envisaged changes in the business environment**. From more than 400 in Kenya and Ghana to 116 in Tanzania and 10 in Mozambique.

¹⁸ Targets for FAN Mozambique are not known.

All BAF programmes, except FAN Mozambique, contributed to a considerable number of changes in policies, laws and regulations, although the results are not directly comparable. In Kenya, 426 changes were achieved through approximately 140 projects out of the 295 projects granted. In Tanzania, there were 324 projects in Phase 2 and 3 contributing to 116 changes. Except for the larger BMOs, the BAF programmes' contribution to the advocacy actions and capacity of the BMOs is significant, because they received little other support. This is especially the case in Tanzania¹⁹ and Ghana and less so in Kenya. The longitudinal impact assessment of BEST-AC Tanzania, Phase 2, found that the BAF advocacy project had played an important role in half of the policy changes. In some cases, there was a direct link between the advocacy actions of the BMO (supported by the BAF programme) and the changes in the business environment, but in many cases, the advocacy of the BMO was only one element of many contributing to the business environment change. Advocacy project objectives may have been aimed at different levels in the results chain, but most commonly it meant that the public authority targeted with the advocacy project had adopted the change which was advocated. That 'change' could include a considerable variety of actions, including approving a new policy, law or regulation, improving the implementation of a regulation, adopting the desired change in proposed legislation or regulation, allocating funds for specific infrastructure investment, etc. Especially BUSAC Ghana included many local projects that did not target the business environment but rather advocacy for local infrastructure investments or initiatives that could support the productive capacity of the grantee organisation's members.

GRIB - Ghana Rice Inter-professional Body

GRIB is a Ghanaian umbrella organisation of rice stakeholders with 57,000 members. GRIB is working towards a competitive local rice sector for the ultimate benefit of rice producers in Ghana.

Although rice is the second most important staple food after maize, only one third of rice consumed is produced locally. To compete with imported rice qualities, and enable exports, BUSAC funded GRIB advocacy for the establishment of an international rice standard in Ghana, which was obtained in 2013-14. Since then, BUSAC support was given to training and awareness raising of GRIB members. The rice quality has improved, and domestic production increased, although there continues to be a production deficit. BUSAC is likely to have contributed to this along with a large number of other initiatives.

Enhancing the **advocacy capacity**, or the general organisational capacity, of BMOs has been important for all four BAF programmes. The activities included offering advocacy training modules to BMOs, both grantees and other BMOs. It is estimated that 1,016 BMOs were trained across the four countries with Ghana and Kenya again as the programmes with the most activities. FAN Mozambique stands out with only 16 BMOs trained. In Ghana, Kenya and Tanzania surveys were undertaken during the second programme phase to assess the advocacy competencies of BMOs. The surveys were using the same methodology and comparable questions comprising four dimensions of capacity: organisational development, relationships, advocacy and advocacy results. The BMOs generally increased their depth and breadth of relationships and advocacy and in some cases also organisational capacity and results. In Tanzania, where the surveys were undertaken most extensively,

the organisations increased their advocacy competencies in the first year of support after which it did not increase further it seemed to plateau.

Several of the BAF programmes gradually included more support for the general capacity building of BMOs in addition to advocacy support. The aim of this was to increase membership and thereby the

¹⁹ BEST-AC Tanzania Impact Study, 2015.

legitimacy and the financial sustainability of the organisations. Many BMOs face difficulties in attracting paying members at a level that can sustain a professional secretariat. The BAF support was aiming to strengthen service delivery to BMO members so that there were clear benefits of being a member. For BMOs there is inherently a free-rider problem, as improvements in the business environment often benefit the whole industry and not just the members. In Ghana, this support included funding business development services towards BMO members. As indicated above, the organisational capacity did increase in some cases. For instance, in Tanzania, 90% of members were satisfied with their BMO in 2015, up from 65% in 2010²⁰. In Kenya, a small group of BMOs that were already quite capable increased their level of competence and influence with the government over the programme period, but the contribution from BAF Kenya was relatively minor compared to other funding. Across the BAF programmes, the number of BMO members did in general not increase, although the organisational capacity was temporarily strengthened in the targeted BMOs.

East African Grain Council (EAGC) – Warehouse Receipt System

Kenyan staple food farmers are often pressed to sell their produce immediately after harvest, when prices are lowest, to meet their financial needs. The Eastern African Grain Council (EAGC) advocated for legislation regarding an effective Warehouse Receipt System. This enables the farmer to sell the goods at better prices, rather than being forced to sell when everyone else is selling and, in advance of selling, to access credit secured against the warehouse receipt. A cost-benefit analysis undertaken by EAGC in 2015 estimated that if all their members were to utilise warehouse receipt system, they would increase their gross margins by 50 per cent and their net margins by at least 15 per cent. The Evaluation Team was informed through interviews that despite the law, the warehouse receipt system was not yet up and running and there was therefore not yet any impact of the new legislation.

Source: The Impact of BMO Advocacy, BAF Kenya, 2020 and Evaluation Team interview.

Supporting the **establishment or strengthening of PPD mechanisms** was important in some of the BAF programme phases in Ghana, Kenya and Tanzania. The BAF programmes supported BMOs taking the initiative to establish a PPD platform with the government as well as the private sector's participation in PPD and analytical work in connection with this. In Tanzania, the public-private dialogue platforms at the central level were in general not very active during the last phase of support. Still, BMOs increased their level of direct communication with Ministries, Departments and Agencies (MDAs) and the perception of the MDAs towards the private sector improved. A good demonstration of this was the consistent statements heard by the Evaluation Team in Tanzania that the private sector was extensively included in developing the Government Blueprint for Business Environment Reform in 2017-2019, whereas the Business Environment Strengthening of Tanzania (BEST) in 2003 had been prepared with only little BMO engagement. This was a testament to the changed attitudes of the administration and the increased advocacy capacity of BMOs. According to an analysis made by BEST-Dialogue of the reform proposals in

the Blueprint, approximately one-third of the proposal were related to policy proposals previously put forward as a result of a project funded by BEST-AC or BEST-D. In Kenya, the PPD structures were more developed and BAF Kenya supported the establishment of a multi-annual, common agenda for the private sector of cross-sectoral issues to address with government. In Ghana, the support for PPD mechanisms was only introduced in the third phase and with mixed results.

BEST-AC in Tanzania included an important component of support to **higher education** which contributed to the establishment of a Centre for Policy Research & Advocacy at the University of Dar

²⁰ BEST-AC, Tanzania Longitudinal Impact Assessment, 5th Annual Report, 2015

es Salaam. BUSAC Ghana initiated collaboration and shared its documentation with the College for Community and Organisation Development, which established a post-graduate programme in private sector development and advocacy.

Outcomes and impact

As indicated above, outcomes as indicated in the Evaluation ToC, in terms of reduced costs and reduced risks for the private sector, increased turnover and incomes have generally not been monitored

Kenya National Chamber of Commerce and Industry (KNCCI), Vihiga County Chamber

Article 210 of the Constitution of Kenya provides that “No tax or licensing fee may be imposed, waived or varied except as provided by legislation”. Specific county revenue legislation was developed in a public-private dialogue to enable the counties to meet the constitutional requirement, but it was not applied in the counties. In 2016, KNCCI Vihiga received BAF support to advocate review of the laws and ensure that the 2017/18 Finance Act met the constitutional requirements and provided transparency on the taxes, levies and fees charged by the county. These changes have resulted in lower taxes and a clear and predictable business environment for county traders and a steady and predictable revenue source for the county. County revenue collection increased by 44% in one year.

Source: BAF Kenya Annual Report 2017.

as part of the BAF programmes. The information available on outcomes is based on case studies reported by the BAF programmes, interviews and impact studies undertaken. No evidence is available in relation to intermediary impact (increase in investments of private sector, creation of more jobs and increased competitiveness) or impact (inclusive and green growth in society and thus contribution to the SDGs).

Although there was limited outcome reporting, BAF Kenya and BUSAC Ghana included descriptions of advocacy cases in their progress and end-of-programme reporting as examples of successful projects. The last phases of support are over-represented in the available case material. The Evaluation Team assumes that these cases represent the cases with the best available outcome documentation, although they only cover a minor share of the total projects supported and there are likely more cases that have not been included in the reporting, considering that more than 400 changes in the business environment were claimed in the progress reporting. The Evaluation Team has assessed the case stories and in Kenya nine of the case stories were validated through interviews with the relevant BMOs.

In Kenya, four out of 27 reported cases provide good documentation for effects on the private sector in terms of reduced costs. These include:

- the reintroduction of VAT exemption for inputs to the fertilizer industry,
- the improved procedures for sampling coffee beans for testing saved farmers USD 600,000 annually,
- the simplification and reduction of taxes and levies in Vihiga county increasing transparency and saving businesses costs (see box) and
- the avoidance/reduction of a transit tax on horticultural products in Nakuru county.

For another 10 cases, the regulatory changes are of such a nature that in the Evaluation Team’s assessment, they are likely to have benefitted an industry or a specific segment of the private sector (e.g. SMEs), but the extent of their implementation is not known. This is for example the Companies Act of 2015, which has included preferential treatment of SMEs, improved land administration, co-management of livestock markets and the mining bill.

The Kenya Chamber of Mines and the Mining Bill 2014

Repealing the old Mining Act from 1940, the Mining Bill was passed after a process of deliberations spanning over several years in which the Kenya Chamber of Mines (KCM) played an important role. KCM has approximately 200 members including both foreign investors and local businesses. On the basis of the draft Bill, which KCM found was constraining the development of mining investments in a number of areas, KCM engaged with BAF funding in an intense process of dialogue with the Parliamentary Committee of Environment & Natural Resources (ENR), including a retreat in Mombasa. The bill was passed with 110 amendments of which 84 originated from KCM's work with the ENR, which was considered a success. KCM was considered aggressive in its advocacy by the Ministry of Mines, but also recognised for the insights provided from members.

The effects of the Bill and the amendments introduced in the process are not known. The benefit for KCM members and potential investors and the extent to which local community issues and environmental issues were considered is not part of the available documentation. So, the final verdict on what appears to be a successful advocacy project cannot be made.

Source: The Kenya Chamber of Mines: A Case Study in Public Sector Advocacy, in The SAGE Handbook of International Corporate & Public Affairs, Eds: Phil Harris and Craig S. Fleisher Sage: London, 2017.

In the assessment of the Evaluation Team, 16 of the 44 cases from BUSAC Ghana Phase 3 include anecdotal or another type of evidence reporting a positive change for the target group. Of these 16 cases, 10 projects are related to local projects based on advocacy by farmer-based organisations. These projects contributed in most cases to increased income for small-holder farmers. Only three of the 44 cases provide some evidence of contribution to changes in the business environment with a direct effect on the private sector.

Reduction of taxes and levies was an important element in both BAF Kenya and BEST-AC Tanzania, both at the central and at decentralised levels of the government. In Tanzania for example, it was considered a major achievement that the major BMOs gained access to the annual national budget cycle discussions where taxes and levies were settled for the coming year. Tax reductions have a direct effect on the cost of doing business and are easily implemented

compared to regulatory reforms. However, the realisation of the benefits requires the private sector and the public at large to be informed, as well as awareness at local levels of government in many cases are responsible for collecting the taxes. The challenge is furthermore that gains in terms of simplified or reduced taxes and levies can quickly be reversed by other taxation initiatives or in the following year's budget.

Examples of outcomes of BEST-D supported advocacy projects

- Agricultural Council of Tanzania and the Tanzania Chamber of Commerce advocated for reduced crop cess, which was achieved when government decided to reduce the cess across the country from 5% to 3% for cash crops and 2% for food crops. This represents 2-3% savings for producers. The associations were acknowledged for their influence by the Minister for Finance and Economic Affairs in the budget speech 2017/18.
- After advocacy from the Chamber of Commerce, the Fire and Rescue Force reviewed the fire regulations, which will reduce the fees for some companies with 50%.
- Government agreed to establish standard for tomatoes, onions and cabbage as a result of advocacy from Tanzania Horticulture Association, which will contribute to increase exports up to USD 1 billion in 2020 (from USD 450 million) benefitting more than 50,000 small-scale horticulture farmers.
- In 2015, the Cashew Board of Tanzania agreed to remove shrinkage costs and a number of levies in the cashew value chain. The estimated benefit was a cost reduction of TSh. 13.2 billion for producers.

Source: Integrating research into policy sphere: evidence from Tanzania, Charles Goodluck, 2021, BEST-Dialogue PCR and Evaluation Team interviews.

Lowering shipping and transport costs in Mozambique - The Associação Comercial de Beira (ACB) and The Mozambique Revenue Authority (AT)

The Mozambique Revenue Authority (AT) wanted to require deposits on all containers being trans-shipped across Mozambique to other countries, since too many goods were being 'lost' in transit and remaining in Mozambique without paying taxes. More than 900 containers a day are shipped by road alone and many of the transporters would be unable to afford such deposits. These deposits were set as high as 100 per cent of the tariff and taxes due were the goods to remain in Mozambique. This requirement almost brought the Port of Beira (a major import hub) to a standstill because the freight forwarders and the companies involved in transit operations could not afford the deposit fee to have their goods released from the Port.

The ACB was the lead business member organisation working with the AT to negotiate a more business-friendly solution. As a result of their negotiations, an agreement was reached with the AT to exempt more than 100 products from this deposit requirement as well as reduce the deposit from 100% to 35% of the total amount of duties. Additionally, goods are now able to transit through the Port more effectively through shippers being able to draw on a revolving line of credit, and the creation of more efficient administration processes.

The ACB has now become the chief conduit for the AT to seek its views of business matters in the region, as well as a major advocacy organisation for promoting fiscal reform.

As a result of the work of the ACB, it is estimated that in one year the total savings to businesses nationally equaled almost USD 12 million, compared to a project cost of USD 32,000.

Source: FAN Mozambique.

In Mozambique, there are a few cases that indicate positive outcomes e.g. a project aimed at **Lowering shipping and transport costs** (see below). But there is no systematic access to data indicating the strategic direction of advocacy projects.

These cases indicate examples of BAF contribution to private sector changes, but in general, the documentation of achievements at the outcome level is scarce. The interviews undertaken during the field visit confirm that even when a government authority changes a policy or regulation, the implementation and hence the desired effects for the end user are in no way assured. Often, implementation of new laws or regulations requires funding, awareness and implementation capacity at lower levels of government for it to take effect. In other cases, other regulations may prevent the full effect of an improved business environment.

In terms of the **overall effects on the business environment**, such a high-level impact could not be expected from the programmes in view of their project portfolio and it seems unrealistic that the initial programme design anticipated an impact from business advocacy on the overall investment climate and the doing business indicators. The BUSAC evaluation in 2014 found no clear evidence of the effects of BUSAC on the overall business environment. Considering the BUSAC portfolio, which was overwhelmingly focused on rural and local-level projects, this is not unexpected.

In relation to the overall business environment, the Longitudinal Impact Assessment of BEST-AC in Tanzania stated in 2015 that "although there are piecemeal improvements in the regulatory framework, there is no overall or consistent improvement in the wider business environment. This is partly the nature of public policy advocacy. However, some 60% of firms who are members of BEST-AC supported BMOs felt the ease of doing business had improved over the period of BEST-AC."

The Evaluation Team has been informed of several examples of the BAF projects addressing reform issues of major importance, which could potentially have had a wider impact. These were in many cases advocated to the administrative level and subsequently prepared and submitted but did not pass either Cabinet of the Parliament. There are also a few examples of reforms being approved but they could take 5-10 years to reach that level of maturity.

Quality of monitoring & evaluation

One of the underlying assumptions of the ToC is that adequate monitoring and evaluation (M&E) is done that allows adjustment of programmes and learning over time. The quality of M&E is in the first place dependent on adequate results frameworks, which has been a problem as indicated in Chapter 3.

The quality of M&E has been an issue across the different BAF programmes, and this has been pointed out in several reviews. While there are signs of a progressive improvement in reporting as the support matured and results in frameworks improved, there is a general lack of data available at the outcome level and even less that provides indications of impact. While it is acknowledged that reporting on outcomes and potential impact is methodologically challenging, the lack of proper MEAL systems designed to capture results does make it difficult to trace potential outcomes and impact, not least due to the lack of baseline data. The lack of comprehensive M&E systems furthermore presents an issue for the interventions to adapt programming based on key strategic lessons. These challenges also merit consideration in relation to Danida introducing the concept of Doing Development Differently (DDD), with its attention to strategic planning and adaptive programming and oversight of country-level and global engagements.

Table 5.2 Key conclusions of evaluations and impact studies regarding BAF

Country	Study	Key conclusions	Comments
Ghana	Impact Assessment of BUSAC Ghana, University of Cape Coast, 2014	Larger increase in employment, turnover and profit of the BMO members than with the control group.	Methodological shortcomings which made also the 2014 BUSAC evaluation disregard this study: - possible selection bias - selection of the control group The grantees assessed included both advocacy projects and business development services without distinction.
	Evaluation of the Business Sector Advocacy Challenge Fund, Ghana, 2014	Likely some effects at single-issue advocacy at local level but no evidence that BUSAC has contributed to changes in the private sector through improved national level enabling environment.	Generally sound methodology but very little conclusive evidence on outcomes.
	Impact Study for the Support to the Private Sector Development Programme Phase 3, Ghana, 2021	Increase in jobs and incomes from SPSD III, including BUSAC's component of direct support to businesses. (BUSAC advocacy not included in study).	Quantitative impact evaluation of SPSD III with specific focus on the direct support provided under the programme, including BUSAC's support to BMO member services, but not BUSAC advocacy.

Country	Study	Key conclusions	Comments
Kenya	Final Evaluation of BAF Kenya, Phase 1, 2 and 3, January 2021	No conclusive evidence of effects for private sector.	The scope and methodology of the evaluation did not include an impact assessment.
Tanzania	BEST-AC, Tanzania Longitudinal Impact Assessment, 5th Annual Report, 2015	Evidence of private sector growth for companies, members of BMOs supported by BEST-AC: Net profit margins grew from around 20% in 2011 to around 40% in 2015 and employment increased considerably each year for businesses in the agriculture and for businesses in tourism, but only grew marginally for companies in industry.	BAF contribution assessed by identifying the mechanisms explaining a causal link between BAF support and BMO advocacy and between BMO advocacy and policy change. Only the former was confirmed. The contribution from the policy changes to the indicated private sector growth rates is not established.

Table 5.2 provides an overview of the evaluations and impact studies undertaken by the BAF programmes. There are only two independent external evaluations available, i.e. an evaluation of BUSAC in Ghana in 2014 and a final programme evaluation in Kenya in 2020. As the BAF programmes represent the most important intervention in relation to framework conditions for Danida during a period of more than 15 years, this is a very limited number of evaluations. These two evaluations vary considerably in quality as the 2014 evaluation in Ghana is of good quality and based on a sound methodology, but this is less the case for the 2020 Kenya evaluation. In addition, programme management commissioned so-called impact studies.

The studies presented in Table 5.2 above provide little evidence of outcome and impact of the BAF programmes and several of the studies recognise that the methodology is not strong enough to detect improvements for the private sector and link these to BAF-funded advocacy.

The Longitudinal Impact Assessment of BEST-AC in Tanzania included annual surveys of BMO members (enterprises) over five years (2010-2015 – during BEST-AC, Phase II) and it was the most comprehensive effort of assessing the effects of business advocacy. The study indicates increased employment and high and increasing profits from companies in the agriculture and tourism sectors from 2011 to 2015 (a decrease from 2010 to 2011), but not for the manufacturing sector. There was no control group included as part of the study and the results may to some extent reflect a general trend in the sector or be explained by having the better-than-average companies represented in the sample because respondents were only selected among BMO members.

Sustainability

With the sparse documentation of outcomes, i.e. effects on business environment reforms and their effect on the private sector it has not been possible to include an assessment of the sustainability of these. This chapter, therefore, in line with the country studies, primarily analyses the continued capacity of BMOs, including their advocacy capacity, and the sustainability of the public-private dialogue.

In terms of sustaining the advocacy capacity gained through training, the BMOs face especially two challenges. For the larger BMOs staff rotation among secretariat staff can be a challenge, which they share with the public sector. Smaller BMOs with few or no staff rely on their elected representatives for most of the work but strengthening their capacity will only benefit the organisation as long as these stay in their elected positions.

Longitudinal impact assessment data from BEST-AC Tanzania suggests that BMO advocacy activities greatly decreased when BEST-AC support lapsed, both in terms of stand-alone advocacy efforts and participation in the public-private dialogue fora. For example, the TPSF's groups established to mirror the Road Map Task Forces, stopped meeting once BEST-AC stopped funding TPSF to facilitate them.

Information collected during the visit points in the same direction. Interviewees from the public sector and from BMOs state that BMOs are no longer capable of researching the evidence needed for presenting their case, for instance in connection with the implementation of the government's agenda for business environment reform (the Blueprint). The University of Dar es Salaam also emphasized that they were no longer requested to prepare research evidence for BMOs to the extent they did under the BEST-Dialogue programme. Commissioning high-quality research is expensive and only within reach of the best endowed BMOs. On the positive side, BMO representatives that met with the Evaluation Team have, for the most part, been trained by BAF programmes, which indicates a certain staff retention capacity.

In Ghana, the Evaluation Team found that the BMOs at the national level know what is needed to undertake good advocacy although they generally don't have the funds to undertake research, except for the largest BMOs, such as the Ghana National Chamber of Commerce and Industry.

In Kenya, there is a group of large, accomplished BMOs, such as KAM, KEPSA, FKE and KNCCI that have extensive funding sources including projects funded by development partners. BAF support was only a rather small part of their total funding. They continue to undertake a broad array of advocacy activities and member services, some of them also at the county level. These organisations seem to have during the programme period been able to strengthen and maintain a high level of engagement and they continue to be influential.

As previously described, the BAF programmes promoted and trained BMOs to apply a five-step model to business advocacy, introducing research and evidence in the advocacy project. It could be argued that applying this model also to smaller, financially weak BMOs was not sustainable. It seems that BUSAC Ghana in many cases applied a more appropriate low-cost model of research, which only involved local consultants documenting the issues encountered by BMO members.

In relation to the public-private dialogue, there seems to be a sustained higher level of private sector influence in Tanzania and Kenya, whereas this is more uncertain in Ghana and Mozambique. The fragile and sporadic nature of dialogue processes and formal PPD structures in the form of regular meetings between government and BMO representatives in Tanzania and Ghana persisted, but BEST-AC and BEST-Dialogue in Tanzania contributed to improvements in the overall influence of the BMOs outside the PPD mechanisms. In Kenya, the PPD structures were not dependent on BAF support and continued.

The sustainability of the advocacy funds themselves was an issue, which was addressed in at least three of the BAF programmes. In Mozambique, a decision was made to establish a national foundation, instead of having the programme outsourced to a consulting company. This was done with the aim to

further the institutional sustainability of the fund, a concern that was reinforced by the Danish decision to exit the development cooperation with Mozambique. The FAN foundation exists today but there is no funding available from the government or donors for advocacy grants.

There were ideas and initial steps taken to further institutional sustainability in both Ghana and Tanzania. In BEST Tanzania, the idea during Phase 2 was to establish a collaboration with the University of Dar es Salaam in view of the university possibly taking over the continuation of the fund. It became clear, however, that the university was not well positioned for direct cooperation with the private sector. BEST did engage in collaboration with the university in terms of teaching and research through their research and knowledge management component. BEST Tanzania Phase 3 was funded exclusively by Denmark, with no co-funders, so the prospects of BEST continuing beyond a third phase were already not good. The Business School at the University of Dar es Salaam was an important partner in both BEST-AC and BEST-D. The school continues to work on business advocacy both in teaching, where it has become part of the curriculum and in research.

In BUSAC Ghana, a study on the institutional sustainability of the fund was prepared in 2017. There was some interest from the Association of Ghana Industries and some higher education institutions. The Danida mid-term review in 2018 concluded that it was not realistic to identify a host institution for a future BUSAC and the fund managers should focus on strengthening the capacity of PSO partners to continue evidence-based capacity building on their own. It was subsequently decided that the knowledge and experience of BUSAC could be sustained through cooperation with the College for Community and Organisation Development, which is a private university, in establishing a post-graduate programme in private sector advocacy based on the methodologies developed by BUSAC.

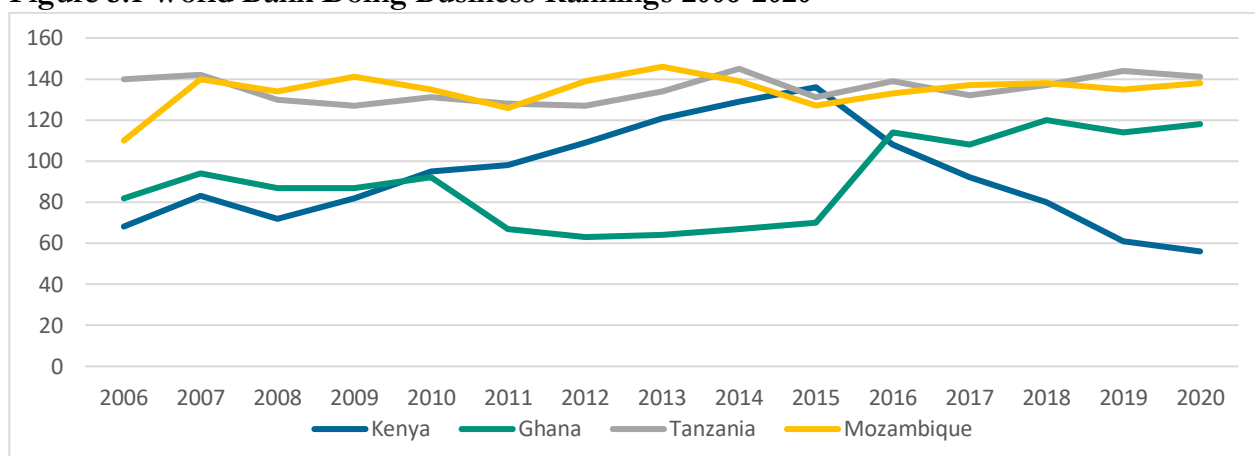
Explanatory factors

Except for FAN Mozambique, which did not perform well, there is no evidence of differences in the effectiveness of the BAF programmes. They were all rather different in terms of project types and focus. Of the three BAF programmes, BAF Kenya addressed more advocacy issues at the national level, while two-thirds of BUSAC Ghana's advocacy projects were at the local level. Tanzania was somewhere in-between. However, in BEST-AC Tanzania approximately one of every three advocacy projects achieved their stated objectives. In Kenya and Ghana, it was half and in Mozambique very few advocacy projects were implemented.

Explanatory factors include the stronger BMOs in Kenya and the general tailwind of the private sector in view of improved growth and private sector development from 2015, when Kenya was ranked 136 out of 190 countries, to 2020 when Kenya was the 56th best nation in the world in terms of the business environment (see Figure 5.1, below). In Ghana, there is a deterioration of the business environment around 2015-2016, which may have worked against the programme objectives.

In Mozambique, a few large companies dominate the formal private sector compared to the many mid-sized enterprises in Kenya. The very large cooperations, where the State may be engaged as owner or at least as an important stakeholder, have other ways of undertaking their advocacy than through BMOs.

Figure 5.1 World Bank Doing Business Rankings 2006-2020



Source: World Bank Ease of Doing Business Reports 2006-2020.

Other explanatory factors include:

- The BAF programmes in Kenya, Tanzania and Ghana were established at a time when there was a high priority on private sector development in government and among development partners. This seems not to have been the case in Mozambique, where the programme performed less well.
- The fund managers were in general able to achieve and surpass their performance targets in terms of grant allocation, which was in part due to the fact that they were open to applications from many different BMOs addressing a wide range of topics.
- The missing outcome reporting can be explained by several factors. Danida aid management guidelines may have contributed to the lack of focus at the outcome level of the BAF programmes because the guidelines only required outcome targets for the end of the phase, not annually as for output targets. Although progress towards outcomes should be mentioned in annual progress reports, this was normally presented as a short narrative. More importantly, outcomes in the BAF programme designs were formulated at a too low level, often being outputs, such as increased capacity, or intermediate outcomes in the form of the changes in policies, legislation and regulation, not the actual effects on the private sector.

6 Efficiency

This chapter presents the main issues related to efficiency across the Danish support to business advocacy funds in Kenya, Tanzania, Ghana and Mozambique.

Some of the underlying assumptions presented in the ToC (Figure 2.2) are of relevance for the analysis of efficiency. One of the underlying assumptions is “due attention is paid to value for money and appropriate aid modalities”. Findings indicate that issues concerning implementation modalities i.e. challenge fund and pre-selection of partners have presented efficiency challenges, although the assessment of cost efficiency has been hampered by insufficient data. Some estimates have been made below providing an indication of cost efficiency. Furthermore, an underlying assumption is that “sufficient and adequate capacity is available at the Embassies and HQ to guide and supervise FC-PSD-support”. Findings indicate that the organisational efficiency was challenged by the set-up with consulting firms being responsible for implementation, leading to the embassy having a very limited role and opportunity for decision-making.

Main findings regarding efficiency:

- There are indications that the management costs for BAF Kenya have been below other comparable funds.
- There is no indication that the challenge fund set up had positive impact on efficiency in comparison with other implementation modalities.
- In relation to the finding above, the contracting out of the fund management of the BAF programmes to consulting firms meant that the embassies became somewhat detached from the implementation, limiting the opportunity for adaptive programming.

Efficiency challenges

The tables below present key cost ratios relating grant expenditure and management cost that will provide the background for an assessment of cost efficiency i.e., did BAF programmes perform efficiently. As indicated, some numbers are based on budgeted costs from programme documents while others have been calculated with some error of margin expected due to currency conversions. In addition, there is no uniformity in how training and capacity building has been included in the ratios across the support. Some BAF programmes have included training and capacity building in their grant costs, while others have separated the costs, in addition to some management costs being included in the grants. A breakdown of the methodology behind this is not available across the BAFs. Despite the incomplete data, it does provide some insight into cost efficiency across the portfolio.

Table 6.1 Key cost ratios - Kenya

BAF and total volume of disbursements	BAF 1 USD 3 million	BAF 2 USD 9.1 million	BAF 3 USD 9.5 million
Grants	39%	56%	59%
Capacity-building and technical assistance	34%	22%	20%
Administration	27%	22%	20%

Sources: Programme documentation.

Table 6.2 Indicative cost ratios – Mozambique, Tanzania and Ghana

	Mozambique		
BAF and total volume of disbursements	ABR component 2011-2016 DKK 53 million		FAN 2017-2020 DKK 42 million
Grants ²¹	62% ²²		63% ²³
Budgeted management costs against final disbursement	24%		25%
	Tanzania		
BAF and total volume of disbursements	BEST-AC I DKK 16 million	BEST-AC II DKK 33 million	BEST-D DKK 89.5 million
Grants ²⁴	34%	46%	Unknown
Budgeted management costs	28%	28%	22%
	Ghana		
BAF and total volume of disbursements	BUSAC I DKK 48.72 million	BUSAC II DKK 85.1 million	BUSAC III
Grants ²⁵	DKK 85.1 million	67.2 % ²⁶	Unknown
Non grant cost		32.8% ²⁷	

Source: Programme documentation.

For Kenya, a detailed breakdown of administration cost is provided. The 2014 BUSAC evaluation provides an indication of non-grant expenses from other comparable funds with many small grants and found that other comparable funds had non-grant expenses of approximately 35 %, well above the budgets for management costs of the Danida support to BAF in Kenya²⁸. BAF Kenya was in general able to deliver on activities and outputs, which provides an indication of cost efficiency in the support to BAF Kenya.

The numbers provided in Table 6.2 for Mozambique, Ghana and Tanzania have a large margin of error attached to them as there is potential for high hidden costs²⁹. The analysis should be seen as purely indicative. Across the three countries there is an indication that the management costs are in line with other comparable funds, which does give an indication of cost efficiency.

The 2014 BUSAC Ghana evaluation calculated the non-grant expenses in BUSAC in relation to the grant expenses. Non-grant expenses constituted approximately 35% of total cost, which compared favourably with other funds providing a large number of small grants. The 2014 evaluation also found that BUSAC fund management applied good practice in ensuring value for money, including providing competitive call for proposal rounds in accordance with an agreed timetable; providing quality selection processes; due diligence; strong contracting arrangements; effective monitoring arrangements; and strong and transparent financial controls over grant disbursements.

²¹ Against total disbursement incl. management contract.

²² Based on figures provided in End of Programme Report. The calculation does not include potential refunding of unspent funds, which was expected as per the end of programme report.

²³ Based on budget in FAN business plan.

²⁴ Against total disbursement incl. management contract.

²⁵ Against total disbursement incl. management contract.

²⁶ BUSAC evaluation 2014.

²⁷ Non-grant costs include the cost of the management contract, the costs of the steering committee, costs of national subcontractors for providing grant project monitoring services, financial training and other capacity building initiatives and external evaluation.

²⁸ And BUSAC II in Ghana.

²⁹ Most numbers provided do not add up to 100% and there is potential for management costs to be included in other budget lines that are not documented.

Based on the data presented above, it is not possible to make a detailed comparative assessment of the cost efficiency of the Danish support to business advocacy in relation to administration costs against total disbursement. The data is not comparable, implementation modalities differ, and the data sets are not complete.

The efficiency of the implementation modality

The implementation modality varied across the BAF programmes. In Ghana and Tanzania, a challenge fund approach was initially adopted. This involved announcement of application rounds for BMOs and the selection of submitted applications. This was followed by a shift towards an approach where the fund manager was more active in the dialogue with BMOs and the introduction of invitational grants in Ghana. In Kenya, a more proactive approach was applied in all three phases, and the advocacy projects were identified through a dialogue between the BMO applicant and the fund manager without predetermined application deadlines. FAN Mozambique combined the pre-selection of BMOs, a proactive approach and a challenge fund.

The challenge fund setup has been implemented with limited success across the different countries. In Mozambique, it was, at least, initially, difficult to disburse the available budget. The FAN Mozambique completion report indicates that more grant funds were used on capacity building than on advocacy and dialogue. The difficulties led to a relatively scattered approach with many small projects and a lack of thematic direction. The strategic choice to have a proactive approach and include preselected partners in Mozambique was made in recognition of a rather challenging context. The approach did, however, face constraints as there was limited interest from relevant organisations approached, and the preselected partners lacked the sufficient capacity to engage in projects aimed at advocacy. While a major contributing factor in the implementation challenges can be linked to the difficult business environment in Mozambique, it is also clear that the approach and design of the support in Mozambique suffered from being insufficiently embedded in the local context.

In Ghana, the design was initially based on a challenge fund approach with relatively broad eligibility criteria for BMOs that ended up supporting projects that were not in line with the overall objective of contributing to business environment reforms. Following the evaluation in 2014, a strategic decision was made to focus more on invitational grants that provided more control over the focus of the projects. Tanzania followed a similar pattern with an initial setup as a challenge fund, but difficulties in developing a portfolio in line with the intended results. After the first phase of support, this led to a more proactive approach. While there are many factors that influence efficient implementation it seems quite clear that the challenge fund set-up had limited success across the different countries.

In the second phase of Danida's support to business advocacy in Mozambique, it was decided to create a national foundation to increase sustainability and more fully embed the support in the Mozambican context, also considering the decision to close the embassy. While there is a clear strategic argument for the creation of the national foundation, there is no evidence that indicates that this approach was more efficient. The foundation faced several issues that affected its ability for efficient implementation. The most important factor was the closing of the embassy as the foundation was being formed, which was detrimental to the momentum the foundation had built within the GoM.

Organisational efficiency

All BAFs were contracted out to consulting firms that were responsible for implementation. Two consulting firms handled implementation in the four countries and, consequently, relatively few key experts were attached to the BAF programmes over the years. There were substantial reporting

requirements for the fund managers, and it was, in line with Danida aid management guidelines, focused on inputs, activities and outputs. Despite the limited outcome reporting, it seems to have provided the embassies with an impression of a relatively successful implementation of the BAF programmes. The focus on activity-based reporting resulted in the embassy lacking an in-depth understanding of the efficiency of project design. This led to limited learning and potential for adjustments to implementation that could have improved the efficiency³⁰.

There is very limited information on the role of the embassies in policy dialogue across the four countries. Denmark took a lead role in the donor-private sector donor working groups in Ghana and Tanzania, but there is little information about what this lead role entailed and what came out of it.

As mentioned in previous chapters, the challenge fund approach led to a relatively scattered selection of partners with a limited strategic focus. The decision to abandon the challenge fund approach in some settings provided opportunities to include additional focus on issues such as green growth and gender. This was, however, only done to a limited extent. The relative distance of the embassies from the implementation of the support is a likely reason for this.

The division of roles and responsibilities between the fund managers and the embassies was not always clear, leading to some efficiency challenges. This issue was especially apparent in FAN Mozambique where it was made the responsibility of the Fund Manager to seek potential synergies and alignment with other Danida PSD support in the country and other global Danida business instruments.

³⁰ In addition, in line with Danida procedures, no external evaluations were commissioned.

7 Conclusions and Lessons

In this chapter, based on the findings presented in the previous chapters, overarching conclusions are formulated that have been the basis for the formulation of lessons learned.

Conclusions

- 1. The BAF programmes were relevant as support to the demand-side of reforms and complementary to the supply-side of government-focused BER programmes. In taking the initiative to the Business Advocacy Funds, Denmark was rather unique and aimed for an innovative approach.**

The BAF programmes were initially established to support private sector engagement in public-private dialogue mechanisms introduced as part of business environment reforms. This was an innovative approach to public-private dialogue and Danida managed in several cases to leverage other donor funding for these programmes. The BAF programmes were most relevant in the first phases when there was a reform programme implemented by the government and supported by donors, including Danida. The BAF programmes continued in two more phases without Danida supporting the ‘supply-side’ of reforms which diminished their relevance and most likely also their effectiveness. This meant that advocacy issues were to a lesser extent addressing overall business environment issues but settled with addressing local or very industry-specific issues.

- 2. In practice, little synergy was realised between the BAF programmes and overall business environment reform. In addition, the BAF programmes were challenged by a relatively unfocused design, which was not overcome in the implementation and formulation of new programme phases. This led to a demand-driven approach and absence of focus on specific reform issues, i.e. ‘let a thousand flowers bloom’.**

The design of the BAF programmes varied significantly between the countries in terms of the approach and activity types supported. The intended complementary between Danida’s support to business environment reform through public institutions was not realised in practice. When the BER support ceased no further alignment with the reform agendas was sought. The BAF programmes focused on a demand-driven approach where BMOs in dialogue with BAF decided on the advocacy issues. This led the programmes to an approach of ‘letting thousand flowers bloom’. The design challenges were reflected in results frameworks that generally did not formulate ambitions and targets at outcome level.

- 3. Through the support to BMO capacity building and advocacy projects, the BAF programmes contributed significantly to the private sector’s engagement in advocacy, but the level of advocacy was not subsequently sustained by the BMOs and the BAF programmes contributed little to overall BMO sustainability.**

The BAF programmes included support to a relatively large coverage of national BMOs, which resulted in an increased advocacy capacity and a large number of initiatives to address authorities and raise issues relevant to their members. The BMOs did in general not significantly strengthen their membership base or improve their revenue sources because of BAF capacity building. Despite the increased advocacy capacity in the BMOs, only the largest of them have the in-house capacity to undertake research and can continue to fund research and documentation of advocacy issues as the approach recommended by BAF is prescribed.

- 4. The BAF programmes did not contribute significantly to the establishment of permanent public-private dialogue mechanisms as intended but BMOs gained better access and more influence on policymaking over the programme period, especially in Tanzania and Kenya.**

The private sector has overall increased its dialogue and influence with government in Ghana, Kenya, Tanzania and to a certain extent also in Mozambique over the evaluation period, although public-private dialogue structures were not significantly strengthened. This development is most clear in Kenya and Tanzania. The programme's contribution to this development is likely to have been stronger in Tanzania than in Kenya, due to the overall strong trend in Kenyan BMO influence over the period.

- 5. It is estimated that approximately half of the advocacy projects in Ghana and Kenya, one third in Tanzania and a small percentage in Mozambique achieved their stated objectives of changes in policies, laws, regulations or administrative practices, but there is only scattered evidence of effects on the private sector or society at large.**

BMOs did through the advocacy projects supported by the BAF programmes have an influence on government decisions. In Tanzania and Ghana, the BAF programmes seem to have had some influence at the local level. The level of change varied a great deal, from adopting changes in the formulation of a national policy to promoting the establishment of a new law, or simply requesting a local administration to allocate funding for public services in a specific area. There is only scattered evidence on the effects of these changes on the private sector partly because the subsequent implementation was not monitored. It has not been possible to discern the contribution of the BAF programmes to the overall changes in the business environment, but it is likely to have been relatively minor. These reforms were often slow-moving and complex, and many factors contributed to them.

- 6. Gender and poverty reduction considerations were not well integrated in the programme design and implementation, with the exception of BUSAC Ghana. None of the programmes included significant considerations regarding green growth.**

BUSAC Ghana dedicated considerable attention to the local level and rural advocacy organisations (often farmer based) in line with the priorities of the co-funding partner. BEST-AC Tanzania also included considerable funding of advocacy for the agriculture sector but not related to farmer organisations. BAF Kenya included a green growth window in Phase 2 but had overall very few projects related to green growth, which is also the case for the other BAF programmes. In Mozambique activities targeting gendered issues were carried out during the 1st phase of support, but no advocacy projects with a gendered focus were created.

- 7. Monitoring and evaluation were generally weak and effects on the private sector or on economic development were not adequately assessed during programme implementation.**

The results framework in the first phases of the BAF programmes were rudimentary but gradually improved. The programme outcomes were from the outset in most cases formulated at a too low level (output level instead of outcome level), and Danida did not devote sufficient attention to monitor outcomes in terms of effects for the private sector which constrained learning during implementation and between phases. There is some case-based evidence of the advocacy projects' benefit for BMO members, especially at the local level.

8. Internal coherence between the BAF programmes and other Danida PSD support has been given little attention. The BAF programmes operated as stand-alone programmes, which led to missed opportunities to realise synergies.

There is no evidence that advocacy issues identified by BAF programmes were addressed systematically in policy dialogue. In addition, there are no examples of synergies realised with other Danida PSD support. One main explanatory factor is that the BAF programmes operated as stand-alone programmes with little interaction with other programmes and the Embassies.

9. The performance of the BAF programmes was heavily influenced by national context factors and in several cases, insufficient political economy analysis hampered programme performance

The BAF programmes in Kenya, Tanzania and Ghana were established at a time when there was a high priority to private sector development in government and among development partners. In Mozambique implementation was hampered by many different factors, some that could have been anticipated and others that could not have been foreseen. The lack of political economy analysis is likely to have constrained the implementation of reforms and therefore also the effectiveness of the BAF programmes.

Lessons

There are currently no BAF programmes in Danida's portfolio and although support to private sector framework conditions is mentioned in the recent Development strategy, The World We Share, support to business environment reform is almost entirely absent in Danida's country programmes.

There is, however, support to framework conditions through the Strategic Sector Cooperation and there continues to be an emphasis on green growth, mostly as direct support, but not necessarily excluding support to public institutions. This is also the case for Danida's bilateral portfolio in agriculture. Learnings from this thematic study could be used to consider whether and how Danida should build on its extensive experience with business advocacy and include aspects of this in future programming.

1. It may be relevant to support business advocacy to strengthen the 'demand-side' for reforms provided there is capacity and willingness from the 'supply side', the government, to engage in a dialogue and undertake reforms.

Initially, business advocacy funds were established in connection with large business environment reform programmes from 2003-2005. In Tanzania and Ghana, these were large government-led PSD programmes supported jointly by donors. BMOs and advocacy were seen as the 'demand side' for reforms. Without a proper PPD, the reforms would not be effective. This was relevant given the environment for reforms.

The experience from the BAF programmes indicates that it is possible for BMOs to influence policies through evidence-based advocacy. When formulating new programmes on framework conditions, green growth or agriculture on the supply side of reforms, it should be considered to include support to advocacy, or just support to research and evidence which can be used by BMOs to advocate for targeted issues related to the programme in question.

2. To enhance its effectiveness, business advocacy should be focused on very specific issues, sectors or industries and based on a good analysis of stakeholders and drivers of change instead of depending on an entirely demand-driven approach.

The BAF programmes were generally open to all kinds of advocacy issues across themes and sectors. The funds were in demand driven and it was important that the advocacy issues were presented and owned by the BMO.

BUSAC Ghana was the BAF programme with the least emphasis on the overall business environment due to its geographic focus on local development issues, which was more oriented towards underserved BMOs and farmers. The BAF programme in Kenya attempted to contribute to improving the overall business environment, although mostly in relation to industry-specific issues, almost neglected green growth, poverty and gender. Therefore, focusing on specific industry-specific issues, which may include green growth or inclusiveness issues, or specific reform processes may enhance effectiveness.

Not only are the chances of influencing decisions better if issues are focused and selected on the basis of a political economy analysis, but the possibilities of measuring outcomes are also enhanced. In general, it was easier for the BAF programmes to assess the outcome of local business advocacy projects, because the BMOs, or farmer organisations, were smaller and geographically concentrated and the changes they advocated for were in many cases very concrete.

3. Given the weak monitoring and evaluation of the BAF programmes, which after 15 years did not lead to good insight at the outcome- or impact-level, adequate MEAL systems for this kind of programme deserve more attention. This would include a better distinction between the various types of results, monitoring outcome levels towards the end of the programmes, case studies and independent external evaluations.

Establishing robust evidence of the effects of advocacy on economic development is difficult. The impact studies undertaken by the BAF programmes have in general methodological flaws and while they intended to provide robust evidence of business advocacy effects on economic development that could be attributed to BAF programmes, they did in general not. Better MEAL systems are required, combining monitoring efforts with longitudinal case studies and independent external evaluations.

4. The financial and organisational sustainability of BMOs cannot be achieved through a single-project approach as practised in the BAF programmes

Capacity building of BMOs constituted an important element in all four BAF programmes. BMOs improved capacity during the project period but only the largest BMOs were able to fund and use research and evidence in advocacy, subsequently.

Capacity building was provided either in combination with advocacy grants, as training courses or as specific grants for capacity building. The financial sustainability of the BMOs remained a major risk. It was addressed in different ways by the programmes but a viable approach to increasing BMO sustainability was not identified.

Other approaches that provide the possibilities for longer-term cooperation, such as twinning approaches, may be better suited for strengthening BMOs.

Annex 1 Evaluation Matrix

No	Evaluation questions	Indicators	Methods	Sources
1	Relevance: To what extent has Danish support to framework conditions for PSD responded to the evolving needs and challenges private sector is facing in partner countries?			
1.1	Has the support been focused on specific challenges and needs of governments and private sector in partner countries regarding framework conditions?	<ul style="list-style-type: none"> • Main BER challenges private sector has been facing in the four countries during the period 2008-2021 • Main IC challenges private sector has been facing in the four countries, 2008-2021 • Main BER and IC priorities defined by governments in four partner countries, 2008-2021 • Contextual factors affecting priority-setting regarding BER and IC in four partner countries 	<p>Document review at all three levels of analysis:</p> <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level <p>Interviews at three levels</p> <p>Workshops country level</p>	<p>Strategic docs Programme docs International literature</p> <p>MFA staff HQ and embassies Staff global programmes Implementors programmes Gvt partner countries BMOs Experts</p> <p>BMOs</p>
1.2	Have clear objectives been defined (making use of log frames or ToCs) for the Danish support to framework conditions for PSD in line with Danish strategic priorities and has the design been adequate?	<ul style="list-style-type: none"> • Clarity of objectives at different levels • Alignment of objectives with Danish strategic priorities • Use of log frames or ToCs • Quality of log frames/ToCs/design 	Document review	Strategic and programme docs
1.3	How have specific challenges in the area of green growth been addressed?	<ul style="list-style-type: none"> • Extent to which specific framework conditions for green growth have been defined • Alignment of support to green growth with global climate change priorities 	<p>Document review at all three levels of analysis:</p> <ul style="list-style-type: none"> • Overall strategic level • Country level 	Strategic docs Programme docs International literature

		<ul style="list-style-type: none"> Innovative adjustment of definitions on framework conditions to green growth requirements 	<ul style="list-style-type: none"> Thematic level 	
1.4	To what extent has political economy analysis contributed to the design and implementation of the support to framework conditions for PSD?	<ul style="list-style-type: none"> References made to political economy analysis in overall (country and global programme) planning documents References made to political economy analysis in specific project documents Depth of PE analysis in terms of analysis of structure, institutions and actors Evidence of actual use of political economy analysis to adapt programming 	<p>Interviews at three levels</p> <p>Workshops country level</p>	<p>MFA staff HQ and embassies Staff global programmes Implementors programmes Govt partner countries BMOs Experts</p> <p>BMOs</p>
1.5	How well has the Danish support integrated inclusiveness and attention to cross-cutting issues, specifically human rights, gender equality and youth?	<p>Extent to which attention is paid in programming and implementation to:</p> <ul style="list-style-type: none"> Inclusive business Gender equality Youth Human Rights based approaches 		
2	Coherence: To what extent have there been complementarities and synergies between the various types of Danish support to framework conditions for PSD on the one hand and PSD support by other actors on the other?			
2.1	Internal coherence: To what extent have there been complementarities and synergies within the bilateral country programmes and between the bilateral programmes and other channels of Danish support to framework conditions for PSD?	<p>Complementarities and synergies between:</p> <ul style="list-style-type: none"> Bilateral core support focused on FCs for PSD and other bilateral PSD support Bilateral core support focused on FCs for PSD and other bilateral support (GBS, governance, sector support) Bilateral core support focused on FCs for PSD and policy dialogue Bilateral core support focused on FCs for PSD and global or regional PSD programme support Bilateral core support focused on FCs for PSD and multilateral support (core, soft-earmarked) focused on FCs for PSD Bilateral core support focused on FCs for PSD and NGO, or research focused on FCs for PSD and bilateral PSD support 	<p>Document review</p> <p>Interviews</p> <p>Workshops country level</p>	<p>Strategic docs Programme docs International literature</p> <p>MFA staff HQ and embassies Staff global programmes Implementors programmes</p>

		<ul style="list-style-type: none"> • Mechanisms for improving internal coherence 		
2.2	External coherence: To what extent is the Danish support to framework conditions for PSD in line with the global evolving norms and standards and is it well-coordinated and complementary to support of other development actors in this area?	<ul style="list-style-type: none"> • Extent to which the Danish support to FCs for PSD has been adjusted in line with international norms and standards • Evidence of lessons learned from international experience with PSD FC support • Extent to which at global, regional and country level comparative advantages of different actors are taken into account for the Danish support and duplication is avoided • Coordination mechanisms at country level for the support to FCs for PSD with specific attention for the role of Denmark and the partner country government <ul style="list-style-type: none"> ○ Perceptions of the role of Denmark in the support to FCs for PSD at regional and national level 	Document review Interviews Workshops country level	DCED guidelines International literature Docs from other donors Docs regarding PSD coordination in partner countries MFA staff HQ and embassies Other donors Partner country representatives
3	Effectiveness: What are the results of the Danish support to framework conditions for PSD and what are the main factors affecting the results?			
3.1	What have been the outputs and (intermediary) outcomes of Danish support to framework conditions for PSD?	Improvements in BER frameworks (and the way these frameworks address issues of inclusiveness, gender equality, human rights and climate change): <ul style="list-style-type: none"> • Business administration and licensing procedures • Tax policies and administration • Labour laws and administration • Land titles, land registry and land market administration • Commercial justice/courts and dispute resolution • Public-private dialogue (incl. informal operators and women) and business advocacy incl. capacity building and effective lobbying • Access to market information • Access to finance BER focus • Quality of regulatory governance and compliance enforcement 	Document review at all three levels of analysis: <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level Interviews at three levels Workshops country level	Strategic docs Programme docs International literature MFA staff HQ and embassies Staff global programmes Implementors programmes Govt partner countries BMOs Experts BMOs

		<ul style="list-style-type: none"> • Competition policy, accounting, auditing and business transparency (incl. integrity/ anti-corruption) • Norms and standards (technical, social/labour, environmental) • Trade policies, laws, regulations (<i>trade regimes</i>) <p>Improvements in investment climate (incl how issues of inclusiveness, gender equality, human rights and climate change have been taken into account):</p> <ul style="list-style-type: none"> • Infrastructure development • Value chain and market systems development • Technological development, R&D, innovation • Skills development • Labour market development • Financial market reform • Trade facilitation <p>Evidence that private sector has benefitted from BER and IC improvements:</p> <ul style="list-style-type: none"> • Reduced costs • Reduced business risks • Improved market access • Evidence that private sector is adhering to new targets, norms and standards regarding climate change (no-deforestation, reduced CO2 emissions, etc. 		
3.2	What have been the main external and internal factors contributing to effectiveness? What are specific explanatory factors in fragile and other country contexts?	<p>External factors:</p> <ul style="list-style-type: none"> • Income status • Governance situation • Fragility 	<p>Document review at all three levels of analysis:</p> <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level 	See above

		<p>Internal factors:</p> <ul style="list-style-type: none"> • Role of embassies (see EQ 4.2) • Targeting of PC PSD support • Internal and external coherence of Danish support (see EQ 2) • Quality of programme design 	<p>Interviews at three levels</p> <p>Workshops country level</p>	
4	Efficiency: What have been main efficiency challenges of the Danish support to framework conditions for PSD and how have these challenges been addressed?			
4.1	What have been main efficiency challenges (including value for money)?	<ul style="list-style-type: none"> • Timeliness of planning and delivery of support • Evidence of support provided in economic way (minimizing costs) • Evidence of support provided in an efficient way (good outputs against reasonable cost) 	<p>Document review at all three levels of analysis:</p> <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level 	See above: focus on Danish docs and interviewees
4.2	What are the main factors affecting organisational efficiency with specific attention for the role of the Danish embassies, including changes due to the introduction of DDD?	<ul style="list-style-type: none"> • Formal role of the Danish embassies in coordinating global and national FC PSD support, 2008-2021 • Coordination between embassies and central level in relation to different channels of PSD-FC support • Extent to which embassies are informed on PSD support • Capacity of the embassy (FTEs and profiles), 2008-2021 • Perceptions on the changing role of the embassies in view of DDD, 2008-2021 • Perceptions of other stakeholders (partner country stakeholders and other donors) on Danish FC PSD support 	<p>Interviews at three levels</p> <p>Workshops country level</p>	
4.3	To what extent are the MEAL systems a useful basis for assessing the performance and do they lead to learning and/or changes in programming (adaptive programming)?	<ul style="list-style-type: none"> • Quality of monitoring as reflected in progress and completion reports • Frequency and quality of MTRs, (external) evaluations and impact studies 		

5	To what extent has Danish support to framework conditions for PSD been sustainable?			
5.1	To what extent are the results of Danish support to framework conditions for PSD sustainable?	<ul style="list-style-type: none"> • Evidence that results (outputs and outcomes) are sustained without external support • The supported organisations continue to deliver services of the same quality to their members after withdrawal of support 	Document review at all three levels of analysis: <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level Interviews at three levels Workshops country 1	See above
6	Is there evidence on (intended or unintended, positive or negative) intermediary impact and overall impact of the Danish support to framework conditions for PSD?			
6.1	Is there evidence on (intended or unintended, positive or negative) intermediary impact and overall impact of the Danish support to framework conditions for PSD?	<ul style="list-style-type: none"> • Increase in investments • Job creation • Economic growth 	Triangulation of all methods and sources	

Annex 2 FAN Mozambique



Evaluation of Danish Support to Framework Conditions for Private Sector Development, 2008-2021

Evaluation note, Support to business advocacy in Mozambique 2011-2020
December 2022

Author:
Jakob Kjærtinge Faarbæk

List of abbreviations

ABD	Agri-business Development
ABR	Advocacy and Business Research
ACB	The Associação Comercial de Beira
AMAPIC	Associação Mocambicana de Armadores de Pesca Industrial de Camarao
B2B	Danida Business to Business programme
BMO	Business Member Organisation
CCEP	The Climate Change and Environment Programme
CTA	Confederação das Associações Económicas de Moçambique
DI	Danish Industries
EMAN	Estratégia para a Melhoria do Ambiente de Negócios
ESPS	Environment Sector Programme Support
FAN	Fundação para Melhoria do Ambiente de Negócios
GDP	Gross domestic product
GEP	The Growth and Employment Programme
GIZ	German Development Agency
GoM	Government of Mozambique
IPEME	Instituto para a Promoção de Pequenas e Médias Empresas, Instituto Público
PCR	Project completion report
PPD	Public Private Dialogue
PSD	Private sector development
PSO	Private sector organisation
SDG	Sustainable Development Goals
USAID	The United States Agency for International Development
USD	United States Dollar
WEE	Women's Economic Empowerment

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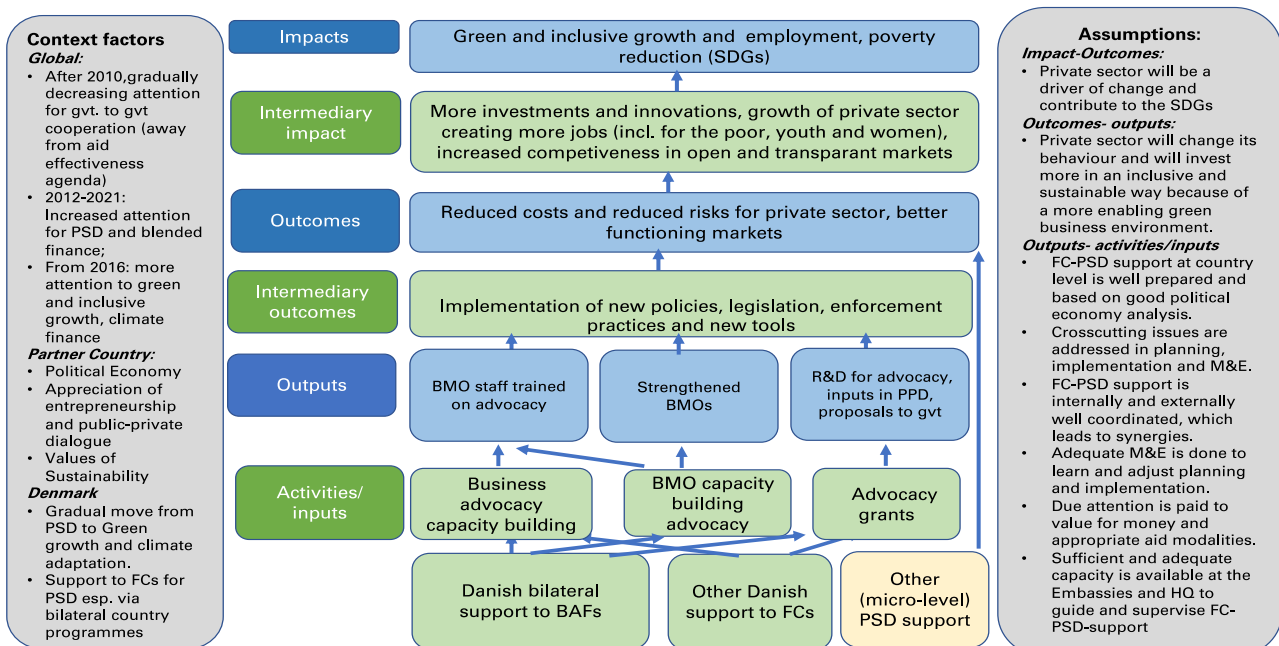
1 Introduction

This Evaluation Note covers two phases of Danida support to business advocacy in Mozambique between 2011 and 2020. The study is complementary to three other studies of Danida support to business advocacy funds in Kenya, Tanzania and Ghana. Together, these four studies feed into the thematic case study of Danida support to business advocacy.

This Note is based on a desk study of available relevant documents as well as 10 interviews with key stakeholders including Danida staff, international consultants, members of the board of FAN (Fundação para Melhoria do Ambiente de Negócios), and grant managers. Stakeholders interviewed and consulted have been able to provide valuable insights relating to the strategic choices and design of both the ABR component and the national foundation (FAN) created during the 2nd phase of support. However, there have been quite serious challenges in collecting more implementation-oriented data, which has complicated the assessment of delivery in line with the evaluation methodology and the Theory of Change (ToC).

The overall objective of Danida’s support to business advocacy in Mozambique across the two phases of support was “To contribute towards making the business environment in Mozambique more conducive to socially balanced private sector growth”. According to the reconstructed Theory of Change (see Figure 1 below), FAN should deliver outputs in the form of training and capacity strengthening of BMOs in addition to supporting R&D for advocacy inputs. The intermediary outcomes include the implementation of policy reforms, i.e. changes in policies, legislation or regulations. This should lead to the private sector benefitting by having reduced risks and costs including better access to markets (outcomes), which subsequently would lead to private sector growth and poverty reduction including other sustainable development goals (impacts).

Figure 1.1 - BAF ToC



2 Background

2.1 The Mozambican context

The Government of Mozambique (GoM) has for many years formally recognized the private sector as the main engine for growth and employment as well as its key role in poverty alleviation³¹. As with several other countries in the region, Mozambique has a rich resource base. The country has access to ample arable land, as well as abundant water, energy, mineral resources, and most recently natural gas. The country is strategically situated with several of its neighbouring countries being dependent on Mozambique for access to global markets through their deep-sea ports³². As such, Mozambique is considered as having the potential for sustainable private-sector development. This has, however, yet to materialize, as an exploration of natural resources has had limited impact on overall standards of living, specifically, and the business environment more generally. Mozambique remains one the poorest countries in the world with an average GDP per capita of 460 USD in 2020³³, with 60% of the population living for less than 1.9 USD per day³⁴. In addition, Mozambique's ranking in the World Bank Doing Business index has remained low and relatively unchanged for the last 15 years. In 2009 Mozambique was ranked 141 out of 181 countries, 135th in 2010 and 138th in 2020³⁵.

The private sector in Mozambique has a high degree of informality with many micro enterprises³⁶. In 2018 it was estimated that 30.9 % of the GDP came from the informal sector, with the agricultural sector being by far the largest employer. In the last 30 years, there has been a decreasing share of the workforce employed in the agricultural sector, from an estimated 87 % in 1992 to about 66% in 2020 with an accompanying smaller contribution to GDP (38.1 % in 1996 and 25.5 % in 2014)³⁷.

In the 1990's a shift was made away from an economy mainly driven by the agricultural sector towards large-scale capital investment in the extractive industry that has driven some of the highest growth rates in Sub-Saharan Africa (Ibid). Despite periods with very high growth rates, the extractive industry has failed to create jobs that make a tangible impact on the Mozambican labour market with the sector being responsible for just 2 % of total jobs with most of these being high-paid jobs.

While there are some improvements the private sector in Mozambique, seen as a whole, suffers from low productivity³⁸ (Agriculture, industry and services). In addition, Mozambican enterprises are characterized by having weak capabilities and limited sophistication. Mozambican enterprises have one the lowest global scores in managerial practices³⁹

While Mozambique is not a one-party state, Frelimo (Frente de Libertação de Moçambique) has been in power since independence⁴⁰ with established hegemonic power. Renamo (Resistência Nacional Moçambicana) is and has been the main opposition party, with success especially at the provincial level⁴¹. Renamo and Frelimo have a complicated history with several periods of armed conflict and

³¹ ABR component description and FAN Foundation Strategic Plan.

³² <https://www.worldbank.org/en/country/mozambique/overview#1>.

³³ https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?most_recent_value_desc=false&view=chart.

³⁴ [Statista.com](https://www.statista.com).

³⁵ <https://www.doingbusiness.org/content/dam/doingBusiness/country/m/mozambique/MOZ.pdf>.

³⁶ Informality is, however, decreasing. 43% in 1991.

³⁷ <https://www.ifc.org/wps/wcm/connect/a7accfa5-f36b-4e24-9999-63cfa96df4d/CPSD-Mozambique-v2.pdf?MOD=AJPERES&CVID=nMNH.3E>.

³⁸ <https://openknowledge.worldbank.org/bitstream/handle/10986/30200/129408.pdf?sequence=6&isAllowed=y>.

³⁹ <https://openknowledge.worldbank.org/bitstream/handle/10986/35895/Are-Firm-Capabilities-Holding-Back-Firms-in-Mozambique.pdf?sequence=1&isAllowed=y>.

⁴⁰ Sole legal party up until 1994 elections.

⁴¹ <https://bti-project.org/en/reports/country-report/MOZ>.

political unrest. Peace agreements were reached in 1992 and again in 2019 after a period of renewed armed conflict. While Renamo has enjoyed some political success through the years, Frelimo has power over the state, and the economy and controls access to the country's resources⁴². In practice, power is consolidated within a small elite that, to a large extent, is self-serving⁴³. Corruption is commonplace in Mozambique and places a major burden on the economy and business environment⁴⁴. It is estimated that in 2014 the annual cost of corruption amounted to 30% of GDP⁴⁵. The country is ranked 147th in the 2021 Transparency International Corruption Perception Index with a slight downward trend observed during the period covered by the Danida support to business advocacy⁴⁶. The private sector remains very underdeveloped in Mozambique and very much enmeshed with – and controlled by – a small elite centred around the Frelimo leadership.

The GoM has no strategy that targets public-private dialogue specifically⁴⁷. However, the *Estratégia para a Melhoria do Ambiente de Negócios (EMAN I)* from 2008 aimed to make Mozambique's business environment more attractive to investments. The strategy was defined under the Government Programme for 2004–2009 which had as its main objective to “reduce poverty through the promotion of a rapid, sustainable and comprehensive economic growth, with a special focus on the creation of an enabling environment for investment and national enterprise development and with specific actions on education, health and rural development”⁴⁸. Specifically, EMAN I aimed at tackling the constraints, such as a simplification of administrative procedures for licensing, improving the competitiveness of business, access to credit at a competitive cost and a reduction of information asymmetry between the government and the private sector. EMAN I was later consolidated through EMAN II included several issues relating to public-private dialogue such as Licenses, payment of taxes and fees, bankruptcy and liquidation law, competition law, trade facilitation, reducing costs in agriculture and fisheries sectors, reducing transaction costs, reducing administrative costs, promotion of access to finance and to reducing the risks and costs of credit⁴⁹.

The platforms available for public private dialogue in Mozambique are underdeveloped. The key national umbrella organisation for trade and industry-based enterprise organisations is the *Confederação das Associações Económicas de Moçambique (CTA)* which has a mandate to represent its members and to engage in creating a better business environment. At the beginning of the 1st phase of Danida support to business advocacy in 2011, CTA had about 70 member organisations and associations. However, only a limited number of these organisations and associations had the capacity to engage in advocacy efforts with the GoM and, in addition, most had a very limited membership base⁵⁰. While, in recent years, there have been positive developments with more organisations engaging in dialogue with the GoM, the capacity remains limited⁵¹.

Mozambique has received large amounts of donor funding since the early 2000's up until the debt crisis in 2015. In 2014 Mozambique received USD 700 million in grants which fell sharply to USD 200 million in 2016 following the discovery of the debt crisis which uncovered previously undisclosed state-backed loans. Following this discovery many major donors including the IMF withheld grants. The

⁴² <https://www.cmi.no/publications/file/6027-the-costs-of-corruption-to-the-mozambican-economy.pdf>.

⁴³ Levy, Brian (2012). Seeking the elusive developmental knife edge: Zambia and Mozambique: A tale of two countries.

⁴⁴ <https://www.ifc.org/wps/wcm/connect/a7accfa5-f36b-4e24-9999-63cfa96df4d/CPSD-Mozambique-v2.pdf?MOD=AJPERES&CVID=nMNH.3E>.

⁴⁵ <https://bti-project.org/en/reports/country-report/MOZ>.

⁴⁶ <https://www.transparency.org/en/cpi/2021/index/moz>.

⁴⁷ ABR component description and FAN Foundation Strategic Plan.

⁴⁸ National Framework Assessment – Advocacy, 2009.

⁴⁹ FAN Foundation Strategic Plan.

⁵⁰ ABR component description.

⁵¹ FAN Foundation Business Plan and Exit Programme Document.

undisclosed loans amounted to almost USD 2.2 billion USD⁵². The so-called “donor strike” – leading to significant reductions of aid due to non-declared government guarantees was an important contextual factor through the implementation period of the second phase of support. Especially in 2017 and 2018, aid was reduced significantly, and donors were appraising very little new funding while holding back on disbursement to existing programs.

There are many legal, administrative and fiscal constraints that continue to be limiting factors in the development of the private sector and business environment in Mozambique. In addition to these factors, there has, during the implementation of Danida’s support to business advocacy, been a series of economic shocks with substantial impact. These include severe economic repercussions following Covid-19, natural disasters⁵³ and, not least, the security situation in northern Mozambique⁵⁴. All of these factors have had quite severe effects on the business environment in Mozambique and on the successful implementation of Danish support.

Danida's support to PSD and business advocacy in Mozambique

Danida has provided development aid to Mozambique since just after independence in 1975, continuing until 2020. The termination of the bilateral cooperation programme coincided with the closure of the embassy. From 1988 onwards Mozambique was one of the countries receiving the highest volume of Danish Development aid. Before the peace agreement in 1992, Denmark had a focus on humanitarian support, but with the peace agreement in place, there was a shift towards more long-term development programmes. In 1992, the first support for PSD was initiated through the B2B programme and other project-based support. The first programmatic bilateral support that included PSD support to Mozambique was initiated in 2001 through support to agri-business development. The first programme to support PSD directly was the Growth and Employment Programme from 2011-2016, which included support for business advocacy. The Growth and Employment programme (GEP) received additional funding through the Exit Programme, which ran from 2016 until 2020.

Denmark provided two phases of support to business advocacy in Mozambique. The 1st cycle of support to business advocacy was provided through the Growth and Employment programme – Component 1 Advocacy and business research – from 2011-2016. The contract to deliver the 1st cycle of support was given to a British consulting firm - Coffey International Development. Coffey also handled the set-up and management of the Maputo-based secretariat. For the 2nd cycle of support, which was funded through the Exit programme, it was decided to establish a national foundation to increase local anchorage and sustainability. The FAN foundation was officially launched in December 2017. Here it is important to note that the national foundation is not a direct continuation of the previous support but, rather, is based on a completely new legal structure and management set-up. While the objectives of the two phases are similar, there are clear differences in their institutional set-ups.

⁵² https://nupi.brage.unit.no/nupi-xmlui/bitstream/handle/11250/2461121/NUPI_rapport_Mozambique_Orre_Ronning.pdf?sequence=1&isAllowed=y.

⁵³ <https://gh.bmj.com/content/6/9/e006778>.

⁵⁴ <https://reliefweb.int/report/mozambique/mozambique-update-northern-mozambique-situation-february-2022>.

Table 1.1 Danida support to FAN Mozambique, 2011-2020

Component	Grant	Disbursement	Period (actual)	Phase
Advocacy and Business Research (ABR)	65 million	52.9 million	2011-2016	PSDP/GEP 2010-2015
National foundation (FAN)	46.4 million	42.47 million	2017-2020	GEP 2016-2020

3 Main Findings

3.1 Relevance

Main findings relating to relevance of the Danish contribution to business advocacy in Mozambique:

- Supporting business advocacy was relevant in the Mozambican context. However, the support was not sufficiently embedded in the Mozambican context.
- The low capacity of PSO's led, initially, to a rather scattered and not very strategic selection of projects.
- The pre-selection of projects made implementation more difficult due to a poor fit with the purpose of the support.
- The challenge fund set-up in Mozambique was not aligned with the capacity building needs of the PSOs.
- The technical design of the national foundation built on key learnings from the previous support; this helped make the support more relevant and aligned to the Mozambican context.
- The choice to create a national foundation was strategically justified but also a practical solution connected to the closing of the embassy.

3.2 Addressing key private sector needs

Advocacy and Business Research (ABR) 2011-2016

FAN was established in 2011 as a project under the Advocacy and Business Research component with an objective to “make the business environment in Mozambique more conducive to socially balanced private sector growth”⁵⁵. FAN aimed to improve the level and quality of dialogue between the Mozambican government, the private sector and organized labour leading to a more conducive business environment for private sector development.

The ABR component consisted of two interlinked subcomponents. The 1st subcomponent's outcome target was to “Enhance the quality and credibility of private sector organisation, including those representing the interests of the informal sector, to influence public policy relating to the business environment”. The 2nd outcome target was “to support selected research institutions to undertake research and gather evidence on topics related to the performance and dynamism of the private sector”.

⁵⁵ ABR component description.

The Mozambican political environment, at least at the beginning of the Danida support, was not very open for reform, creating complicated preconditions for advocacy work. The choice to include a subcomponent that targets research initiatives was a strategic choice made, and partly based on learnings from other advocacy funds, coupled with a realisation that the process of policy change needs to be evidence based. Developing a properly structured evidence-based approach that the government was able to understand and, at the same time, building the body of knowledge available on private sector needs were important steps relevant to the Mozambique context.

National Foundation (FAN) 2017-2020

The national foundation was established with an overall objective to create a more conducive business environment through the improvement of the Mozambican public-private sector dialogue on business environment reform, in addition to making private sector organisations and trade unions better at servicing their members and advocating for policy improvements⁵⁶. The foundation was established with some key learnings from the project stage of FAN. These include⁵⁷:

- The portfolio of projects in the 1st phase of support was too large and diverse.
- There should be an increased focus on supporting selected organisations in the concept phase and developing their management and service delivery capacity.

The national foundation was set up with four interrelated windows. Both Window 1: “Increase the management capacity and performance of business member organisations and labour/trade unions to service and represent the interests of their members” and Window 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”, follow the same challenge fund set-up as the ABR component, although with significant strategic differences based on key learning from the previous period of support. Windows 3 and 4 work with platform building for public-private dialogue and international partnerships to improve public-private dialogue and do not follow a challenge fund set-up.

The 1st phase of support was given in a Mozambican context that, at the time, had no specific strategy targeting public-private dialogue, in addition to an underdeveloped private sector with low capacity to engage in dialogue with the government and very little activity in the form of policy reforms targeting the business environment. During the implementation of the 1st cycle of support, policy documents such as EMAN I and EMAN II were developed. These targeted business environment reform and some progress were made in terms of reform processes within infrastructure and with business registration. The establishment of the national foundation was quite clearly built on learnings from the 1st phase of support that, on paper, made the foundation more aligned with the local needs and circumstances, especially regarding the need for more in-depth capacity building.

When the 1st phase of support to business advocacy was designed, the private sector in Mozambique was very underdeveloped. Business associations had very limited capacity to engage with the government, with only a few selected associations having the sufficient capacity (mainly CTA) and funds to engage with the government. Providing support to business advocacy through capacity

⁵⁶ FAN Business Plan 2017-2020.

⁵⁷ For discussion in other chapters.

building and advocacy projects in order to widen the range of business associations that can engage in advocacy is relevant and in line with the needs of the private sector.

3.3 Quality of design and institutional set up

The choice not to create an independent national foundation

During the design phase of the Growth and Employment programme 2011-2015, there was an initial desire to create an independent national foundation that would be independent of donors and government. Several factors influenced the decision to abandon this idea, the main reason being that the political context made it difficult to create an independent foundation. According to stakeholder interviews, there were no official workstreams, throughout the implementation of the ABR component, that were dedicated to the preparation and creation of the national foundation in the second period of Danida's support to advocacy.

A challenge fund in a difficult context/preselection of partners/adjustment to more capacity building.

The ABR component was set up to provide core support to four preselected PSOs. This was done in consideration of the low capacity of PSOs in Mozambique. In addition to the core support, there was also a demand-driven challenge fund set-up in the component.

Interviews with component stakeholders have made it quite clear that the set-up with pre-selected partners was not successful. The selected organisations did not fit in with the purpose of the component; moreover, these organisations were very weak and difficult to work with. The PSOs selected for core support were already receiving support from the embassy, which seems to have been one of the major selection criteria. The strategic decision to include core support to PSOs is reasonable given the circumstances, but it seems that it ended up becoming more a practical solution to include existing embassy projects that, in the end, did not fit in well with the purpose of the component. Effectively the component ended up working with PSOs that would not have been selected via the challenge fund. Ultimately, it became more focused on the capacity building of the PSOs with less attention being directed towards advocacy for policy change.

While it was expected that the challenge fund set-up in Mozambique would be difficult to implement, the low interest shown in the challenge fund by PSOs and the low quality of applications received was not expected. A lot of the work done in the ABR component became focused on capacity-building activities, due to the poor quality of applications and the low capacity of the organisations themselves. Interviews suggest that the design of the challenge fund was not sufficiently embedded in the Mozambican context. The design of the component was not set up to deal with the low capacity of PSOs in Mozambique. The component could have benefitted from more funds directed towards capacity-building activities and less towards grant money, with a set-up that actively combined capacity-building and advocacy work.

Transition into a national foundation

As previously mentioned, the idea to support the creation of a national foundation was already discussed during the design of the ABR component. The decision to create a national foundation in the 2nd phase of support was based on a desire to create stronger local anchorage and contribute towards increased sustainability of the foundation beyond the Danida support and increase the opportunity of attracting other donors. The political structures in Mozambique are very difficult to change and, as a point of departure, the desire to change the political status quo (by those benefitting from the status quo) is not very strong. Through a stronger local anchorage, the idea was that FAN would have a

strong basis to influence the political structures in place and become less donor driven. However, at the same time, the foundation ran the risk of becoming politicised. In hindsight, it seems that the foundation has run into issues with politicisation. In Mozambique, most people in positions of power are connected politically, so it is difficult to establish a national foundation with a strong local anchorage that would not to some degree become politicized. An argument could be made that there should have been a transition period with a consulting firm attached to aid in the transition and more involvement from the embassy in setting up the board. This would, however, have jeopardized the national anchorage of the foundation.

The decision to create a national foundation has clear strategic merit, providing opportunities for support that was more clearly embedded in the local context with more potential for lasting impact and increased opportunity of attracting additional donor funding.

In addition, it should be mentioned that the closing of the embassy was a substantial contributing factor in the choice to create the national foundation. While the embassy was as involved as can be expected to assist in the establishment of the foundation, its ability to affect change and influence decision-making quickly deteriorated after the decision to close the embassy was made. The closing of the embassy, in combination with the establishment of a foundation with mostly new people, was not ideal.

Fewer organisations, more support

The business plan for the FAN foundation builds substantially on learnings from the ABR component that, to a larger extent, takes into account the Mozambican context and capacity of PSOs. One of the major changes that increased the relevance of the support in the Mozambican context was a decision to work with fewer organisations and provide these with more substantial support during the concept development phase in a response to the general low capacity of the PSOs. The foundation made some strategic decisions that would diversify the portfolio and provide a benchmark for the type of organisations that could receive support. This was done based on the experience from the 1st phase of support which had a rather large and unfocused project portfolio.

Attention to political economy

Political economy refers to the interests and power relations shaping the behaviour of the government and private sector. Attention to contextual issues has been included and considered in the support to business advocacy in Mozambique which is exemplified through e.g. an initial decision to refrain from the creation of a national foundation through a realisation of the complicated political context. Despite these risks, the decision to create the national foundation was finally made based on a realisation that the political context in Mozambique necessitated a stronger local anchorage to create better opportunities to reach outcomes and impact.

While programme and component documents from both periods highlight several issues such as an underdeveloped private sector with low capacity and the potential for a “resource curse” after the discovery of massive gas reserves in 2010 off the coast of Cabo Delgado there is limited evidence of how economic and political issues have been analysed and included in the design of support to business advocacy. The 1st phase of support to business advocacy, while including efforts to mitigate the issues with an underdeveloped private sector and limited capacity of PSOs, still lacked an in-depth understanding of the issues connected to the business environment in Mozambique leading to issues

with implementation⁵⁸. In addition, and as mentioned earlier, the decision to create a national foundation, while strategically relevant, seems not to have included an in-depth analysis of the Mozambican political system and how this would influence the delivery of support. It is acknowledged that in-depth political analyses are not included in programme and project documents, but interviews with stakeholders indicate that in-depth political analyses to inform decision-making was somewhat lacking.

As mentioned, the foundation ran a risk of becoming politicized. It seems that at least to some extent, this risk materialized. Concretely it was mentioned that some of the staffing decisions were politically motivated. This led to the internal capacity of the foundation being compromised. The problem was recognized by Danida, and additional staffing resources were allocated to the foundation leading to more efficient implementation.

Cross-cutting issues

During the 1st phase of support from 2011 to 2016, the focus in relation to cross-cutting issues was specifically on gender issues. The ABR component document acknowledges the gender related barriers to private sector development and included gender as a cross-cutting issue in their objectives connected to both sub-components through attention to gender in all PSO issues identified and at least one advocacy project per year having a focus on gendered issues. One of the main activities relating to gendered issues was a contribution to women's economic empowerment (WEE) through the commissioning of a WEE paper and delivering a workshop for key stakeholders that fed directly into a WEE strategy covering advocacy, training and member services and sustainability. In addition, FAN supported a trade fair by Instituto para a Promoção de Pequenas e Médias Empresas, Instituto Público (IPEME) aimed at enabling female entrepreneurs to promote their businesses. The project did engage with associations representing women, but the conclusion from the engagements were that they were not yet interested in addressing advocacy issues and more focused on direct business development⁵⁹. A recommendation from the mid-term review was that the embassy should conduct a gender audit to further support FAN in the development of gender-related activities. Documents indicate⁶⁰ that this gender audit did not materialize. While efforts were made, FAN was not able to create advocacy projects that targeted gendered issues. The reasons for this originated, to a large extent, both from the lack of capacity and desire from the engaged associations.

The business plan for the 2nd phase of Danida support, does include relatively detailed information about the need to address gendered issues in private sector development. The business plan acknowledges that organisations have limited capacity to engage in gendered issues relating to the business environment in Mozambique and that gender should be mainstreamed into project applications. Despite this, there seems to have been very limited action in relation to gender, with no workstreams towards gendered issues evident from the documentation.

Across the two periods of support, the direct attention to environmental issues is limited. The ABR component description mentions attention to environmental issues as an important cross-cutting issue, but limited attention seems to have been given to environmental issues during implementation. The 2nd phase of support has no reference to environmental issues in the Business Plan and there is no indication of workflows targeting environmental issues.

⁵⁸ Interviews 9/8 and 11/8.

⁵⁹ FAN End of Programme Report.

⁶⁰ FAN End of Programme Report.

3.3 Coherence

Main findings relating to coherence of the Danish contribution to business advocacy in Mozambique:

- Creating synergies with other Danida instruments and working with Danish organisations such as DI is a priority in the programming in the ABR component, but the set-up with a British consulting firm and a local secretariat was not conducive for the creation of synergies.
- No indication of systematic donor coordination.

Internal Coherence

Attention to coherence has been included in the Growth and Employment programme 2012-2016 and the Country Consolidation and Exit programme 2016-2020 with reference to complementarities and potential for synergies.

Other components could potentially have benefited from increased capacity among PSOs to engage in advocacy with the GoM. As an example, the District Roads component worked with improved road maintenance and job creation for small enterprises. Furthermore, the Agri-business Development (ABD) component that worked towards increased commercialisation of smallholder farmers would benefit from PSOs with more capacity that could help build stronger value chains. While it is clear that synergies between the components have been considered, the potential has not been fully realized. The synergies between the ABR component and the other components included in the Growth and Employment programme have been quite limited⁶¹. Interviews indicate that no projects in the ABR component have been undertaken with regard to linking with the other components. It is mentioned that while there could be potential for the ABR component to work with farmers' associations there was limited scope for the ABR component to engage with the other components as the constituents of these components did not fit into the focus of FAN. The ABR component ended up, in practice, having limited coherence with the other components in the Growth and Employment Programme. The fund manager did not explore the potential, but, by all accounts, the interest from the embassy was also limited⁶².

In addition to coherence between the different components of the Growth and Employment programme there was a very clear potential for synergies to be created between the Environment Sector Programme Support (ESPS) 2011-2015 and the Climate Change and Environment Programme (CCEP) 2015-2017 (also supported through the Exit grant). The programmes included an engagement dedicated to policy-level work aimed at capacity development to undertake advocacy work. In practice, there seemed to have been no workstreams that have explored synergies between the support to FAN and the advocacy work under the CCEP.

Both phases of Danida support to business advocacy included initiatives with the Confederation of Danish Industries (DI). Especially during the second period of support, there was a focus on international partnerships. The idea was to establish FAN as a platform for other Danida instruments and Danish business interests. The hope was to create a lasting Danish footprint on the Foundation that could serve as a vehicle for Danish commercial interests in Mozambique⁶³. This ambition did,

⁶¹ Interview 9/8 and 5/9 2022.

⁶² Interview 11/8.

⁶³ Interview 11/8 and 9/8.

however, not materialize due to the lack of Danish commercial interests in Mozambique⁶⁴, combined with a very short implementation period and a lack of prioritisation both in the 1st and 2nd phases of support. In hindsight, the creation of a national foundation with national ownership does not necessarily harmonize with the creation of a platform to support Danish business interests.

The support to business advocacy did, in its design, make the case for coherence with other Danida instruments. The programme documents describe the potential for possible synergies in relatively vague terms and little attention was dedicated to how coherence could occur in practice⁶⁵.

It should be noted that the set-up during the ABR component with a British consulting firm as a fund manager and a local secretariate did not turn out to be conducive for the creation of synergies between the ABR component and other components/instruments.

External coherence

In connection with the formulation of the 1st phase of support to business advocacy in Mozambique a National Sector Framework and donor mapping were carried out. This pointed out that while many donors supported business development in Mozambique, through a multitude of interventions, only three donors were directly supporting advocacy and lobbying, namely, GTZ (now GIZ), USAID and the World Bank. The support included capacity building, and creation of a business support platform with a resulting clear overlap to Danish support to business advocacy. The support given by other donors has, however, been relatively limited with a focus on providing support to the Confederation of Economic associations (CTA) leading to a need for support that had a broader focus and was able to support the associates of the CTA. The creation of a challenge fund to support the needs of PSOs more broadly was in line with the donor landscape during the second phase of the programme. Notwithstanding, attention to donor coordination is not evident from the documentation, and indications from interviews suggest that there was limited donor coordination within the sector.

⁶⁴ The closing of the embassy was also a factor in this.

⁶⁵ See. Page 12 in ABR component description. It should also be mentioned that attention to coherence was not a priority for Danida at the time.

3.4 Effectiveness and impact⁶⁶

Main findings relating to effectiveness and impact of the Danish contribution to business advocacy in Mozambique:

- Documentation suggests that the two phases of support have, seen broadly, been able to deliver on activities.
- There is no (systematic) indication of impact beyond intermediary outcomes.
- Contribution to intermediary outcomes is modest and not reported on systematically. Documentation across the two periods, in regards to policy initiatives, lack detail and depth.
- Capacity of supported organisations remains low despite considerable capacity building efforts.
- In general, the quality of M&E is low. Reporting is mainly activity based and not systematic in its reporting on targets.

Outputs

Table 3.1 below indicates achievements in terms of outputs and intermediary outcomes as defined in the ToC (see Figure 1.1), relating to the 1st phase of support to business advocacy. A detailed documentation of outputs against targets from the 2nd phase of support from 2017-2020 has not been possible to retrieve despite numerous efforts. The PCR for the 2nd phase of support contains some reporting but not in enough detail to make a presentation in a table possible. Assessment at output level is therefore only undertaken for the 1st phase of Danida support to business advocacy from 2011-2016.

Table 3.1 Realisation of outputs and intermediary outcomes, FAN 2011-2016

Outputs	Achieved
1. BMO staff trained on advocacy	980 trained
2. Strengthened BMOs	15
3. R&D for advocacy inputs in PPD proposals to government	12 research projects funded ⁶⁷
4. Implementation of new policies, legislation, enforcement practices and new tools	12 projects have led to dialogues with government. 10 policy changes have been implemented or agreed ⁶⁸ .

Output 1 in Table 3.1.

The trainings carried out had a relatively broad scope and not all had a direct focus on advocacy. Out of the 980 staff trained, 169 individuals were trained specifically on advocacy competency and commissioning of research.

⁶⁷ Total number linking to advocacy projects not clear.

⁶⁸ The reporting indicates two implemented policy changes.

Output 2 in Table 3.1.

The component carried out almost yearly diagnostics of the training programmes and, in general, the effect is quite modest. A few organisations show strong signs of increased capacity, while most show a quite modest improvement if any. Calculations from the available data indicate that around 15% of supported organisations show signs of increased capacity in terms of organisational development and ability to carry out advocacy. Most of the 15 organisations with improved competence scores have a very modest increase in scores.

Output 3 in Table 3.1.

The project has funded research projects, but a full overview of their contribution to PPD proposals is not clear from reports. It seems that inputs for two PPD proposals can be confirmed, but detailed information is not available. The total portfolio of research projects numbers 21. An issue for the research component was that some of the research carried out had limited utility in terms of policy dialogue for the private sector. Some projects ended up being research for the sake of research without a clear connection to an advocacy project. Despite the issues, it has been possible to increase the capacity of the research institution and increase the body of knowledge available for the private sector. Furthermore, the subcomponent provided key learning regarding the necessity of empirical evidence in advocacy work which was a focus in the 2nd phase of support.

Intermediary outcome 4 in Table 3.1.

12 advocacy projects have led to dialogue with the government which indicates that, in total, 17 % of projects led to dialogue with the government. During the implementation of the 1st phase, 71 advocacy projects led to 10 policy changes that were either implemented, agreed upon, or presented to the GoM. In addition, as regards dialogue with GOM, two policy changes were implemented, six policy changes were agreed and four issues were presented to the GoM. The level of information about these 10 potential policy changes initiated through the ABR component is not consistent. The thematic focus or how they directly connected to the Mozambican business environment is not known across the 10 potential policy changes. Furthermore, it has not been possible to discuss the term “implemented” with the FAN secretariate as it has not been possible to get an interview with the relevant stakeholder. The difference between changing a policy and implementing a policy is significant and a concern could be that the some of the policies are there on paper but lack actual implementation. This is, however, speculative, as it has not been possible to retrieve detailed data.

Some of the key assumptions mentioned in the ToC have been limiting factors. The quality of M&E has made analyses of target delivery complicated as reporting is not systematic and has made it difficult to adjust project delivery. Political economy issues along with capacity and involvement of the embassy further complicated delivery at output level, which is discussed in more detail in other chapters.

While it has not been possible to retrieve data that provides systematic reporting on outputs for the 2nd phase of support some indications of primarily activity level inputs have been retrieved:

- Trainings related to management, administration, financial management and monitoring activities. The Foundation delivered trainings to 102 organisational managers and reached 1,123 members of PSOs.
- Training in advocacy related issues, development of thematic studies and advocacy plans. The foundation reached 1.114 members from 23 different organisations.
- 50 seminars in different locations around Mozambique. Well above the target of 3 in the results framework as contained in the Country Consolidation and Exit Programme. This does indicate

a mismatch between the envisioned and actual content of the seminars. The issues of budget allocation for the 50 seminars does also raise some questions that it has not been possible to get answers to. In addition, the Foundation has reported that 18 dialogue platforms have been created against a target of 3. Again, the overperformance raises questions in terms of budget allocation and quality of delivery.

- Window 4 aimed to create partnerships between Mozambican and foreign companies. Most activities relating to this window were carried out in partnership with the Danish confederation of Industries (DI) and included:
 - A trade mission delegation from seven Danish companies.
 - 2-day policy workshop for FAN beneficiaries.
 - 2-day workshop on project management and proposal writing.
 - Training visit for the FAN secretariate to Copenhagen.
 - The trade mission delegation did lead to three Danish companies receiving assistance from FAN in establishing themselves in Mozambique and another received assistance in conducting a market study. The idea behind the Window seems to have included an idea to establish FAN as a sort of “trade council”, but this never materialized as the interest from the Danish private sector was limited.

The full overview of the support given during the 2nd phase of support between 2017 and 2020 is not available. There are some indications that the foundation has been able to implement at the activity level but the data available is not sufficient to assess their output achievements. The 1st phase of Danida support was, seen broadly, able to implement activities and managed some delivery at the output level

Outcomes

According to the reconstructed ToC outputs and intermediary outcomes should lead to reduced cost and reduced risk for the private sector and better-functioning markets.

The reporting on outcomes in line with the ToC is very limited across the two periods of support with mainly anecdotal evidence. The impression from the documents available is, however, that while the two phases have carried out extensive training, held seminars and created public-private dialogue platforms, there is limited evidence of tangible and sustainable positive changes to the business environment leading to better functioning markets.

Across the two periods of support there are very limited indications of outcomes beyond intermediary outcomes. The contribution to intermediary outcomes is modest as only two advocacy projects resulted in implementation. However, the cases⁶⁹ presented in Table 3.2 and Table 3.3 below, do indicate that, potentially, there has been some contribution to higher level outcomes⁷⁰. For the 2nd phase of support there is no evidence of contributions to intermediary or higher outcomes.

The case studies below have been made available by FAN⁷¹:

⁶⁹ Cases are connected to the 1st period of support to business advocacy.

⁷⁰ Data on advocacy projects have not been made systemically available.

⁷¹ ABC case shared by fund manager. AMAPIC case adopted from technical review 2016.

Table 3.2 Lowering shipping and transport costs in Mozambique

Completed advocacy project between ACB and FAN.

Background:

The Associação Comercial de Beira (ACB), founded in 1893 is the oldest business coalition and association in Mozambique.

The Mozambique Revenue Authority (AT) wanted to require deposits on all containers being trans-shipped across Mozambique to other countries, since too many goods were being ‘lost’ in transit and remaining in Mozambique without paying taxes. More than 900 containers a day are shipped by road alone and many of the transporters would be unable to afford such deposits. These deposits were set as high as 100 per cent of the tariff and taxes due were the goods to remain in Mozambique. This requirement almost brought the Port of Beira (a major import hub) to a standstill because the freight forwarders and the companies involved in transit operations could not afford the deposit fee to have their goods released from the Port.

Outcome:

The ACB was the lead business member organisation working with the AT to negotiate a more business-friendly solution. As a result of their negotiations, an agreement was reached with the AT to exempt more than 100 products from this deposit requirement as well as reduce the deposit from 100% to 35% of the total amount of duties. Additionally, goods are now able to transit through the port more effectively through shippers being able to draw on a revolving line of credit, and the creation of more efficient administration processes.

The ACB has now become the chief conduit for the AT to seek its views of business matters in the region, as well as a major advocacy organisation for promoting fiscal reform.

As a result of the work of the ACB, it is estimated that in one year the total savings to businesses nationally equaled almost USD 12 million, compared to a project cost of USD 32,000.

Table 3.3 Study of Tax on Fuel in Fisheries Sector

Completed research project between AMAPIC and FAN

The AMAPIC project comprised support to prawn fishing operators who have successfully advocated for the lifting of taxes on diesel. AMAPIC consists of seven fishing operators employing approximately 1,000 people who expect annual savings between USD 500,000 and USD 1.5 million. The exemptions are not only benefitting the AMAPIC stakeholders but will also have a more sector wide impact for a larger number of fishermen.

Quality of M&E

The “FAN end of Programme Report” and the PCR covering the 1st phase of support does provide some reporting on project delivery in relation to the defined outputs. The reporting is, however, not systematic in its reporting on indicators and a complete overview of results against targets is not available. Assessments made regarding outcomes are very limited. While reference is made to policy initiatives these are not described in detail and a full overview of these potential impacts has not been possible to access and can therefore not be traced.

The issues with reporting have continued into the 2nd phase of support. As the technical review from 2018 points out and recommends, the results framework developed does not do enough to capture results and outcomes. In addition, more work is needed to document the results from the 1st phase of support. It seems that limited work has been done regarding this recommendation, as the Evaluation Team are left with the same impression. The main piece of reporting regarding results is the PCR, which provides very limited details.

3.5 Efficiency

Main findings relating to efficiency of the Danish contribution to business advocacy in Mozambique:

- The Mozambican context created efficiency challenges both in terms of bureaucracy and capacity.
- No major differences in management costs between the two implementation modalities.
- The closing of the embassy created efficiency challenges for the 2nd phase of support.

Efficiency challenges

The 1st phase of support had a difficult start. Across the board, the capacity in Mozambique was lower than in other countries where Danida support to business advocacy was carried out. Most of the first two years of implementation were dedicated to capacity building with limited work on the grant side of the component. The component ended up in a situation where it became difficult to spend the funding allocated for the challenge fund. Interviews suggest that the contextual issues in Mozambique, such as the underdeveloped private sector with very limited capacity, the low capacity of the research institution and the difficult political context were not sufficiently considered during the design phase of the component. As has been mentioned earlier, a major inhibiting factor for the implementation of the component was that the preselected partners ended up being a poor fit for the component.

Setting up the national foundation during the 2nd phase of support took longer than expected, leaving less time for implementation. FAN was not formally launched until December 2017 and actual implementation of activities only began in mid-2018. One of the main reasons for the delay was that a new law concerning the creation of foundations was under development in Mozambique, leading to a lack of initial political will to approve the establishment of the foundation⁷².

In addition to the issues mentioned above there was a high staff turnaround in the FAN secretariat, as well as issues with resources within the FAN secretariat that led to an initial slow rate of implementation.

Interviews indicate that the level of trust between FAN and the GoM which had been built up since 2011, was compromised by the closing of the embassy. Furthermore, key personnel within FAN mention reputational damage due to the closing of the embassy, as this closure came as a surprise and with limited warning. In the project stage of FAN, two organisations that had been funded stopped delivering on their projects when the embassy decided to close⁷³.

Comparing the two implementation modalities (project/national foundation) across the two phases there is no definitive answer in terms of arriving at the most efficient modality. Both phases faced

⁷² Interview 18/8.

⁷³ Interview 11/8.

considerable challenges in a difficult context. In addition, budgeted management costs were relatively similar providing limited indications as regards the most cost-efficient approach⁷⁴.

Organisational efficiency

The contract to deliver on the 1st phase of support through the ABR component was contracted out to a British consulting firm. The responsibility to deliver on alignment with other components and programmes within Mozambique and with other global Danida instruments lay with the British consulting firm which had limited opportunities to deliver on this as well as insufficient knowledge of the Danish context. Furthermore, the use of a consulting firm led to the embassy being somewhat detached from the implementation of the support and having a knowledge base too limited to allow them to get involved in strategic decisions. The consulting firm had substantial reporting requirements, but this was mainly at the activity level with limited reflection on the implementation modality.

3.6 Sustainability

Main findings relating to sustainability of the Danish contribution to business advocacy in Mozambique:

Sustainability

- No sustainability plan has been developed by the FAN and the creation of the Foundation did not attract other donors.
- Sustainability of results is questionable as there are very few indications of impact at outcome level. The Foundation having no assured access to funding is a major contributing factor to the limited sustainability of results.

Sustainability of the national foundation

Creating conditions that would increase the sustainability of FAN beyond Danida's support was a key factor in the decision to create a national foundation. While the creation of the national foundation, in itself, did not increase the sustainability of the Danish contributions to business advocacy, as the foundation continued to be dependent on donor funding, the creation of a local anchorage for business advocacy was seen as an important and necessary step which would contribute to potential sustainability beyond the Danida support.

The foundation was established with plans to supplement donor funding by selling consulting services to private companies that wished to enter the Mozambican market. There are no indications that any income was generated from this venture. Additional donor funding was, and is, the only real option for FAN to continue its activities. FAN has not been successful in attracting additional funding from other donors and, as of August 2022, there are no official activities in this regard. The foundation still owns a building (bought with Danida funds) which is being maintained by two workers paid through savings in the foundation.

Different reasons for the inability to attract additional funds have emerged during interviews with key stakeholders: these include low capacity within the foundation, difficult circumstances due to the debt crisis and the closing of the embassy. It was imagined that the creation of the national foundation would distance Danida from the support and create more interest from other donors. It seems that.

⁷⁴ ABR component description and FAN Business plan.

although there was some initial interest from other donors, the capacity issues within the foundation are, according to those interviewed, one of the key issues leading to limited interest. Another key factor was the debt crisis that unravelled in 2016 and the subsequent suspension of donor funding that came at an unfortunate time for the Foundation making it more difficult to attract additional donor funding.

The closing of the embassy came as somewhat of a surprise to the key stakeholders involved in the Foundation and seemingly also for the GoM. Danida's ability to affect change diminished quickly after the decision to close the embassy and some of the trust that the foundation had built up within the GoM was quite quickly lost. The closing of the embassy has had a negative impact on the sustainability of the foundation.

The technical review from 2018 pointed to the issue of sustainability of the Foundation and included a recommendation to develop a sustainability plan that would create a structured approach to creating a more sustainable foundation. FAN did not develop this sustainability plan and the approach has been on an ad hoc basis.

Sustainability of results

Across the two phases considerable time and effort have been invested into capacity building of organisations to provide them with the tools to engage in advocacy initiatives with the GoM. FAN has been able to engage with PSO's and create some relevant projects. However, the sustainability of the support to FAN is questionable. While there were policy initiatives with the GoM during implementation it is doubtful that many of PSO's will be able to continue their work independently. FAN was implemented in a difficult context and the capacity of the PSO's remains low. Interviews have indicated that some PSOs have been able to implement advocacy projects independently based on the support from FAN, but this information is not possible to validate.

Across the two phases, 10 known policy initiatives have been implemented. The previously described cases on AMAPIC and ACB indicate that some achievements at outcome level have taken place but there is no evidence that suggests advocacy projects have led to lasting change, either for the private sector or for the business environment.

3.7 Explanatory factors

Limited attention to political economy

As discussed earlier there seems to have been limited attention paid to political economy analyses in the design of both phases of support for business advocacy in Mozambique. This led to several issues which had a negative influence on implementation.

The closing of the Danish embassy

Business advocacy is an exercise that requires trust, and the closing of the embassy did make it more difficult for the Foundation to gain traction within the GoM. Interviews indicate that the level of trust between FAN and the GoM, which had been built up since 2011, was compromised by the closing of the embassy. Furthermore, key personnel within FAN experienced reputational damage due to the closing of the embassy which came as a surprise and with insufficient warning.

Limited time to implement given the lengthy process of setting up the foundation.

The Foundation took almost 1.5 years to become operational and start to implement activities. The ambitious timeline of the support to the Foundation was also mentioned in the 2018 review, which questioned its ability to implement the support. While the Foundation has been moderately successful in the implementation of outputs it seems that delivering tangible changes to the business environment has been less successful. The short period of implementation and the somewhat “rushed” effort to deliver outputs has been contributing factor in this.