



MINISTRY OF FOREIGN AFFAIRS  
OF DENMARK

MAY 2023

# **EVALUATION OF DANISH SUPPORT TO FRAMEWORK CONDITIONS FOR PRIVATE SECTOR DEVELOPMENT, 2008-2021**





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Responsibility for content and presentations of findings and recommendations  
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The following thematic study, country reports and annexes to the Evaluation Report can be downloaded as separate PDF files from [evaluation.um.dk](https://evaluation.um.dk).

Business Advocacy Thematic Study

Ghana Country Report

Kenya Country Report

Tanzania Country Report

Mali Country Report

Annex A – Terms of Reference

Annex B – Methodology

Annex C – Bibliography

Annex D – Portfolio

Annex E – Overview of Outputs and Intermediary Outcomes for selected FC-Themes

Annex F – Detailed Assessment of Organisational Efficiency

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## LIST OF ABBREVIATIONS

<b>3F</b>	United Federation of Workers in Denmark
<b>AfCFTA</b>	Africa Continental Free Trade Agreement
<b>AfDB</b>	African Development Bank
<b>BAF</b>	Business Advocacy Fund
<b>BER</b>	Business Environment Reform
<b>BEST</b>	Business Environment Strengthening Tanzania
<b>BEST-AC</b>	Business Environment Strengthening Tanzania – Advocacy Component
<b>BMO</b>	Business Membership Organisation
<b>BSPS</b>	Business Sector Programme Support
<b>BUSAC</b>	Business Sector Advocacy Challenge Fund
<b>CMA</b>	Commission for Mediation and Arbitration
<b>COTU</b>	Central Organisation of Trade Unions
<b>CTI</b>	Confederation of Tanzanian Industries
<b>Danida</b>	Danish International Development Assistance
<b>DB</b>	Doing Business
<b>DBF</b>	Danida Business Finance (later DSIF)
<b>DCED</b>	Donor Committee for Enterprise Development
<b>DDD</b>	Doing Development Differently
<b>DE</b>	Development Engagement
<b>DEPA</b>	Danish Environmental Protection Agency
<b>DEval</b>	German Institute for Development Evaluation
<b>DFID</b>	Department for International Development
<b>DKK</b>	Danish krone
<b>DMDP</b>	Danida Market Development Programme
<b>DOHS</b>	Department of Occupational Health and Safety
<b>DP</b>	Development Partner
<b>DSIF</b>	Danida Sustainable Infrastructure Finance
<b>DTDA</b>	Danish Trade Union Development Agency
<b>EAC</b>	East Africa Community
<b>EIF</b>	Enhanced Integrity Framework

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<b>ELQ</b>	Evaluation, Learning and Quality Department
<b>EPEC</b>	Enhancement of Framework Conditions for Entrepreneurship
<b>EPS</b>	Environmental Programme Support
<b>EQ</b>	Evaluation Question
<b>ERG</b>	Evaluation Reference Group
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>EU</b>	European Union
<b>FAN</b>	The Foundation for the Improvement of Business Environment
<b>FCs</b>	Framework Conditions
<b>FCDO</b>	Foreign, Commonwealth and Development Office
<b>FKE</b>	Federation of Kenya Employers
<b>GBER</b>	Green Business Environment Reform
<b>GDP</b>	Gross Domestic Product
<b>GG</b>	Green Growth
<b>GGEP</b>	Green Growth and Employment Programme
<b>GII</b>	Ghana Integrity Initiative
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit
<b>GRA</b>	Ghana Revenue Authority
<b>HQ</b>	Head Quarters
<b>HRBA</b>	Human Rights Based Approach
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>IC</b>	Investment Climate
<b>ICAI</b>	Independent Commission for Aid Impact (UK)
<b>ICSID</b>	International Centre for Settlement of Investment Disputes
<b>IDA</b>	International Development Association
<b>IEG</b>	Independent Evaluation Group of the WBG
<b>IFC</b>	International Finance Corporation
<b>IFU</b>	Investment Fund for Developing Countries
<b>ILO</b>	International Labour Organisation
<b>Imani</b>	Centre for Policy and Education

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<b>ITC</b>	The International Trade Centre
<b>KAM</b>	Kenyan Association of Manufacturers
<b>KEPSA</b>	Kenya Private Sector Alliance
<b>LDC</b>	Least Developed Country
<b>LMC</b>	Labour Market Consortium
<b>M&amp;E</b>	Monitoring & Evaluation
<b>MEAL</b>	Monitoring, Evaluation, Accountability and Learning
<b>MENR</b>	Ministry of Environment and Forestry
<b>MESPT</b>	Micro Enterprise Support Programme Trust
<b>MFA</b>	Danish Ministry of Foreign Affairs
<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>MSMEs</b>	Micro, Small and Medium-sized Enterprises
<b>MTR</b>	Midterm Review
<b>NCG</b>	Nordic Consulting Group
<b>NEMA</b>	National Environment Management Authority of Kenya
<b>NESC</b>	National Economic and Social Council
<b>NGO</b>	Non-Governmental Organisation
<b>NLB</b>	National Labour Board
<b>Norad</b>	Norwegian Agency for Development Cooperation
<b>NRM</b>	Natural Resource Management
<b>OECD-DAC</b>	Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC)
<b>P4G</b>	Partnering for Green Growth and the Global Goals 2030
<b>PACEPEP</b>	Programme d'appui à la croissance économique et l'emploi stimulé par le secteur privé
<b>PASS</b>	Private Agricultural Sector Support
<b>PCR</b>	Programme Completion Report
<b>PEA</b>	Political Economy Analysis
<b>PPD</b>	Public-private Dialogue
<b>PPPs</b>	Public-private partnerships
<b>PSD</b>	Private Sector Development
<b>PSO</b>	Private Sector Organisation



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<b>RTE</b>	Real-Time Evaluation
<b>SDF</b>	Skills Development Fund
<b>SDGs</b>	Sustainable Development Goals
<b>SME</b>	Small and Medium-sized Enterprises
<b>SPA</b>	Strategic Partnership Agreement
<b>SPSD</b>	Support to Private Sector Development
<b>SSC</b>	Strategic Sector Cooperation
<b>TA</b>	Technical Assistance
<b>TCA</b>	Trade Connect Africa
<b>TMEA</b>	TradeMark East Africa
<b>ToC</b>	Theory of Change
<b>ToR</b>	Terms of Reference
<b>TRACE</b>	Traceable Organic Coffee Kenya
<b>UK</b>	United Kingdom
<b>USAID</b>	United States Agency for International Development
<b>WBG</b>	World Bank Group
<b>WTO</b>	World Trade Organisation

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The Evaluation was undertaken by Anneke Slob (Team Leader), Lars Christian Oxe (Private Sector Development Expert) and Jakob Kjærtinge Faarbæk (Research Assistant) as well as for the specific country studies Fiacre Adda (Mali), David Ongolo (Kenya), Donath Olomi (Tanzania) and Osman Mensah (Ghana). Quality Assurance of the reports was undertaken by Carsten Schwensen (Nordic Consulting Group) and Michael Wendelboe Hansen (Copenhagen Business School).

We trust that our findings and recommendations will help inspire and deepen reflections on how the Danish Ministry of Foreign Affairs can support framework conditions for Private Sector Development in the future.

## EXECUTIVE SUMMARY

### Evaluation purpose and methods

The Evaluation of Danish support to Framework Conditions for Private Sector Development, 2008-2021, was commissioned by the Evaluation, Learning and Quality Department of the Danish Ministry of Foreign Affairs. The Evaluation focuses on the Danish support to framework conditions in four countries (Ghana, Kenya, Mali and Tanzania), with main attention focussing on bilateral support, but also including global and multilateral support from Denmark. A separate thematic study of business advocacy support to Kenya, Tanzania, Ghana and Mozambique was conducted in parallel.

The Evaluation has a dual focus on accountability and learning. In addition to evaluating past performance of the Danish interventions, the Evaluation focuses on what has worked well and less well and under which circumstances. Based on this, lessons are drawn, and recommendations formulated in the context of Denmark's most recent development strategy (from 2021) "The World We Share" and the new approach of Doing Development Differently.

The Evaluation aims to answer six evaluation questions related to the OECD/DAC evaluation criteria of relevance, coherence, effectiveness, efficiency, impact, and sustainability. A theory-based approach was applied, whereby a Theory of Change was reconstructed based on Danida policy documents, international literature and interviews, and validated by key stakeholders. This Theory of Change, together with the evaluation questions, has provided a uniform framework for assessing the Danish support to framework conditions across PSD interventions. Key methods included document review, portfolio analysis, almost 200 interviews with different groups of stakeholders at various levels (strategic level, country level, programme level), focus group discussions and validation workshops. As fieldwork for the study took place in four countries, it was possible to extract conclusions and learnings from comparing the support provided by Denmark in four countries.

### Danish support to Framework Conditions

There is no universally agreed definition of framework conditions. For the purpose of this Evaluation, a broad definition that encompassed aspects of the Investment Climate, such as Business Environment Reform, has been adopted which includes all "policy, legal, institutional and regulatory conditions that govern business activities". It encompasses support to the business enabling environment at the macro level and to intermediary

organisations and institutional networks at the meso level. However, most of Denmark's support to Private Sector Development is allocated to direct support to businesses at the micro level. This micro level support is not directly included in this Evaluation, although coherence between framework conditions support and this direct support has been examined.

The total volume of Danish bilateral support to framework conditions in the selected countries was DKK 1.8 billion in disbursements for the period 2008-2021. In the beginning of the evaluation period, there was a gradual increase of support, followed by a sharp decline from 2014 onwards. This was partly due to a change in Danida policies, with increasing attention being paid to direct support to enterprises (the micro-level), especially in relation to green growth. The decision to phase-out Danish bilateral cooperation support in two of the four countries – Tanzania and Ghana – explains the decrease to some extent. Denmark also provides framework conditions support via global programmes, such as the Strategic Sector Cooperation, and the Danida Sustainable Infrastructure Fund, and via its multilateral support to, for example, the World Bank. Synergies with these and with direct private sector support are analysed in the Evaluation.

The Danish support to the framework conditions included in this Evaluation has focused on six main themes: 1) Green Business Environment Reform (29% of disbursements); 2) Business Advocacy (30%); 3) Trade Facilitation (13%); 4) Labour Market Reforms (7%); 5) Skills Development (13%); and 6) Infrastructure Development (8%).

### **Findings on Green Business Environment Reform**

The Danish support to this theme consists of two parts: firstly, traditional Business Environment Reform support aiming to contribute to a more enabling environment for the private sector, and secondly, support focusing specifically on changes of policies, laws and regulations for a green(er) enabling environment. While the traditional support was provided in all four case-study countries, the green growth support was limited to Kenya. The dominant aid modality has been government-to-government support, including joint donor support programmes in Tanzania and Ghana, which were discontinued after 2010.

The support provided was primarily based on government priorities and, to a lesser extent, on expressed private sector needs. The intention to fully engage the private sector in the reforms was only realised to a very limited extent in the early programmes. Although relatively good results were achieved at output level, it was only in relatively few cases that the Evaluation found evidence for results that benefitted the private sector in a tangible way. In fragile settings, such as Mali, business environment reform support is particularly problematic given the challenges to engage with government on reform issues. The main explanatory factors for the relatively limited achievements of this type of support to the private sector are the following: limited willingness by governments to reform the sector;

limited engagement by the private sector in the reform programmes; at times, very ambitious and complex programme design with unclear results frameworks; rather limited use of political economy insights; and changes in donor priorities, leading to early termination of many programmes when mid-term adjustments might have improved programme results.

There are however also instances of good results, such as, the support to the commercial courts in Ghana that made this commercial justice system a good example in the region. The Danish support to green growth institutions, laws and regulations in Kenya, contributed to new tools and procedures for green growth at both national and county level, leading to improved conditions for a greener enabling business environment. Furthermore, in Tanzania, at local level, good progress was achieved by combining local level investments in public infrastructure with public-private dialogue and improved public service delivery. Explanatory factors for areas of support where positive results were achieved are: targeted support to specific areas; willingness by governments to engage in reforms related to the private sector; and a multi-stakeholder approach engaging both civil society and the private sector.

### **Findings on Business Advocacy Funds**

From 2005 onwards, Denmark took the initiative to set-up Business Advocacy Funds (BAFs) in four countries (Kenya, Tanzania, Ghana and Mozambique), which was considered rather innovative at the time. These funds aimed to support private sector organisations to advocate for business sector reforms. This can be considered as being on the demand-side of reforms, which is complementary to the supply side of classical Business Environment Reform support. In Ghana and Tanzania, there was substantial co-funding of these funds by other donors, such as USAID and UK Aid. Two consulting firms implemented all BAF-support in the four countries during the period from 2003 to 2021. All Danish funding to BAFs stopped in 2019-2021, as the BAFs did not fit into the new focus on green growth. At the same time, the Danish bilateral cooperation with Ghana, Tanzania and Mozambique was being phased out.

A relevant demand-driven, evidence-based approach for providing support to business advocacy was developed. However, BAFs in all four countries faced challenges in developing adequate context-specific approaches. Many different types of advocacy and other activities at various levels were undertaken, leading to a broad and scattered implementation approach, i.e., 'let a thousand flowers bloom'. There was also no alignment with overall business environment reforms. Cross-cutting issues such as gender equality and green growth were not mainstreamed, with the exception of the programme in Ghana. Over time, this reduced the programme's relevance.

Approximately half of the advocacy projects in Kenya and Ghana and one third in Tanzania (and only a few projects in Mozambique) achieved their stated objectives and led to some changes in policies, laws, regulations or administrative practices at macro level. There is no reliable information to assess the extent to which these changes have led to actual implementation of reforms. There are, however, some 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 Evaluation did show that BAFs contributed to strengthening the advocacy capacity of private sector organisations. Explanatory factors for the few specific areas where good results for segments of private sector were found are: very targeted support; identification and collaboration with drivers of change; and multi-stakeholder approach. Explanatory factors for the mixed overall performance of business advocacy support are that the scattered approaches focussed on individual interventions rather than having a programme-wide focus and were, consequently, insufficiently adapted to the differences in country context and to changing policy priorities. In addition, BAFs made limited use of political economy insights, and monitoring and evaluation were not focused on achievement of outcomes and impact.

### **Findings on Trade Facilitation**

The majority of Danish support to trade facilitation (80% of disbursements in this area) was provided to TradeMark East Africa (TMEA) in Kenya, a regional not-for-profit entity set-up by donors including Denmark, focusing on the East African Community. In Ghana and Tanzania, prior to 2010, Denmark provided trade facilitation support to the governments in both these countries.

The support to TMEA in Kenya, in particular, has led to good results, including strengthened capacity of government institutions, such as bureaus of standards and laboratories, and also trade negotiation capacity. In Kenya, positive effects for the private sector, such as reduced travel time and reduced time for importing goods, have been identified, and attention has also been paid to the “greening” of infrastructure. This has contributed to meeting the international trade standards and, consequently, to improved exports. Explanatory factors for these good results in Kenya – compared to the two other countries where fewer positive results were achieved – are the quality of programme design, which included integration of cross-cutting issues such as gender equality and green growth, the multi-stakeholder approach, and the volume of support (TMEA received funding from many donors; with Denmark being responsible for approximately 20% of the TMEA Kenya funding). Nevertheless, organisational sustainability issues of TMEA remain to be addressed.

### **Findings on support to Skills Development, Labour Market Reforms and Infrastructure Development**

Danish support to other framework condition themes varied across countries. In Tanzania, for a longer period of time, Denmark stood out as one of the few bilateral donors providing support to labour market organisations. In Ghana, the co-funding with the World Bank of the Skills Development Fund, a challenge fund, was an important part of the support, while in Mali both infrastructure support and skills development support were provided. All this support was aimed at addressing important private sector needs and was, as such, relevant. In practice, in all three support areas it proved to be challenging to develop an adequate approach in the specific country context. In most cases, the main focus was on delivering outputs, such as training of people, strengthening the capacity of government and private sector organisations, and realisation of small infrastructure projects. In Tanzania, relevant support to newly established labour market institutions was provided in the first phase (mostly before the evaluation period) but it was then followed by general capacity development with no clear focus on improving the social tripartite dialogue. In Mali, initially the focus was on support to the government to strengthen vocational training systems and improve the planning and implementation of infrastructure. In view of the increasing fragilization, more direct support to the private sector at local level was provided, including training of 50,000 young people and building of infrastructures, such as markets, and small irrigation dams. However, hardly any results at the outcome and impact level were identified, such as improved tripartite social dialogue and sustainable strengthening of vocational training institutions. Regarding sustainable infrastructure, there is only very scattered information on the use, operation and maintenance of these infrastructures, while there is anecdotal evidence that this has led, in some cases, to cost reduction (e.g., reduced transport time) and increased incomes for the private sector. Weaknesses in programme design and in monitoring and evaluation are key explanatory factors for limited results in these areas of support.

### **Findings on Coherence**

The analysis of internal coherence between various types and instruments of Denmark's support to framework conditions points at few examples of realised synergies and a number of missed opportunities at various levels. Commercial justice in Ghana is an example of good internal coherence between this support and bilateral governance support, including a high-level policy dialogue. Other positive examples of realisation of synergies were found in Kenya and Ghana around Strategic Sector Cooperation in relation to bilateral support and/or Danish trade interests. The proactive

attitude of embassy staff looking for synergies and bringing together implementing partners are the main explanations for these synergies. However, in most cases, no evidence could be found on realised synergies between various types of support and linkages to policy dialogue. The main explanations for the limited realisation of synergies are seen as being the different roles and responsibilities of the actors involved leading to working in silos, different implementation modalities and different priorities (for example, the priorities for global programmes were not well aligned with bilateral cooperation priorities). In Kenya, the embassy with a relatively high number of staff (as compared with other Danish embassies under the programme) has recently adopted the Doing Development Differently approach, which appears to enhance internal coherence, especially between bilateral cooperation and Strategic Sector Cooperation. No evidence was found that internal coherence between bilateral cooperation and multilateral or civil society support has been given due attention.

Regarding external coherence, donor coordination around Private Sector Development gained quite some momentum prior to 2012, and Denmark was very proactive in donor coordination in the various Danish programme countries. That momentum was lost when donor strategies changed, and less attention was paid to joint support to governments. This also affected the policy dialogue, where the focus changed from broad policy dialogue on private sector issues to more targeted topics. Recently, in Kenya and Mali, especially sub-sector donor groups on, for example, skills developments and circular economy, have become very active. In addition, in the evolving geopolitical context with a bigger role for countries, such as China, joint approaches, for example via Team Europe Initiatives, appear to be promising.

## **Conclusions**

1. Denmark provided in most cases relevant framework conditions support for Private Sector Development addressing private sector needs, although this proved to be especially challenging in a fragile context such as Mali. Denmark has been innovative and rather unique in its initiative to set up BAFs. Nevertheless, the support could have been even more relevant if better use would have been made of political economy analysis and if more multi-stakeholder approaches had been pursued.
2. The Danish support to framework conditions was (with a few exceptions) not based on a clear strategic approach, which is reflected in output-focused and relatively weak programme design. Cross-cutting issues, such as gender, inclusiveness and green growth were insufficiently addressed in programme design, and consequently in implementation.



3. Danish support to framework conditions for Private Sector Development contributed to the realisation of a large variety of outputs ranging from strengthened capacity of government and private sector actors to the formulation of new laws, policies, and regulations. There are, however, only few examples of evidence of contributions to intermediary outcomes, i.e., the actual implementation of new policies and practices, improved service delivery and use of infrastructure. Nevertheless, it is plausible that Danish support in specific areas to some extent has contributed to creating improved conditions for an enabling business environment, including greening aspects in Kenya and through business advocacy projects in several countries.
4. For most framework conditions support, there is not enough evidence to determine to which extent the programmes contributed to tangible improvements for the private sector. There are only a few examples of evidence of outcome, i.e. that Denmark contributed to actual benefits for some segments of the private sector in terms of reduced costs, reduced risks or increased incomes or profits.
5. While the support has contributed to enabling the private sector to become a driver of change, there is not enough evidence to determine whether the private sector significantly increased investments and created jobs as a result of framework conditions support.
6. On paper, due attention has been paid to the realisation of synergies between the various types of Danida support to Private Sector Development, notwithstanding that, in practice, there have been many hindrances to realise these synergies. There are a few good examples of internal coherence, but also many examples of missed opportunities to realise synergies.
7. Denmark was considered an engaged and flexible Private Sector Development donor by other stakeholders and followed mainly the international donor agenda, paying gradually more attention to direct support to private sector and green growth.
8. Danish embassies have faced capacity constraints. This led, in some cases, to limited guidance of programme implementation and missed opportunities for enhancing internal coherence. The adoption of the Doing Development Differently approach in Kenya appears promising but requires substantial staff capacity if positive results are to be achieved.
9. The main explanatory factors for the variation in performance of the interventions are the differences in country context, weaknesses in programme design, insufficient political economy analysis, the degree to which the private sector was involved in reforms, inadequate Monitoring & Evaluation systems, and some discontinuity of support.

## Recommendations

Based on the conclusions and lessons, **a first overall recommendation** has been formulated:

**R1.** Support to Private Sector Development framework conditions should be an important element in Denmark's bilateral support to economic growth, green transition and sustainable development. This support should therefore be continued as a supplement to the direct support to enterprises that presently constitutes by far most of the bilateral support to the private sector.

Given the present focus on Green Transition and Sustainable Development, which includes Private Sector Development support, it is crucial to provide continued support to establishing an appropriate enabling environment for this green transition and to address the challenges identified in this Evaluation. To realise a green transition, a systemic approach is needed that includes support at various levels and involves governments, private sector organisations and civil society. These actors should work closely together to create a green enabling environment, and Danida is in a unique position to support these processes. When lessons are learnt from this Evaluation, Danida support in this area can be made even more relevant and effective in the future.

In addition, the following specific recommendations for two separate groups of stakeholders have been formulated: A) Recommendations for embassies with bilateral country programmes focusing on Green Transition and Sustainable Development, including PSD support; and B) Recommendations for Danida management at headquarters dealing with global programmes, IFU and multilateral support.

### **A. Recommendations for embassy staff dealing with bilateral Green Transition and Sustainable Development support, including PSD support.**

**R.A1.** Bilateral support to framework conditions should be targeted and complementary to other green growth and PSD support under a country programme and should aim to build synergies with direct Danish support to the private sector. It could include strengthening the effective implementation of specific policies, laws and regulations, possibly in combination with support to advocacy capacity of the private sector on specific issues and/or support to specific reform processes. Linkages between targeted framework conditions support at central and decentralised levels in the partner country should be established, which also includes multi-stakeholder approaches.

**R.A2.** embassies should develop future framework conditions support based on more in-depth understanding of the political economy context and the enterprise structure in the countries concerned.

This analysis should clearly inform choices in relation to targeting drivers of change and be reflected in risk management in programme design and implementation.

**R.A3.** For embassies in fragile countries, such as Mali, with a relatively dynamic private sector, supporting the private sector as driver for change, would be the best entry point for contributing to improved framework conditions and supporting a more enabling green business environment. In these countries, due attention should be paid to strengthening the advocacy capacity of the private sector to increase the demand for change.

**R.A4.** Embassies should engage actors dealing with Green Transition and Sustainable Development at headquarters and in IFU, such as global programmes, in particular Strategic Sector Cooperation and the Danida Sustainable Infrastructure Fund, in the design of new strategic country frameworks to enhance internal coherence from the start of programming onwards.

**R.A5.** Embassies should address cross-cutting issues – gender equality, inclusiveness and environmental/climate change issues – in a more systematic way during both the programme design and the implementation phase. This should be reflected in appropriate results frameworks with clear and specific indicators.

**R.A6.** In view of the evolving geo-political context, embassies should pay renewed attention to external coherence, in particular Team Europe Initiatives around the Green Deal, while also linkages with multilateral support should be explored.

**R.A7.** Embassies should include innovative M&E approaches in Green Transition and Sustainable Development programme design to assess outcomes. Quantitative or qualitative baseline data should always be established, as well as mid-term and endline measurements of outcomes, based on international experience and relevant literature. In addition, for ongoing programmes, embassies should review their M&E frameworks for this type of programmes, as these relate to the Evaluation's findings and conclusions, and decide how they will ensure documentation of results at outcome level during programme implementation.

**B. Recommendations for MFA staff at headquarters dealing with Green Transition and Sustainable Development global programmes, IFU and multilateral support**

**R.B1.** Danida should consider preparing new practical guidance in the relevant how-to-notes on designing framework conditions support as part of its Green Transition and Sustainable Development strategies based on this Evaluation. This guidance should be integrated in existing “How-to” notes and should be developed in an interactive, participatory process involving all relevant stakeholders.

**R.B2.** Danida needs to pay more attention to knowledge management and learning around the Green Transition and Sustainable Development, including the linkages to framework conditions for Private Sector Development, and the necessary combination of support at micro, meso and macro levels, with a view to enhancing synergies and optimising results. Furthermore, appropriate linkages between framework conditions support both at central and local level should be established.

**R.B3.** Given the importance of global programmes, such as the Strategic Sector Cooperation and the Danida Sustainable Infrastructure Fund for framework conditions support, and in view of the Doing Development Differently approach, further alignment between these programmes and bilateral cooperation is needed in order to realise synergies. This also applies to multilateral support and IFU investments in energy transition and economic infrastructure. This should start with selecting specific countries where all Danish stakeholders intervening in the sector are committed to make this a top priority.

# 1. INTRODUCTION

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 (FCs) for Private Sector Development (PSD) in the Global South (see: Annex A Terms of Reference). This Evaluation was commissioned to Nordic Consulting Group (NCG). After the inception phase, data collection and analysis focused on four country studies (Ghana, Kenya, Mali and Tanzania) and a thematic case study of Danish support to Business Advocacy Funds (BAFs) in Ghana, Kenya, Tanzania and Mozambique. This report is the final synthesis report.

## Objectives

As stated in the ToR (Annex A), the main objectives of the Evaluation are to (1) document and analyse the relevance, coherence, effectiveness (focusing on outcomes/impact), efficiency (including value for money) and sustainability of the Danish support for improving the framework conditions for PSD from 2008-2021 and to (2) prepare recommendations for relevant Danish programmes and initiatives already in place as well as the future Danish support for improving the framework conditions for PSD.

As such, the Evaluation has a dual focus on accountability and learning. In addition to evaluating past performance of the Danish interventions, it is necessary to understand what has worked well and less well, and under which circumstances, to draw lessons and provide recommendations in the context of Denmark's most recent development strategy from 2021 "The World We Share" and the new approach of Doing Development Differently (DDD).

## Scope

Three elements related to the scope have been defined in more detail. with each of the elements leading to some specific limitations.

## Focus on Framework Conditions for PSD

Framework conditions are about creating an enabling environment for the private sector. Although commonly used in development cooperation and in Danida strategies, including the Growth and Employment Strategy 2011-2015 as well as the most recent development strategy "The World We Share" from 2021, there is not a uniform definition of the term. This has created a challenge for this Evaluation. The definitions used in this Evaluation are included in the Glossary above.

### Geographic scope

The title of the Evaluation refers to the Global South as the geographical scope. The ToR state that 80% of the time should be spent on four pre-selected countries Ghana, Kenya, Mali and Tanzania. In these countries not only the bilateral support to framework conditions for PSD, but also support via global programmes, multilateral support and via NGOs should be considered. For the thematic study on business advocacy support, also a desk review on Mozambique has been done. While the Evaluation findings are presented against the background of broader international literature, the focus is on the four pre-selected countries.

### Evaluation period

The evaluation period 2008-2021 is rather long, which allowed for going back in time to be able to capture long-term results at least at outcome level. The portfolio analysis (see Chapter 2 and Annex D) shows that the portfolio was quite dispersed over time and in terms of framework conditions covered. As programming periods often started prior to 2008, also relevant prior support has been considered. Evaluation Approach

The ToR requested the elaboration of the key elements of a Theory of Change (ToC) behind Danida's programming regarding support to framework conditions for PSD. During the inception phase a first overall ToC was reconstructed and discussed with the Evaluation Reference Group (ERG). On this basis, specific ToCs for the country studies Kenya and Mali<sup>1</sup> as well as for the thematic BAF study were developed. These ToCs were validated and further elaborated during the evaluation process. This process contributed to changes in the overall reconstructed ToC as presented in Chapter 2 (see Figure 2.4). The ToC has formed the basis for the evaluation matrix<sup>2</sup>. This theory-based approach allowed to assess the various interventions against a uniform framework based on Danida policies and strategies. Both the design and implementation of interventions were assessed against this framework, which allowed for a comparative assessment across different types of support and countries<sup>3</sup>.

In addition to the theory-based approach, the Evaluation Team aimed to deploy a utilisation-focused approach. This entails that the Evaluation would be conducted in ways that engage the users of the Evaluation and enhance the likely utilisation of the conclusions and recommendations

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- 1 In Tanzania and Ghana, the overall reconstructed ToC was used as the bilateral framework support and the bilateral cooperation was finalised in these countries.
  - 2 The minor changes in the ToCs during the evaluation led to some adjustments of indicators in the evaluation matrix.
  - 3 The results frameworks of the specific programmes and projects were also considered, which are basically in line with the reconstructed ToC, but some differences in definition of outputs and outcomes occurred, which are mentioned in the text.

to inform decisions and improve performance<sup>4</sup>. The Evaluation Team selected specific FC-themes for each country in consultation with the ERG that would be of specific interest to the users such as green growth as an important theme for continued support in Kenya. Meetings and validation workshops with stakeholders were organised throughout the Evaluation not only to validate findings but also to discuss relevant lessons for future programming and implementation. However, the utilisation-focused approach could only be deployed to a limited extent for reasons as set out below in the evaluation challenges.

### Evaluation questions and evaluation matrix

The evaluation questions (EQs) of the ToR were regrouped and reformulated to some extent based on the conceptual framework and the ToC. The revised OECD-DAC evaluation criteria<sup>5</sup> guided the process, resulting in the following six main EQs:

1. **Relevance:** To what extent has Danish support to framework conditions for PSD responded to the evolving needs and challenges that 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 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 on (intended or unintended, positive or negative) intermediary impact and overall impact of the Danish support to framework conditions for PSD?

In Annex B the methodology is set out in more detail, including a table showing how the EQs of the ToR were revised with an explanation for the changes made (Table A2.3). In addition, sub-questions were developed

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4 Patton, Michael Quinn, 1978. Utilization-Focused Evaluation (UFE) [www.betterevaluation.org/en/plan/approach/utilization\\_focused\\_evaluation](http://www.betterevaluation.org/en/plan/approach/utilization_focused_evaluation).

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

and for each sub-question indicators and data collection methods were identified in the evaluation matrix (see Table A2.1). The data collection methods are also presented in Annex B.

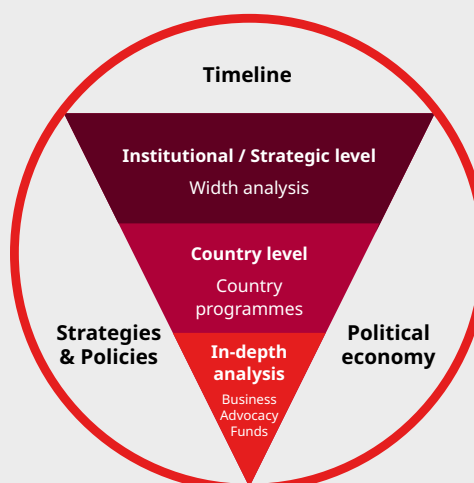
### Levels of Analysis

The Evaluation was structured at three levels, which aimed to strike a good balance between breadth and depth, which is essential for such a complex evaluation:

1. **The overall strategic and institutional level.** At this level, overall Danida policies and strategies were analysed, as well as evaluations and reviews of PSD support (see Annex C, Bibliography), which have been complemented with interviews at the strategic level. In addition, the Danida FC support was analysed against the evolving international development cooperation PSD agenda, primarily on the basis of document review.
2. **The country level:** relevant support primarily via the four bilateral country programmes in combination with some FC support via global PSD programmes, multilateral and NGO support. A sampling approach at country level was developed. In total 54 interventions were part of the core sample, and the broad sample included a dozen other interventions. (see Annex B for details on sampling and the country study approach and Section 2.3 and Annex D on the portfolio).
3. **The thematic level of the Business Advocacy Funds** (three BAFs in selected countries i.e., Ghana, Kenya and Tanzania plus a desk study of BAF Mozambique).

**FIGURE 1.1 THREE LEVELS OF ANALYSIS**

Context





### Data analysis

Data analysis took place at three levels in line with the approach presented above. Data analysis started at country level where findings from different sources per FC-theme were grouped in a data analysis framework that was structured in line with the evaluation matrix. These findings were validated and triangulated at country level. This process was repeated at the thematic study level and at the overall level for the synthesis report.

This means that there was a three-step approach of data validation and triangulation to make sound and robust analyses that have led to robust conclusions<sup>6+7</sup>. In the final process of triangulation for this synthesis report, any inconsistencies were identified and addressed in the various reports.

Contribution analysis was applied to assess to what extent the Danish support contributed to changes at outcome and impact level based on the ToC. The six steps of contribution analysis were followed to the extent possible<sup>8</sup>.

Main evaluation challenges were related to data collection issues, the vast scope of the Evaluation, restricted value-added of some country visits, limited use of quantitative data and analysis, contribution analysis and the utilisation focus.

### Structure of the report

The reports (synthesis report, country reports and thematic study report) have all been structured around the evaluation questions and the six FC-themes as presented in the next chapter in relation to the ToC.

Chapter 2 presents the conceptual framework based on international literature and Danida strategies, the background regarding Danida FC-support in the four countries and the ToC. Findings regarding relevance (also referring to the use of political economy analysis (PEA) and cross-cutting issues), effectiveness and sustainability are presented per type of FC-support in Chapters 3, 4 and 5. Findings regarding coherence, efficiency and impact are presented in Chapter 6 for all FC-support to avoid overlap. In all chapters, due attention is paid to explanatory factors for the variation in performance.

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6 <https://www.intrac.org/wpcms/wp-content/uploads/2017/01/Triangulation.pdf>.

7 <https://www.nap.edu/read/25056/chapter/4>.

8 Mayne, J. 2008. Contribution analysis: An approach to exploring cause and effect. The Institutional Learning and Change (ILAC) Initiative.

**TABLE 1.1: STRUCTURE OF THE REPORT IN RELATION TO EVALUATION CRITERIA AND TYPE OF SUPPORT**

	Relevance	Effectiveness	Sustainability	Coherence	Efficiency	Impact
(Green) Business Environment Reform	Chapter 3			Chapter 6	Chapter 6	Chapter 6
BAFs	Chapter 4					
Trade facilitation	Section 5.1					
Labour markets	Section 5.2					
Skills development	Section 5.3					
Infrastructure development	Section 5.4					

## 2. BACKGROUND AND STRATEGIC ANALYSIS

In this chapter, a brief analysis of international literature (Section 2.1), the context in the four case countries (Section 2.2), Danida's strategies (Section 2.3), and of the portfolio (Section 2.4) regarding support to framework conditions for PSD is presented. This has allowed the Evaluation Team to define the conceptual framework for this Evaluation, including the definition of key terms, as well as the reconstruction of the ToC (Section 2.5).

### **MAIN FINDINGS REGARDING DANISH STRATEGIES AND PORTFOLIOS FOR SUPPORT TO FRAMEWORK CONDITIONS FOR PRIVATE SECTOR DEVELOPMENT IN INTERNATIONAL PERSPECTIVE:**

- There is no universally agreed definition for framework conditions. In Denmark's support six main FC-themes have been distinguished, including Business Environment Reform (BER) support and business advocacy support as well as investment climate themes such as skills and infrastructure development.
- Denmark has not developed a clear strategic approach for its support to FCs for PSD but followed, to a large extent, the international donor agenda on PSD. This has meant that in the first decade of this millennium principally (joint) BER and other support to governments was provided. In the second decade, the attention shifted gradually to primarily direct micro-level support to the private sector. From 2012, green growth has been increasingly emphasised in Danida's PSD support.
- The specific Danish support to the set-up of business advocacy funds (BAFs) from 2005 to 2020 has been rather unique and innovative. This can be considered as the demand-side of reforms, which is complementary to the supply side of BER support.
- The volume of support to framework conditions for PSD has gradually declined over the evaluation period 2008-2021. At present, hardly any concrete support in this area is being provided despite continued attention in overall Danida strategies. When new FC-support is provided, it is done primarily from a Danish business perspective.
- A ToC has been reconstructed based on the strategic and portfolio analysis that has guided the data collection and analysis.

## 2.1 Framework conditions for PSD in international perspective

### Evolving international agenda

The attention to framework conditions for PSD should be situated against the evolving agenda on the role of the private sector in development cooperation. In the first decade of this millennium, the emphasis of donors was on increased harmonisation, alignment and ownership of partner country governments, including more joint support and new aid modalities such as budget support, as reflected in the aid effectiveness agenda<sup>9</sup>. This included support to governments to create an enabling environment for business. The publication of the 2008 donor guidelines on business environment reform<sup>10</sup> was in line with this agenda, as the focus was on the role of government.

In the second decade, the attention shifted to an enhanced role of private sector to create jobs and contribute to economic growth. The Development Agenda started to be dominated by rapidly increasing funding for PSD including innovative funding mechanisms, such as blended finance and public-private partnerships, while also the Sustainable Development Goals (SDGs) were adopted, and climate change became an important area of focus<sup>11</sup>. With the start of the third decade, issues of climate change, inclusiveness and green growth became even more prominent. These changes in the international agenda went together with gradually decreasing attention for support to framework conditions, in particular the role of governments to create an enabling environment for the private sector. This is reflected, for example, in reports by the Donor Committee for Enterprise Development (DCED) that show many publications on FC support or support to business environment reforms especially in the early years of the evaluation period, but in recent years there is mainly attention paid to blended finance, support for value chains and market systems development, inclusiveness and green growth. It is not possible to quantify changes in types of PSD donor support as there are no OECD-DAC codes to capture changes in overall donor PSD-support.

9 OECD, 2005, The Paris Declaration on Aid Effectiveness; 2008, The Accra Agenda for Action; 2011, Busan Partnership for Effective Development Co-operation.

10 Donor Committee for Enterprise Development (DCED), Donor Guidelines for Business Environment Reform.

12 Addis Ababa Declaration on Financing for Development (2015) and in the same year the SDGs were adopted, and the Paris Agreement on Climate Change was signed.

## International definitions of key terms

In a study<sup>12</sup> in preparation of this Evaluation, an effort was made to conceptualise the role of framework conditions for PSD. This study states that despite common usage – not only by Danida, but also by Norad, GIZ and other donors – “there does not appear to be any universally agreed definition for the term ‘framework conditions’”. Two key themes are ‘Business Environment Reform (BER)’ and ‘Investment Climate’. The World Bank defined investment climate as a broader set of “location-specific factors that shape the opportunities and incentives for firms to invest productively, create jobs and expand”<sup>13</sup>. Main attention is given to policy, legal, and institutional reforms.

The 2008 DCED guidelines made a distinction between BER, on the one hand, and ‘Investment climate’ (IC), on the other. BER is defined as “a complex of policy, legal, institutional and regulatory conditions that govern business activities” and is considered as a subset of investment climate<sup>14</sup>. Business environment reform measures can focus on the regional, national, sub-national or sector-specific business environments. In 2019, DCED identified 12 functional areas of BER, including business registration, labour market reforms and public-private dialogue<sup>15</sup>, which are referred to in the ToR (see Annex A). Rule of law, skills development, infrastructure and political stability are considered as part of investment climate.

Another relevant complementary classification is ‘Systemic Competitiveness’<sup>16</sup>, which makes a distinction between macro-, meso- and micro-level. The macro-level refers to government policies, laws and regulations, which is similar to BER to a large extent, although some authors limit the macro-level to monetary and fiscal policies<sup>17</sup>. The micro-level refers to support to individual entrepreneurs and firms and is about fostering entrepreneurship for SMEs as well as for large firms<sup>18</sup>. The meso-level is less clearly defined but typically refers to institutional networks and relates to building entrepreneurial ecosystems and sharing information.

- 12 White, Simon and Klim, Mikkel, 2021. Trends and lessons learned on improving framework conditions for Private Sector Development in the Global South. ELQ.
- 13 World Bank Group, World Development report 2005 ‘A better Investment Climate for everyone’, p. 2.
- 14 DCED, 2008, Supporting Business Environment Reforms; Practical Guidance for Development Agencies; p. 2.
- 15 DCED, 2019, BER Working Group, ODI, Promoting Economic Transformation through Business Environment Reform, Study Report, p. 6.
- 16 Stamer, Jörg Meyer, 2005. Systemic Competitiveness Revisited Conclusions for Technical Assistance in Private Sector Development, Mesopartner Working Paper No 14.
- 17 Vlado, Charis and Chatzinikolaou, Dimos. 2020. Macro, Meso and Micro policies for Strengthening Entrepreneurship: Towards an Integrated Competitiveness Policy. Journal of Business and Economic Policy, Vol 7, No 1.
- 18 White, Simon. 2015. Illusions and Opportunities in Sustainability and Entrepreneurship.

In practice, there is a grey zone especially around the meso- and micro-level as some consider the institutional conditions as part of the macro-level and others as part of the micro-level.

In recent years, quite some attention has been given to the role of the private sector to contribute to green growth and the climate goals. The linkages between framework conditions for PSD and green growth have so far not received a lot of attention. Some authors argue that the enabling conditions for green investment, such as policy reforms focusing on phasing out fossil fuel subsidies and on technical capacity building are important, and this is an area where development cooperation can be active<sup>19</sup>. Recently, experts started arguing for a change of the dominant PSD-agenda away from (green) funding of enterprises and promoting market-friendly mechanisms towards addressing the in-built problems of the market in relation to climate change challenges and developing appropriate policies and regulatory frameworks<sup>20</sup>.

### Objectives and principles

DCED distinguishes three objectives of BER: 1) reducing business costs; 2) reducing risks; and 3) improving the functioning of markets.

In addition, DCED developed some key principles for donor support to BER, such as:

- governments should lead and own reforms;
- due attention to good diagnostics is needed (political economy analysis) and a systematic approach as well as sequencing of reforms and stimulating the drivers of reform, as BER is both political and complicated;
- public-private dialogue (PPD) is an essential ingredient of BER;
- donor coordination is a necessity;
- the implementation gap that is typically found between the adoption of regulation or principles, and changing practice and enforcing regulations on the ground should be addressed<sup>21</sup>.

19 Naeeda Crishna Morgado and Bérénice Lasfargues, 2017. *Engaging the Private Sector for Green Growth and Climate Action: An Overview of Development Co-Operation Efforts*, OECD Development Co-Operation Working Paper 34.

20 Pistor, Katharina, 2021. The Myth of Green Capitalism.

21 DCED, 2008, Supporting Business Environment Reforms; Practical Guidance For Development Agencies. Evaluation Team Summary.

### Lessons from international literature

There are very few evaluations focusing specifically on FCs for PSD. The World Bank Group (WBG) is a key IC actor and, in 2015, the Independent Evaluation Group (IEG) published an evaluation of investment climate reforms<sup>22</sup>. This evaluation found that WBG efforts were successful in improving investment climate in client countries, as measured by number of laws enacted, streamlining of processes and time, or simple cost savings for private firms. However, the impact on investment, jobs, business formation, and growth was not straightforward, and the social value of regulatory reforms – that is, their implications for inclusion and shared prosperity as reflected in effects on a range of stakeholders – was not properly included in the design of reforms and the assessment of their impact. The evaluation also found that there was due attention paid to reducing costs to businesses but limited attention for broader societal impacts. Methodological limitations included dependence on Doing Business indicators<sup>23</sup>. Furthermore, it was stated that “a proper assessment of the impact of investment climate interventions must take into account that regulatory reforms should improve outcomes for society as a whole, not only for businesses”.

There are two broad evaluations available regarding PSD support by bilateral donors. The UK has been a main bilateral PSD donor, known also for its substantial framework conditions support. The Independent Commission for Aid Impact (ICAI) published in 2014 a review of UK’s PSD efforts<sup>24</sup>. In this report a distinction was made between macro approaches to trade policy and regulatory reform, mid-level development of market systems and micro support to small enterprises and individuals. The impact of individual programmes, particularly at the micro-level, was found to be positive; however at the portfolio level it was hard to identify the overall impact. Work at the mid- and macro-levels was found to be not very focused and with mixed results. PSD country portfolios were found to be not very coherent and balanced. The evaluation was critical on the lack of practical guidance and on the use of ToC as well as on insufficient capacity created to prepare and manage programmes.

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22 IEG WBG, 2015, Investment Climate Reforms, An Independent Evaluation of World Bank Group Support to Reforms of Business Regulations, which covered WBG efforts aiming to promote regulatory reforms to improve the conditions for firms to enter, operate, and exit in both domestic and international markets as well as in key sectors.

23 Already in 2014 limitations of the Doing Business methodology were becoming clear, but the DB ranking also inspired governments to take reform measures to improve the ranking. In 2020 the WB discontinued the DB ranking and at present the WB is developing a new approach to assessing the business and investment climate in economies worldwide.

24 ICAI, 2014, DFID’s Private Sector Development Work, Report 35.

The German Institute for Development Evaluation (DEval) published in 2021 an evaluation of Private Sector Engagement<sup>25</sup>. The focus was on the financing of companies, such as development partnerships with the private sector, and financing with companies such as co-financing. This means that no distinction between levels of PSD support was made and there was no explicit attention paid to framework conditions. Nevertheless, some of the findings are relevant for this Evaluation. Effects at outputs level are well measured; however, at the level of outcomes and impact, effects are either not examined at all or tend to be roughly estimated rather than measured. DEval has identified various external factors, which are called framework conditions, that are favourable for the achievement or non-achievement of the intended effects, including the alignment of the objectives of the activities with the objectives of donors and partner countries; macroeconomic, political and environmental conditions in the partner country; and the business administration and financial management skills of the actors involved. Important internal conditions that were identified as being crucial for overarching effects point to a high degree of flexibility in the implementation of activities, as well as the implementation of accompanying measures.

The linkages between FCs for PSD and green growth have so far not received a lot of attention, but recent evaluations of climate finance instruments have become available<sup>26</sup>; however, these do not shed much light on the importance of FCs.

## 2.2 Background of the four countries

The four selected countries provide a different context against which Denmark's FC-PSD support is evaluated. Three of the four countries – Ghana, Kenya and Tanzania – transitioned to lower middle-income status during the evaluation period 2008-2021, while Mali was categorised as a fragile state in 2012. In all four countries, the private sector consists of a relatively small more-or-less well organised formal segment and a large hugely diversified and mainly unorganised informal part. Of course, there are enormous variations among the four countries with Mali having the least developed private sector and Kenya with a more developed private sector. Danida aimed at improving the policy, legal, regulatory and administrative frameworks in these countries. In Kenya significant overall improvements are visible as shown in business surveys on the costs and ease of doing business. In Tanzania and Ghana,

25 DEval, 2021, Evaluation Synthesis and Report – Private Sector Engagement.

26 MFA Netherlands, IOB, 2021, Evaluation of climate finance – Funding commitments in transition and Belgium, SEO, 2022, Evaluation of the international climate finance.



there has been improvement of overall economic indicators such as GDP growth, increase of FDI and job creation, but the trends regarding change in the business environment and investment climate are less clear. In the following table some key characteristics of the four selected countries and the Danish relationship with these countries are presented<sup>27</sup>:

**TABLE 2.1: KEY CHARACTERISTICS OF THE FOUR SELECTED COUNTRIES IN RELATION TO DANIDA SUPPORT**

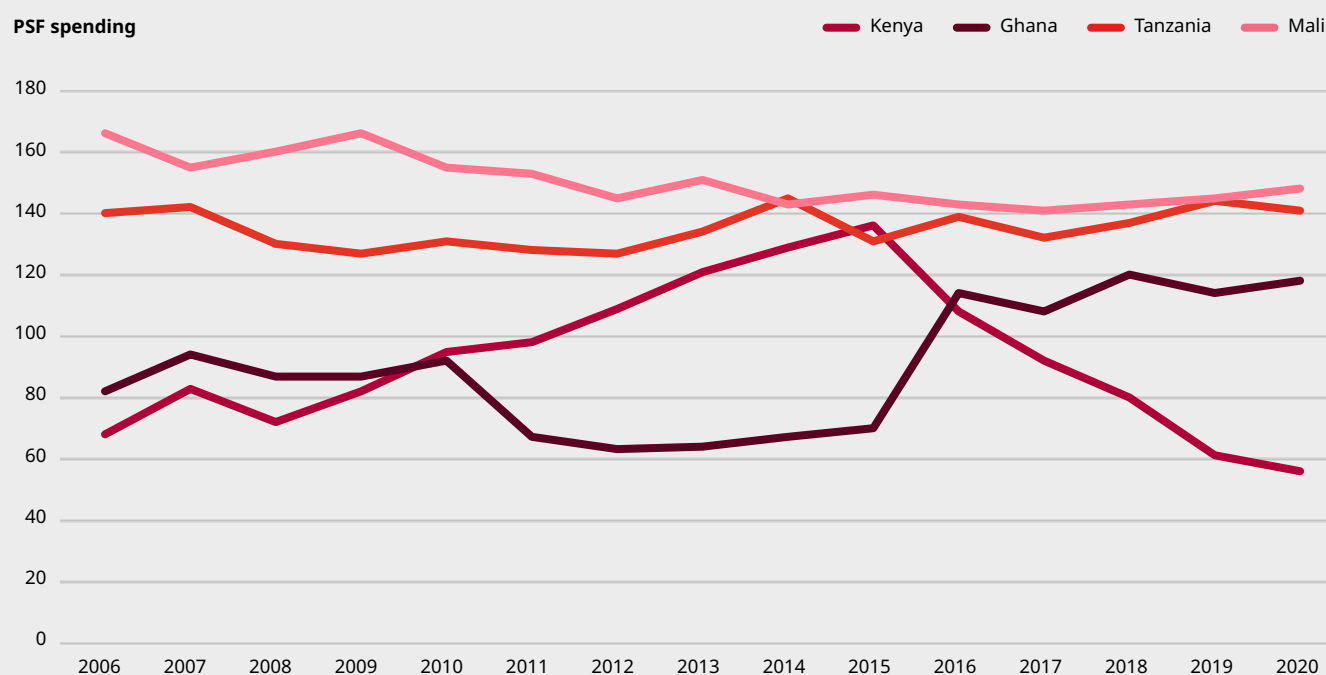
	<b>Kenya</b>	<b>Mali</b>	<b>Tanzania</b>	<b>Ghana</b>
<b>Income status</b>	Lower middle income since 2014.	Low income and fragile state since 2012.	Lower middle income since 2019.	Lower middle income since 2010.
<b>Key economic sectors</b>	Services (>50% of GDP), agriculture industry, and real estate.	Agriculture (40% of GDP), mining and service sector. Very limited manufacturing.	Agriculture, industry, mining and services (all around 1/3 of GDP).	Services (approx. 50% of GDP), mining and industry, agriculture.
<b>Characteristics private sector</b>	Regional economic hub, relatively well-developed industrial sector, large agribusiness vs smallholders.	Relatively vibrant private sector in a fragile country, largely informal.	Large informal sector and small formal private sector. Progress and some setbacks.	Large informal private sector, still some big state-owned enterprises. Progress and some setbacks.
<b>Investment climate</b>	Main improvements in IC/BER incl. PPD, well-developed financial markets.	Increasing fragilization leading to deterioration of most investment climate factors.	Good policy intentions, IC/BER improvements in some areas and setbacks in others.	Good policy intentions, IC/BER improvements in some areas and setbacks in others.
<b>Relationship Denmark</b>	Bilateral relations since 1963 including development cooperation and trade relations, large embassy in Nairobi.	Opening of embassy in Bamako in 2006, bilateral development cooperation programme. Since 2022, temporary suspension of aid to govt of Mali.	Bilateral relations since 1962 and first country for long-term development engagement. Phasing out of cooperation in 2023 and closing of the embassy.	Bilateral relations since 1958 including development cooperation.

Source: World Bank Ease of Doing Business reports and programme/project documents for the four countries.

<sup>27</sup> Political economy factors are also part of the key characteristics and are dealt with in Chapter 6.

In Figure 2.1 the change in the Doing Business (DB) ranking for the four countries is shown. The DB ranking is a proxy for changes in the business environment although it has clear limitations and has now been discontinued<sup>28</sup>. For quite some time, governments explicitly aimed to improve their ranking in order to attract more investments. The trend indicates a deterioration of the business environment in Kenya during the beginning of the evaluation period (2008-2015) followed by a strong improvement (2015-2020), a stagnation in Tanzania, a strong deterioration from 2015 in Ghana, and a slight improvement in Mali. Literature and interviews confirm, to an important extent, these overall trends in evolution of the business environment per country suggested by the DB-ranking. The possible exception is Mali, where interviews did not point at an improvement of the business environment. However, the ranking does not provide insight into a number of very important indicators and underlying trends.

**FIGURE 2.1 WORLD BANK DOING BUSINESS RANKINGS 2006-2020, FOUR SELECTED COUNTRIES**



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

28 The first Ease of Doing Business (DB) report was published in 2003 by the World Bank and provided objective measures of business regulations and their enforcement. The reports looked at domestic small and medium-sized companies and measured the rules affecting them throughout their lifecycles, resulting in a ranking of countries based on various indicators. Governments became interested in improving their ranking. Data irregularities in 2018 and 2020 led to investigations after which the DB reports were discontinued. The WBG is elaborating a new methodology to replace DB but this has not yet been approved.

## 2.3 Danish strategies for support to framework conditions

A brief overview of general Danida strategies and of country strategic frameworks<sup>29</sup> in the four selected countries, shows varying attention paid to supporting framework conditions for PSD. The fact that bilateral development cooperation has been phased out in Ghana and Tanzania affected the strategies. In Kenya, since 2016 there is increasing attention for green growth in line with general Danida strategies, which goes together with decreasing attention given to framework conditions in the portfolio (see Section 2.4). In Mali, PSD support is being continued but the country's increasing fragilization affects programming and implementation.

### General strategies

**TABLE 2.2: OVERVIEW OF STATEMENTS ON FRAMEWORK CONDITIONS IN DANIDA POLICY DOCUMENTS**

Date	Policy document	Statements
2011	Growth and Employment Strategy	"Market-driven growth requires a stable macroeconomic framework, the freedom of individuals to manage their own resources, predictable and rules-based governance, a conducive business environment, and sector specific information being available on market conditions and opportunities". "Denmark wishes to promote green growth" <sup>30</sup> .
2012	A Right to a Better Life	"Denmark will support developing countries in fighting poverty and creating sustainable development through green growth, increased earnings and more jobs, especially for the youth". "Denmark will contribute to strengthening international and national framework conditions for green growth and enhance coherence with environmental protection" <sup>31</sup> .
2017	World 2030	"Denmark will work to create favourable framework conditions for the private sector, so that it may increase its contribution to the Sustainable Development Goals in the developing countries and globally". "Elements of a "good business climate" are a well-functioning judicial system, proper institutions, land rights, etc" <sup>32</sup> .
2021	The World We Share'	"The aim is to: "Improve the framework conditions for the private sector in developing countries to generate economic growth, decent jobs and development. We will, for example, support the social partners (employers' organisations, trade unions and government) and promote fair and sustainable trade". Furthermore, to "Promote favourable framework conditions for green investments in developing countries, for example through innovative and stronger international cooperation in strategic sector cooperation". FCs are also mentioned in relation to public-private partnerships (PPPs) <sup>33</sup> .

While support to FCs is regularly mentioned in Danida strategies, no clear targets are set and no linkages to specific programmes or aid modalities are made. Most FC support has been provided through bilateral country programmes, as reflected in the portfolio analysis. Interviews with stakeholders at the MFA and at embassies indicated that around 2005, at the time of the Paris Agenda for Aid Effectiveness, the attention for FCs for PSD was being developed and subsequently became part and parcel of bilateral country programmes. Furthermore, interviews indicated that despite the continued attention for improving framework conditions in recent Danida strategy documents, in practice, there is less attention given to FC support and no strategic guidance provided in this regard. This is reflected in the portfolio, which shows decreasing FC support (see Section 2.4).

In recent policies and strategies, Denmark emphasises the aim to ‘lead the fight to stop climate change and restore balance to the planet’<sup>34</sup>. Green growth is a priority since 2011 and is first mentioned in the “Growth and Employment Strategy”, while it became one of four overall thematic areas of development assistance in the “A Right to a Better Life” strategy. This priority has been reinforced as reflected in Table 2.2. Promoting green growth is both a policy objective as well as a thematic area of assistance in Danish support that has replaced PSD. Green growth includes support at the macro-level and aims to strengthen the international and national frameworks<sup>35</sup>, as well as support at the meso and micro levels. Green growth is also considered as a cross-cutting issue (see Glossary of terms).

In 2020, the MFA revised the Aid Management guidelines “to include concrete guidance on how to build stronger and closer collaboration between embassies/missions and the MFA in Copenhagen and stronger synergies between multilateral and bilateral partners as well as civil

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- 29 Denmark prepared country programmes, country strategies or country policies for all four countries during the evaluation period, and different names were used for these country strategy documents. Denmark prepared a country strategic framework for Kenya for the period 2021-2025.
- 30 MFA, Danida, Strategic Framework For Priority area Growth and Employment 2011-2015, p. 13 and p. 6.
- 31 MFA, Danida, The Right to a Better Life, Strategy for Denmark’s Development Cooperation, June 2012, p. 16.
- 32 MFA, Danida, The World 2030, Denmark’s strategy for development cooperation and humanitarian action, Jan 2017, p. 28-29.
- 33 MFA, Danida, The World We Share, Denmark’s Strategy for Development Cooperation, August 2021, p. 26, p. 37, p. 42.
- 34 MFA, Danida, The World We Share, Denmark’s Strategy for Development Cooperation, August 2021, p. 7.
- 35 MFA website: <https://um.dk/en/Danida/Strategies-and-priorities/strategic-framework/growth-and-employment-strategy-2011-15>.

society, private sector and other possible change agents”<sup>36</sup>. The aim is to adopt a more holistic, coherent, flexible and adaptive approach to development cooperation.

### **Strategies at country level**

For all four countries, Denmark has prepared four or five-year strategies in which choices for sectors to be supported and main aid modalities are explained against the background of general Danida strategies, partner country strategies and main development challenges<sup>37</sup>. In the bilateral country programmes or partnership documents, in almost all cases three sectors were selected for which specific sector programmes were formulated, including business support or private sector support programmes.

From 2005 to 2010, there was considerable attention for assistance to FCs in these PSD support programmes. BER assistance to government formed the backbone of this support, indicating Danida’s adherence to the aid effectiveness agenda. If possible, the BER support to the government was provided through joint donor programmes or budget support (Ghana and Tanzania). An important early strategic choice made in three of the four countries (except Mali) was to provide separate funding to newly established BAFs to strengthen the public private dialogue. While the BER support via government as the duty-bearer was considered as the supply-side of reforms, the BAF support was considered as the demand-side of reforms. This was in line with international thinking as PPD is an important part of BER, but the specific attention for BAF support can be considered as a specific Danida innovative approach.

The available country strategy documents from later years do not provide much insight regarding strategic choices on providing FC support as part of the PSD programmes. BAFs were continued until 2020-21, but BER-support to governments stopped around 2008-2010, with the exception of Mali, where it was resumed in 2017 implemented by the WBG. The changes in bilateral relations with Ghana and Tanzania (see Section 2.2) considerably affected the strategic choices in these countries. However, the country strategies mainly refer to business environment in a general way:

- The 2014-2018 Denmark-Tanzania country strategy does not refer to framework conditions, neither to BER nor to investment climate<sup>38</sup>.

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36 MFA, Danida, Evaluation Policy For Danish Development Cooperation, December 2020, p. 5 Box 1, Doing Development Differently.

37 However, in most cases only recent country strategies – from 2015 onwards- are available, which complicates the analysis although interviews and the portfolio provided further insights.

38 Danida, Denmark – Tanzania Country Policy Paper 2014-2018.

- The 2014-2018 Denmark-Ghana strategy for the same period refers to framework conditions such as “slow public sector, low skills level, unreliable power supply, weak infrastructure, lack of transparency of business conditions, and corruption”<sup>39</sup>. The analysis is presented entirely from the perspective of Danish business interests.
- In the 2016-2020 Kenya country programme, only once is investment climate mentioned, indicating that the Kenyan government and private sector are mainly focused on ‘business as usual / brown economy model’ and the switch to a green economy is perceived to be difficult, but support to government and BAF will continue to be provided<sup>40</sup>.
- For the most recent (2021-2025) Kenya strategic framework, the aim is to develop a more integrated strategic framework in line with the DDD approach. Therefore, sector or thematic programmes were abandoned and replaced by overall thematic objectives, including green, sustainable and inclusive growth for PSD support<sup>41</sup>. Stakeholders explained that the focus has shifted further to direct support to the private sector to contribute to inclusive green growth and that less support to framework conditions would be provided. This is confirmed by the portfolio analysis, although no full overview is available of total Danida FC-support, given the problems with the availability of portfolio data.
- For Mali, the increasing fragilization of the country since 2012, affected strategic choices, especially the aid modalities. Government to government support was stopped in 2012 and for PSD. was replaced by direct micro-level support to private sector and FC-support via private sector organisations. BER support was resumed in 2018 and suspended in 2022.
- None of the country strategies formulated clear objectives regarding an improved business environment or investment climate, which are then linked to the overall country strategic objectives for Danish support. Specific objectives are mainly formulated at development engagement level. In recent country frameworks, such as for Ghana and Kenya, reference is made to market opportunities for Danish companies and investors, which might be affected by the business environment. However, no clear analysis of different interests of Danish and local business

39 Danida, Denmark – Ghana Partnership Policy 2014-2018, p. 15.

40 Danida, Kenya Country Programme 2016-2020, p. 20.

41 Danida, Denmark-Kenya Strategic Framework 2021-2025.

is presented<sup>42</sup>. This means that, in practice, there are no strategic objectives or ToCs underpinning the FC-PSD support.

## 2.4 Portfolio analysis, key terms and main themes

A portfolio analysis has been conducted to identify the Danish support to FCs for PSD in the four selected countries. Based on the international literature and the portfolio analysis, six key areas of FC support were identified (see text box) and formed the basis for the sampling. A distinction is made between macro-level support and micro-level support, whereas the macro-level FC support is the focus of this Evaluation. The macro-level support includes all investment climate (IC) and BER support as a sub-set of IC. A narrow definition of BER has been applied focusing on government reforms of the business environment with trade facilitation as a specific focus area of BER. As an enabling business environment also refers to a green business environment, BER and green growth (excluding the micro-level support) have been merged. Given the specific attention to business advocacy, this is classified as a separate FC-theme and not as part of BER<sup>43</sup>. The remaining three themes – labour markets, skills development and infrastructure development – are considered as broader IC themes (see Glossary above for definitions)<sup>44</sup>.

Details of the portfolio analysis are presented in Annex D. There have been a number of challenges related to the portfolio analysis:

- Commitment and disbursement figures were very difficult to find. In some cases, no expenditure figures were available and, in those cases, it was checked whether the programmes were implemented, and commitment figures were used for expenditures as well.
- In a number of cases FC-support and direct support to enterprises has been combined and it was not possible to separate the FC-support.

Danida FC-support commitments during the evaluation period were DKK 1.916 billion and disbursements were DKK 1.794 billion (see Table A4.3). Figure 2.2 below, shows the evolution of Danida FC-support during the evaluation period, showing an initial increase in support

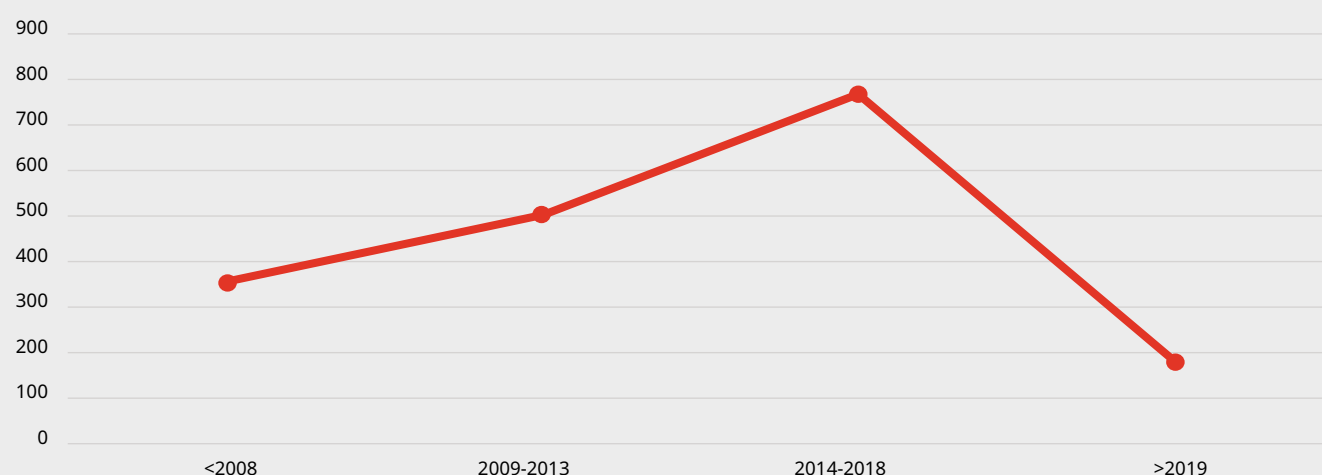
42 Denmark-Kenya 2021-2025, "Promote green, sustainable and inclusive economic growth and decent jobs with an emphasis on youth as well as market opportunities for Danish companies and investors with relevant solutions".

44 A broad definition of BER would also include PPD. In fact, there is grey zone between the definitions of BER and IC as part of FCs, while in some cases direct PSD support and FC-support may overlap as well, which complicates the analysis.

44 See Annex B for an overview of all FC themes listed in the ToR.

up to the period 2014-2018, followed by a sharp decline. Especially in the area of GBER, there is a noticeable decline (with the exception of Kenya where the focus was on GG, see Chapter 3, Figure 3.1). BAFs were mainly responsible for the increase up to 2014/18. In 2020, most FC-support came to an end for different reasons: the bilateral cooperation programme and the Danish embassy in Tanzania will close, the Danish partnership with Ghana focuses on trade rather than aid, in Kenya the focus has shifted to direct GG support and in Mali the fragilization affects the bilateral cooperation.

**FIGURE 2.2: EVOLUTION OF DANIDA FC-SUPPORT IN FOUR SELECTED COUNTRIES, 2008-2021, IN DKK MILLION<sup>45</sup>**



Source: Calculation based on programme and project documents for the identified FC-support in the four countries.

Figure 2.3 shows the disbursements per FC-theme per country. In terms of volume of support, GBER is most important (DKK 622 million in commitments and DKK 515 million in disbursements) followed by BAFs (respectively DKK 545 million and DKK 532 million, including Mozambique). Trade facilitation and skills development both have total commitments and disbursements above DKK 200 million. Kenya received most FC support and Mali least (see Annex D, Figure A.4.3).

Due to problems with collecting portfolio data, the total volume of direct PSD-support in the four countries is not available. The number of Development Engagements (DEs) concerning direct PSD support has

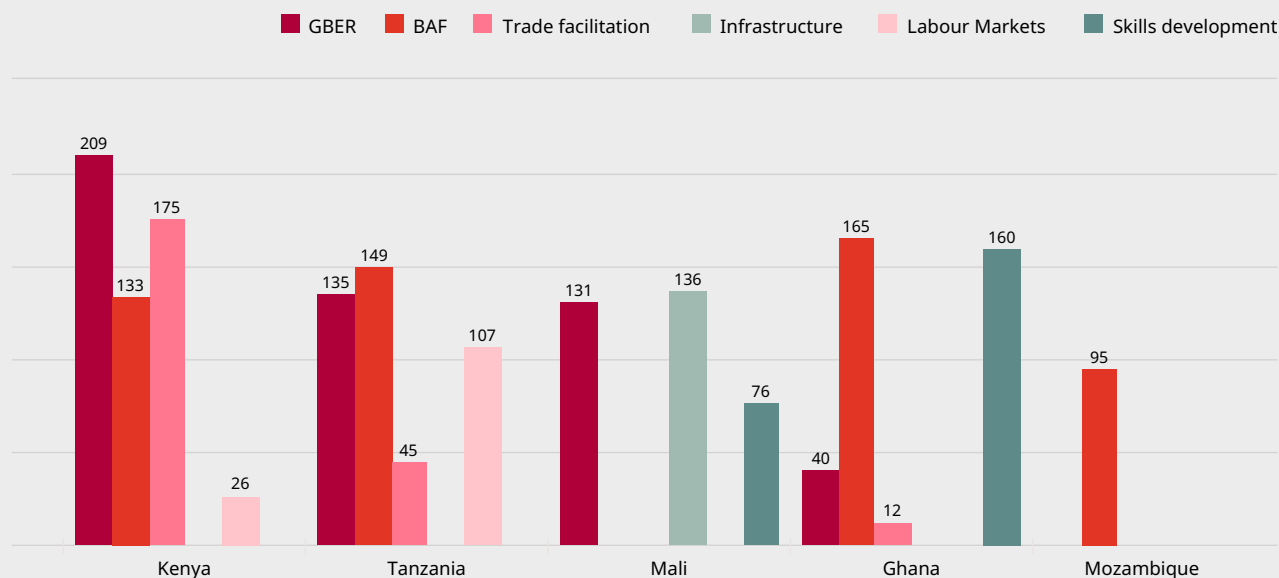
42 Calculation based on the period of implementation and divided among the years. Some margin of error in precise amounts, but the trend is clear. The trend for 2014-2018 is in practice less steep, as two main BER programmes in Ghana and Tanzania were never implemented and no disbursements took place.



increased over time compared to the number of DEs concerning FC-support, while also the volumes for direct support were larger. On the basis of the available portfolio data, it is estimated that the volume of FC support over the entire evaluation period 2008-2021 is approximately one quarter to one third of total bilateral PSD support, with a declining share over time.

Regarding aid modalities, a wide variety of modalities has been used. Before 2010, primarily direct support to partner country governments was provided (sometimes together with other donors), but that modality almost completely disappeared. The BAFs were all contracted out to consulting companies. In Chapter 6 aid modalities are further discussed.

**FIGURE 2.3: DISBURSEMENTS PER FC-THEME PER COUNTRY, IN DKK MILLION, 2003-2021**



Source: Calculation based on programme and project documents for the identified FC-support in the four countries.

In addition to the bilateral support, it was found that some global PSD programmes, i.e., PSD programmes managed directly from Copenhagen, focused to some extent on FCs:

**Strategic Sector Cooperation (SSC)** promotes Danish societal solutions that, over time, have developed into partnerships between the public and private sector as well as special interest organisations<sup>46</sup>. The objective of the SSC programme is to “promote a socially just green transition and contribute to sustainable growth and resilient development for people in partner countries.” It is in principle supply-driven and based on Danish solutions while looking for a demand in countries where Denmark is active. In Ghana and Kenya some SSC

interventions were analysed to assess relevance and coherence in relation to FC support (see Chapter 6).

**Danida Sustainable Infrastructure Finance (DSIF)** (formerly Danida Business Finance DBF) provides access to finance and can leverage finance for sustainable infrastructure projects in developing countries<sup>47</sup>. In Mali some linkages with DSIF/DBF have been explored (see Chapters 5 and 6).

**Partnering for Green Growth and the Global Goals 2030 (P4G);** Leading international PPP forum to deliver on SDGs and climate goals initiated by Denmark. An attempt was made to explore linkages to FC support in Kenya, but limited evidence could be found (see Chapter 6).

In Annex D, more information on other global PSD programmes, multilateral and NGO support is presented.

## 2.5 Theory of Change

In line with the theory-based approach, a ToC was reconstructed during the inception phase of the Evaluation and validated and subsequently adjusted during implementation (see Figure 2.4)<sup>48</sup>. The assessments of international literature review (Section 2.1), Danida strategies (see Section 2.3), and the portfolio analysis (Section 2.4) formed the basis for the ToC. The reconstructed ToC of the Evaluation does not necessarily match the ToC of the interventions evaluated. In the interventions, outcomes and intermediary outcomes were often indicated at a lower level than in the Evaluation ToC. The results chain at the centre links the inputs with the overall impact and includes the following elements:

- The impact is related to overall Danish development objectives;
- For the inputs a distinction is made between the various instruments of support and, in particular, between macro-level FC support and micro-level direct support to private sector;
- At the level of activities, the six FC-themes form the basis, where GBER has been combined with trade facilitation as these are closely related types of support;
- At the outputs and intermediary outcomes level, which received most attention in the programme documents, direct results of the support are mentioned including capacity building;

46 <https://thetradecouncil.dk/en/services/growth/strategic-sector-cooperation>

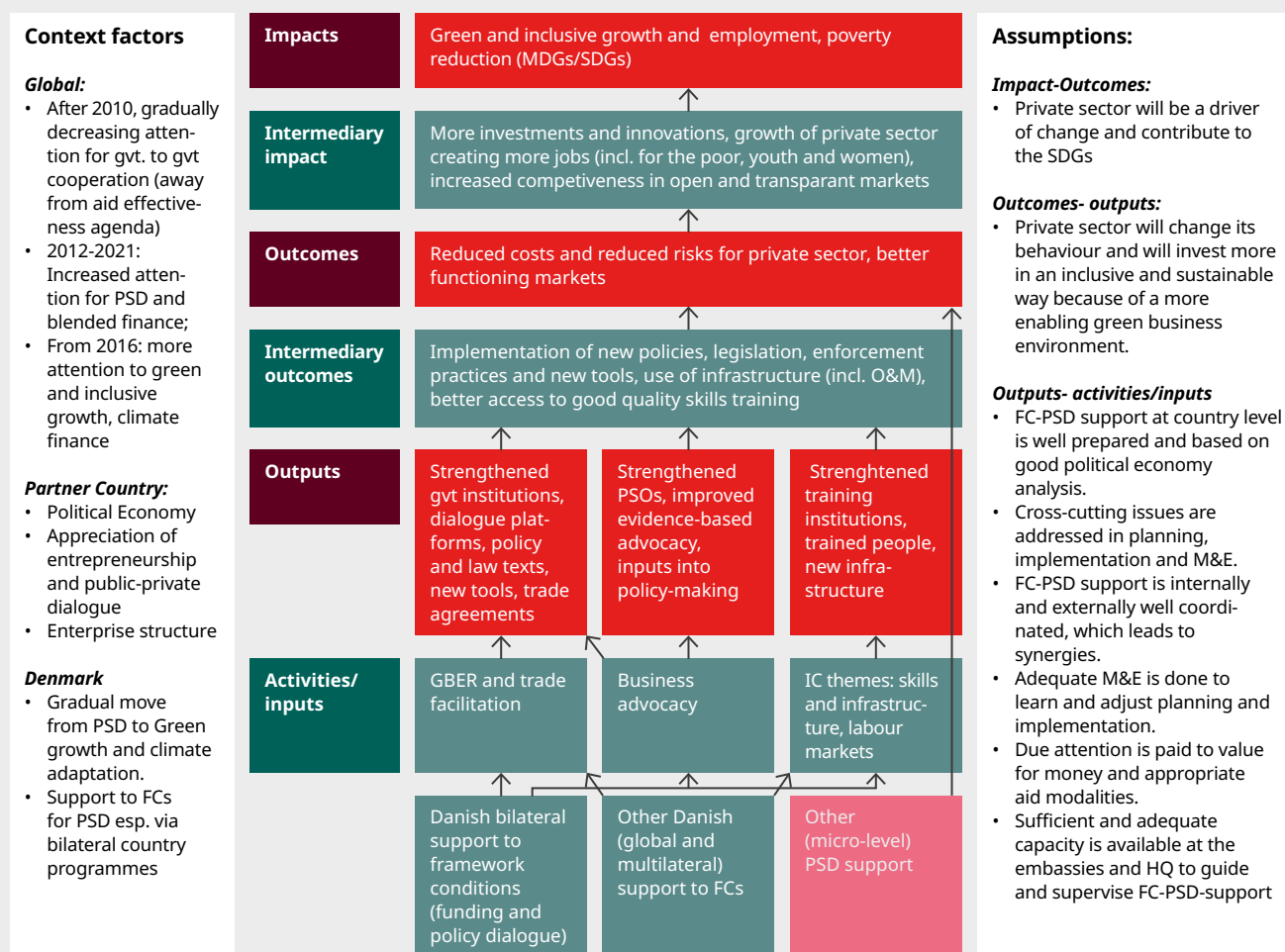
47 <https://www.ifu.dk/en/danida-sustainable-infrastructure-finance-en>

48 Specific ToCs for the Mali and Kenya country studies have been made.

- The outcome-level is crucial as it focuses on actual perceived changes for the private sector and reflects the DCED objectives for FC-support.

The underlying assumptions refer to underlying conditions or resources that need to exist for planned changes to occur. At the higher level, it is assumed that positive changes for the private sector as a result of FC-support will lead to changes in behaviour of businesses and that the private sector will actually become a driver of change in society. At the lower level of relations between inputs-activities and outputs, the assumptions have been derived from guiding principles in international literature, but also from Danida strategic documents such as the importance of good programme preparation including political-economy analysis, attention for internal and external coherence and coordination, importance of M&E for learning, and capacity issues. In the context factors, the evolving international and Denmark's agenda is reflected.

**FIGURE 2.4: RECONSTRUCTED THEORY OF CHANGE DENMARK'S SUPPORT TO FRAMEWORK CONDITIONS FOR PSD**



### 3. FINDINGS REGARDING SUPPORT TO GREEN BUSINESS ENVIRONMENT REFORM

In this chapter, main findings regarding the relevance, effectiveness and sustainability of the Danish support to GBER – the first main FC-theme – are presented based on the ToC and indicators in the evaluation matrix. The rationale for merging traditional BER support with macro level (framework conditions) support to GG is based on Danida policies and has been presented in Chapter 2 and in the glossary of terms. Explanatory factors are discussed at the end of the chapter. The EQs regarding impact, coherence and efficiency of GBER support are answered in Chapter 6 related to all six FC-themes.

#### MAIN FINDINGS REGARDING DANISH CONTRIBUTION TO GREEN BUSINESS ENVIRONMENT REFORM:

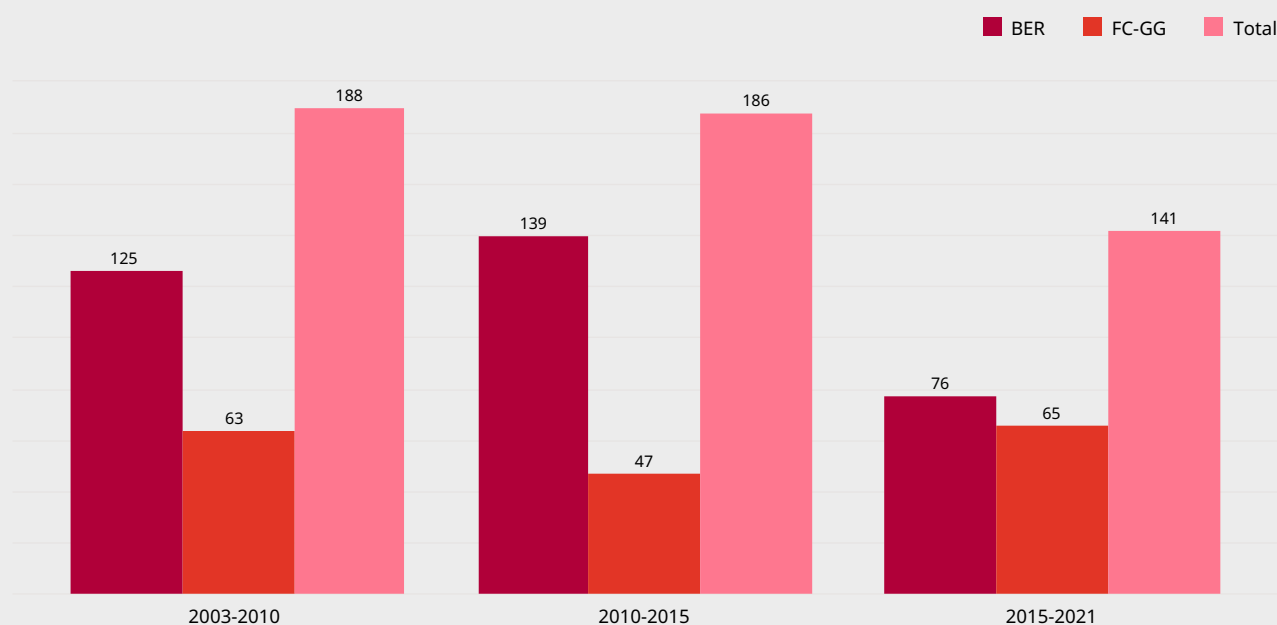
- Danish support to GBER has been primarily based on government needs and to a lesser extent on expressed private sector needs. Nevertheless, Danish support focused on relevant areas of support such as the enabling green environment, commercial justice and business registration.
- With the exception of GBER support in Kenya, Danida's BER support was characterised by short periods of support and frequent changes in focus and aid modalities, which negatively affected relevance.
- GBER support did lead to a large variety of different outputs at meso level in specific areas, such as the commercial courts in Ghana, business registration, and capacity strengthening of government institutions. However, in terms of intermediary outcomes, realised results remained below expectations.
- There is very limited evidence regarding outcomes for the private sector. Some positive scattered evidence has been found regarding reduced time for business registration, reduced energy costs due to the introduction of energy audits and less time in courts.
- Main explanatory factors for the limited achievements of GBER support at outcome level despite some positive exceptions are: limited willingness to reform from governments, limited engagement of the private sector, very ambitious and complex programme design with unclear results frameworks, insufficient use of PEA, and change of donor priorities, which led to early ending of many programmes rather than adjustment.

### 3.1 Background

Main features of Danish GBER support are (see also Table A4.10 in Annex D):

- GBER-support consist of a mix of traditional BER-support and FC-support related to GG. The FC-GG support was only provided in Kenya and did not exclusively focus on private sector.
- As illustrated in Figure 3.1 Denmark provided GBER support with total commitments of DKK 622 million and total expenditures of DKK 515 million. Traditional BER-support declined during the evaluation period.
- Until 2010, Denmark joined general donor support programmes for BER in Ghana and Tanzania, which was in line with the aid effectiveness agenda that Denmark adhered to. While it was planned to continue this joint support, in both countries this was not implemented, which largely explains the difference between commitments and disbursements;
- GBER support has been provided mainly at national level, but in all countries more or less attention has been paid to the sub-national level as well (Mali, explicit regional focus 2008-2012; Tanzania, Local Investment Climate 2013-2019, Ghana 2003-2009 business registration and commercials courts national and local level, Kenya 2005-2020 GG activities at county level esp. from 2010 onwards);
- The FC-GG support provided in Kenya was related to environmental/natural resources support and remained relatively stable over time as shown in Figure 3.1. However, this support came to an end in 2021 and no new FC-GG is planned in the new strategic country framework;
- The dominant aid modality has been government to government support, sometimes with Technical Assistance (TA). In recent years – Mali and Tanzania – some contracting out of BER-support has taken place respectively to IFC and to a management consulting firm;
- The number of GBER projects as well as the volume of support declined over the years.

**FIGURE 3.1 EVOLUTION OF GBER SUPPORT IN SELECTED COUNTRIES OVER TIME, DISBURSEMENTS IN DDK MILLION, 2003-2021**



Source: Calculation based on programme and project documents for the identified FC-support in the four case countries.

## 3.2 Relevance

### Addressing the needs of governments and private sector

Danida GBER support did aim to address the needs of government and the private sector regarding improvement of the (green) business environment. As the programmes were supply-driven, government BER policies and needs determined, to an important extent, the set-up of these programmes. At the same time, with important variations across programmes and countries, private sector needs were addressed.

The design of the 'traditional' BER support (i.e., not focused on a green enabling environment) in the four countries was mainly based on the government's perceived willingness to reform the sector, which would allow the private sector to grow. Most of this support was provided from 2003 to 2010 (2012 in the case of Mali). This was the time of national poverty reduction strategies, in which, typically, the private sector was considered as an engine for growth and seen as instrumental in achieving the poverty reduction targets. For example, in Ghana the government declared 'the golden age of business' and decided to set up the Ministry for Private Sector Development to take forward its vision. The Government of Ghana signalled, at the highest level, its intention of putting in place strategies and policies that would allow a vibrant business sector to develop. Also in other countries, similar

intentions were declared, and donors were very willing to support the governments to remove business constraints and improve the business environment. The main focus of PSD in these early days was on creating an enabling business environment and an adequate investment climate, as it was assumed that this would encourage businesses to invest more and attract foreign direct investments. Although it was assumed that private sector would be engaged in (G)BER in line with international best practice, this was only to some extent the case (for example, in Kenya), which negatively affected relevance. However, this aspect can be further analysed for the specific areas of GBER support, which are shown in Table 3.1.

**TABLE 3.1: MAIN AREAS OF DANISH GBER SUPPORT IN THE FOUR SELECTED COUNTRIES**

Areas of GBER support	Kenya	Mali	Tanzania	Ghana
PSD/GG policies and strategies	●	●	●	●
Capacity-building govt (and private sector) institutions	●	●	●	●
Commercial justice		●*	●**	●
Business registration		●	●	●
Public-private dialogue	●	●		
PSD/GG Research	●	●		
GG planning tools and implementation	●			

Source: Programme and project documents for the identified core sample GBER-support in the four countries.

\*Planned, not implemented, which may be related to the vast financial resources to this area allocated from the World Bank and Netherlands government.

\*\* before the evaluation period.

In all traditional BER support provided by Denmark, it was the aim to address key constraints for the private sector. However, given the large number of constraints it was not always easy to make good choices. All BER-support programmes aimed to contribute to changes in the policy, legislative and regulatory frameworks. As most 'traditional' BER support (excluding FC-GG support in Kenya, and local investment climate in Tanzania) was based on government policies indicating priority areas of attention, donors including Denmark followed these national priorities. The GG support in Kenya was originally part of the environmental/natural resources management sector programmes, and, therefore, the focus was broader than only the private sector.

An important government priority area was the elaboration of new PSD policies and legislation, for which governments requested donor support in all four countries concerned. Capacity-building of government institutions is directly related to the government's interests in new policies. In most countries a broad range of issues was addressed, such as the revision of the Companies Code, work on Intellectual Property Rights in Ghana, and the Tanzania Investment Centre (see Annex E for details). The areas of 'business registration' and commercial justice are more practical areas of support that did meet the expressed needs of the private sector, primarily by reducing case-handling time and red tape. Businesses use considerable time and money to obtain their registration and the necessary licenses, including their annual renewals. Digitising the process avoids travel and processing time and reduces the risk of corruption. An effective and credible commercial justice system is important for settling disputes. Broader investment climate issues such as infrastructure (including ICT), energy, and finance received less attention.

In some countries, in particular Mali and Kenya, attention was also given to capacity-building of private sector organisations (PSOs) in combination with the PPD. However, given the specific Danish focus on separate PPD support via BAFs, these areas received relatively limited attention in the Danish GBER support. Denmark saw both government and the private sector as entry points for FC-PSD support, which was the reason that business advocacy became a second important FC-theme. Whether the complementarities between the supply-driven BER-support and the demand-driven BAF support were fully exploited, will be discussed in Chapter 4.

Finally, the development of new GG tools at national and sub-national level in Kenya, such as guidelines for Strategic Environmental Assessments, a green public procurement framework, a Rapid Environmental Response Framework and energy audits, responded to both government and private sector needs. However, regarding compliance issues, government and private sector may have different interests.

This analysis shows that the Danish support to BER mainly responded to government priorities in relation to PSD, with little private sector involvement. PPD mechanisms in Kenya became quite well developed over time, but remained deficient in the other three countries, although in Tanzania at local level some dialogue mechanisms were developed.

### **Quality of programme design**

BER-programmes tend to be quite ambitious with many different areas of support and a complex institutional set-up involving many ministries and government agencies. This was the case in all four countries, especially in the joint programmes in Tanzania and Ghana where the



overly ambitious programmes involving many institutions negatively affected performance. In Ghana, specific Danish BER-support included the establishment of a separate Business Law division in the Ministry of Justice, which was not well thought through and added a layer of complexity. In Kenya, traditional BER-support remained relatively limited with two small projects: support to a National Economic Advisory Council and elaboration of a PSD strategy. However, even these small projects had a relatively broad focus. In Mali, BER support focused on a large number of issues at different levels in a very complex institutional setting; however, during programme implementation, support areas were abandoned, and new focus areas were developed. This led to a lack of continuity.

The problems with complex and overambitious programme design were recognised and led to rather drastic changes in programming. When Danida became aware of implementation problems that were related to design issues, there were limited attempts to address the design issues by adjusting the programming. Instead, the Danish cooperation with the partner was ended. The drastic changes led to a lack of continuity of BER support. The GG support in Kenya has been the only exception where there was continuity of support. In line with good practice, GBER support in Kenya was provided for 15 years and was ended in 2021.

### **Use of political economy insights in design and implementation of GBER support**

One of the (sub) evaluation questions and underlying ToC assumptions is to what extent political economy analysis (PEA) has informed the design and implementation of Danida FC-PSD support. PEA aims to provide an understanding of the prevailing political and economic processes in society – specifically, the incentives, relationships, and distribution and contestation of power between different groups and individuals<sup>49</sup>. It is about finding the entry points or ‘drivers of change’ for politically smart interventions, which is particularly important for changing the business environment. PEA insights have only informed the Danida GBER support to a limited extent. While programme documents and interviews showed awareness of political economy considerations, the analyses have mainly remained limited to institutional analysis and analysis of organisational capacity of specific actors, such as government organisations.

While the government of Ghana declared ‘the golden age of business’ in 2003, literature indicates that for Ghana even though governments showed “some commitment to supporting a viable private sector, that commitment has, at the same time, been undermined by government’s

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49 Such an analysis can support more politically feasible and therefore more effective development cooperation support, including FC-PSD support by setting realistic expectations of what can be achieved, over what timescale, and the risks involved.

own fear of a strong private sector acting as a countervailing force and thereby weakening their monopoly over neopatrimonialism”<sup>50</sup>. This was confirmed in interviews in Ghana. In an interesting analysis of the lack of economic transformation in Ghana, Whitfield points at competitive clientelism – a combination of political elite fragmentation and polarisation – and a weak domestic productive sector in Ghana<sup>51</sup>. The polarisation forced political elites to satisfy a large number of distributional demands in order to remain in power. This led to political stability, because even when ruling factions changed, economic policies did not change fundamentally. The economic growth was based on some export commodities, but mainly on large growth of the service sector and it was consumption-driven. At the same time, so-called domestic capitalists in productive sectors continued to face the same investment climate constraints, while foreign investors were not able to connect to the ruling elites to bring about change in the overall business environment. This explains the relatively stagnant situation and the challenges regarding BER support in Ghana.

In Kenya, interviewees showed awareness of the relative strengths and weaknesses of main government and private sectors actors relevant for the green enabling environment. Strengths and weaknesses of these actors were considered to some extent in the programming and implementation of support. However, more in-depth political economy analysis, for example of the main drivers for green growth in Kenya and the main obstacles, network relations, informal power, could have better informed programming. For example, two main government actors for green growth<sup>52</sup> were supported for fifteen years, but the strengths and ability of these organisations to influence overall government policies were not analysed.

In Tanzania, interviews indicated that vested interests were considered an important explanatory factor for the slow pace of some reforms. The ruling party’s interests to build alliances and political settlements that can keep them in power has influenced political agendas and reform initiatives, private investors have influenced the agricultural policy and especially its implementation at local level, for instance in relation to land issues<sup>53</sup>.

50 Ackah, Charles et al, 2010. State-Business Relations and Economic Performance in Ghana, IPPG Discussion Paper Series Thirty-Five.

51 Lindsay Whitfield, 2018, Economies after Colonialism, Ghana and the Struggle for Power.

52 The Ministry of Environment and Natural Resources (MENR) later renamed Ministry of Environment and Forestry (MEF) and the National Environmental Management Authority (NEMA).

53 Eriksen, S.S, 2018. Tanzania: A political economy analysis. Norwegian Institute of International Affairs.

In Mali, there is one main body (CNPM) in charge of private sector coordination, representing its interests, which receives substantial annual allocations from the government and from its members such as the mining companies (estimated annual budget € 2 million per year). These resources are distributed among the member organisations including chambers of commerce, professional organisations at national and regional level, etc. The current leadership crisis, which is fought out in court, shows the divergent interests. From 2013 to 2018, Denmark provided BER and business advocacy support to this body, and it was necessary to clearly identify and mitigate the risks of this sensitive support. This was indeed done to some extent although the analysis remained more at the level of a stakeholder analysis rather than real PEA in which the interests and formal and informal power relations were taken into account.

### **Cross-cutting issues: gender equality**

In the GBER-programmes, in most cases limited attention was paid to gender equality as a cross-cutting issue. In Mali, for the first PSD programme period, considerable attention was paid to the analysis of the role of women, both women entrepreneurs as well as attention regarding their role in decision-making, equal access to services, capital etc. A deliberate choice was made at the time not to create a separate component for women but to opt for an approach focused on gender equality and mainstreaming. Specific indicators for women's participation were set but hardly reported upon. For the second period of BER support (2013-2018) gender issues were only marginally addressed. In the third period (2018-2022), some specific problems that women and youth are facing when setting up their own businesses or finding employment were mentioned in documents, without any clear action being taken for some time. At the initiative of UN Women, a Women's Business Centre was set up that became part of the ongoing BER-programme. This centre is an operational single window for women that ensures women entrepreneurs have access to opportunities guaranteed by the Investment Code. In fact, this is meant as direct support to women-entrepreneurs. This development shows that, from a gender mainstreaming approach, the focus shifted to direct support for a limited number of women, while gender equality was not addressed as an integral part of the framework conditions.

In Ghana, BER programme documents did not refer to the strong role women play in Ghanaian business and the private sector<sup>54</sup>, and it is the only country where female entrepreneurship is more dominant than male entrepreneurship. In Tanzania, on the other hand, the local BER

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54 According to the Global Entrepreneurship Monitor in 2010, the rate of women engaged in early entrepreneurship activity in Ghana was 60%, compared to 42% for men.

programme during the last phase of support (2016-2020) was designed to ensure that interventions were gender and youth specific as well as pro-poor, which was reflected in the choice of value chains. For example, adequate representation of women in PPD was given due attention and is now part of the sub-national PPD guidelines.

### 3.3 Effectiveness

#### Outputs/intermediary outcomes

The ToC (see Figure 4) presents outputs and intermediary outcomes that are the direct results of GBER support and additional indicators for these result levels are included in the evaluation matrix. At the level of outputs, strengthened institutions, dialogue platforms and new policies and regulations are expected, while the intermediary outcome level is about actual implementation of new policies and regulation and improved public services delivered to the private sector. In Annex E, Table A5.1, a detailed overview table of achieved outputs and intermediary outcomes of GBER support across the four countries is presented per area of intervention.

#### COMMERCIAL COURTS GHANA: A POSITIVE EXAMPLE IN A PROBLEMATIC BER PROGRAMME

In 2003, the normal court system faced constraints to enforcing commercial contracts and dealing with commercial disputes. Therefore, Denmark agreed to provide support and other donors joined later. A national Commercial Court (including a new building and training) was established in 2005, followed by 11 local commercial courts by 2010. The Ghana Commercial Court is reported to have become a model institution in the region. The Alternative Dispute Resolution mechanism, which was developed as part of the support, led to approximately 75% of cases being handled through mediation within three months as against cases at the regular courts dragging on in most cases for several years. Strong leadership at the Ghana side is one of the explanatory factors for the good results.

The overview shows that in some BER support areas, such as business registration, and development and implementation of GG tools, there was good progress in achieving the expected outputs. However, for some areas of intervention, such as development and implementation of new policies, it is not possible to assess whether good progress has been made. While there is good information on strengthening of government

institutions due to BER support (in particular in Kenya and Mali), there is limited information on the adoption of new policies, laws and regulations, which can be considered as the core of BER support. The preparation of new texts has not been the main constraint, but rather the adoption of new policies. Even when policies have been formally adopted, they might not have been implemented. The exception is the Danish contribution to adoption of various GG laws in Kenya, such as the National Climate Change Response Strategy (2009), the Environment Management and Coordination Act (2015), the Climate Change Act (2016), The Green Economy Strategy and Implementation Plan (2016). Also, for these laws, implementation was sometimes problematic, but over time clear changes have become visible, such as more enforcement of green laws at national and county level and some improved compliance by private sector. However, there is no evidence on actual mainstreaming of GG policies.

In the more concrete areas of support (business registration (Tanzania and Ghana), and commercial justice Ghana, see text box) a variety of outputs and intermediary outcomes were found to which Danish support contributed. Nevertheless, hardly any progress was made in the same areas (business registration in Mali, and commercial justice in Tanzania prior to the evaluation period), in part because there was no agreement regarding the objectives and the type of support needed (see Annex E, Table A5.1). Nevertheless, it is not possible to generalise and to draw firm conclusions. Performance varied substantially per country, with Mali as most problematic country (see explanatory factors below).

## **Outcomes**

In Table 3.2 an overview of outcomes of BER/GG-support in the four countries is presented in line with the ToC (see the country reports for more details and sources), which focuses on actual benefits for the private sector as a result of GBER support. It is remarkable that there is hardly any information on the actual outcomes for private sector, neither in documents, nor from interviews or other meetings.

**TABLE 3.1: MAIN AREAS OF DANISH GBER SUPPORT IN THE FOUR SELECTED COUNTRIES**

Countries	GBER area	Actual outcomes	Comments
<b>Kenya</b>	Enhanced enabling green environment	Improved compliance of private sector with environmental guidelines. Slow progress in adoption energy audits by private sector (half of the companies audited implemented half of the recommendations). For companies adopting recommendations, considerable savings in energy, cost and greenhouse gasses were realised and they had a simple payback of around two years.	Many implementation challenges at national and county level and slow adoption rates. There is recognition of the potential of good outcomes for the private sector, but no evidence that this has been realised yet at a substantial scale. Kenya's ranking on the global Environmental Performance Index improved (outcome target of the support).
<b>Mali</b>	Improved business environment	Some improved service delivery to private sector by govt institutions. Some tax reduction due to lobby activities.	Very limited concrete evidence that BER support contributed to actual changes for the private sector and type of changes not very well defined. No clarity on the type and amount of tax reduction and precise benefits for private sector.
<b>Tanzania</b>	Improved business registration	Reduction of time for registering a business and for obtaining business licenses at national and local level.	Good evidence of outcomes. In addition, increased govt revenues due to better registration. The one-stop business centres resulted in a significant reduction in the time spent in processing a business license from one-three weeks to between one and two days. The documentation furthermore indicates that the rate of business registration increased significantly during the LIC programme in Kigoma region.
<b>Ghana</b>	Improved business registration	Reduction of time to registering a business.	Different sources point to the same trend, but one source indicates reduction from 18 days to 12 days and another from 31 days to two days). Not clear why two formal sources vary so much.
	Commercial justice	75% of commercial court cases settled within 6 months. Approx. 75% of cases being handled through alternative mediation within three months as against cases at the regular courts dragging on in most cases for several years.	The Ghana Commercial Court is reported to have become a model institution in the region. Good evidence (see text box).

Source: Programme documentation and interviews.

The most concrete evidence relates to the reduced time for registering a business as a result of business registration improvements, and less time in courts in Ghana as a result of improvements of commercial justice. In Kenya, gradual progress has been made regarding a greener enabling business environment, but this progress has been rather uneven. In addition to the new environmental/GG laws, regulations, systems and tools, including capacity building at central and county level, received due attention. While most of the GG-FC support was rather broad and not specifically focused on the private sector, it is likely that the private sector may potentially reap the benefits from this support.

### **3.4 Sustainability**

As was the case at outcome level, there is also limited information available on the sustainability of results. The sustainability of results depends to a large extent on the continued and improved functioning of supported institutions at national and local level. In the case of capacity strengthening in the areas of business registration, commercial justice and improved green enabling environment, there is some evidence which shows that institutions have continued to improve their performance and provide good services. On the other hand, there are also examples where improvement of service delivery has been uneven or has not been continued.

In Ghana, the Commercial Courts continued to improve performance after the Danish support ended and resistance towards the Alternative Dispute Resolution for the settlement of commercial disputes was overcome to a large extent. For business registration, progress is uneven as the number of businesses registered doubled between 2009 and 2019, but the number of days (14) needed to register a business did not improve, and according to interviewees, business registration continues to be a problem.

In Tanzania, the business registration achievements were sustained, and the positive trajectory seems to have continued. Sustainability of results achieved at local level depend on linkages to national level. Some of the local BER issues were brought to national level and were successfully resolved such as the removal of the export ban on cassava. However, this has not been done in a systemic way. Most of the PPDs established in Kigoma and Dodoma districts were not sustained due to lack of incentives.

In Kenya, the supported environmental institutions (including the responsible ministry) continue to face challenges regarding mainstreaming of climate change in government policies. Nevertheless, the key policy-related changes influenced are “in the system” and are very likely

to be taken forwards for implementation or further development. The main challenge remains the implementation of policies where additional investments and intensive follow-up are required for further implementation and mainstreaming of GG-policies, as well as sustaining the results. Especially at county level there are still important challenges as decentralised environmental management is still new, while the counties face very tight operational budget and capacity constraints. Some innovations, such as the Green Points and voluntary compliance schemes, have not yet taken root and sustainability appears to be at risk according to interviews and confirmed in documents. It is also questioned by interviewees whether the public private sector dialogue at county level is sufficiently geared towards discussion on the green enabling environment.

### 3.5 Explanatory factors

The country context is an important external explanatory factor for the effectiveness and sustainability of Danida GBER support in the four countries. Already at the start of the evaluation period in 2008, Mali had the most challenging context for starting a BER programme, which further deteriorated with the military coup in 2012. Important context issues are the willingness of the government to reform, the enterprise structure in the countries and the demands of the private sector. As reflected in DCED guidelines, a good analysis of that context and key constraints of the business environment/investment climate is needed for a solid BER-support programme.

An important internal explanatory factor was the problematic quality of programme design. The BER-programmes were often rather ambitious and very complex in their set-up, while no clear results frameworks and no good indicators were in place. This led to implementation challenges and slow progress. In fact, in problematic contexts such as Tanzania with many remnants of Tanzania's socialist past, there was a very comprehensive agenda of issues to be addressed. The legal framework and the institutions constituting the framework for the private sector were relatively new, or not yet established. In that light, expectations may have been too high, and the BER-support programmes did not manage to demonstrate convincingly that a broad, sector-wide, approach, could be effective. The implementation periods were often too short for these complex programmes.

The reason why, in most cases, the traditional BER-programmes stopped at an early stage, was disappointment from the donors including Denmark with the governments that, in practice, were less willing to change than donors thought was necessary. In addition, disappointment with the slow progress and perceived poor quality of the newly formulated government programmes played a role.



On the other hand, demands and expectations of the donors had become higher over time<sup>55</sup> and donor agendas started changing towards less government support and more direct support of the private sector. The discontinuation of BER support (with the exception of the GG support to government institutions in Kenya) and the frequent change of focus and aid modalities, as was the case in Mali, is also an explanatory factor for the limited results.

Nevertheless, in specific areas, such as the commercial courts in Ghana where good sustainable results were achieved, this was due to strong ownership of the reform strategy, and a capable management team in the implementing institutions with an ambition to make a difference. Furthermore, the possibility for government institutions to improve their revenues, as was the case for business registration in most countries, including the local level such as in Tanzania, provided a good incentive for change.

The approach of addressing GBER issues at local level seems to have potential as shown in Tanzania (2013-2019), Mali (2013-2017) and Kenya (2010-2020). Some good progress was achieved by combining local level investments in public infrastructure with PPD and some improved public service delivery. An important aspect of these programmes was that it could support both the private sector, the public sector and the investment climate, which allowed it to address issues from different sides. However, a main challenge remained namely to establish appropriate linkages to the national level and operational budgets for the lower county or district level implementation.

A final explanatory factor is the extent to which private sector was involved in design and implementation of the BER/GG-programmes. Especially in Tanzania and Ghana mobilisation of the private sector as demand-side for reforms, was given relatively limited attention. In the later local investment programme in Tanzania (2013-2019) this was changed, and due attention was given to the PPD.

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55 A joint 2010 evaluation of the country programmes of the United Kingdom and Ireland in Tanzania indicated that “donor expectations were excessive and, in some areas, misplaced”.

## 4. FINDINGS REGARDING SUPPORT TO BUSINESS ADVOCACY

Denmark has provided main support to Business Advocacy in four countries<sup>56</sup>, of which three countries were selected for country studies – Kenya, Ghana and Tanzania<sup>57</sup> – and, in addition, for business advocacy support to Mozambique a separate desk study was undertaken. In this chapter, main findings regarding the relevance, effectiveness and sustainability of the Danish support to Business Advocacy – the second main FC-theme – are presented in line with the evaluation matrix and the ToC. Explanatory factors are discussed at the end of the chapter. The EQs regarding impact, coherence and efficiency of BAF-support are answered in Chapter 6 related to all six FC-themes.

### MAIN FINDINGS REGARDING DANISH CONTRIBUTION TO BUSINESS ADVOCACY:

- The set-up of BAFs was rather innovative and provided a good rationale for demand-driven changes to the business environment. This was combined with a solid five-step approach to business advocacy focusing on strengthening Private Sector Organisations to advocate for changes in policies, laws and regulations.
- However, in practice, BAFs in all four countries faced challenges in developing adequate context-specific approaches. Due to the demand-driven approach many different activities at various levels were undertaken, leading to a scattered implementation approach, i.e., ‘let a thousand flowers bloom’. In addition, there was no alignment with overall business environment reforms.
- At meso level, BAFs enhanced the advocacy capacity of PSOs albeit probably not in a sustainable way.
- It is estimated that approximately half of the advocacy projects in Kenya and Ghana and one third in Tanzania (and only a few projects in Mozambique) achieved their stated objective and led to some changes in policies, laws, regulations or administrative practices at macro level.
- There are scattered examples of advocacy projects that have contributed to positive effects for private sector such as reduced costs and risks and/or increased income, especially in specific industries or at local level.



<sup>56</sup> Denmark also provided some business advocacy support to Zimbabwe, which has remained outside the scope of this evaluation.

<sup>57</sup> There was no BAF-support to Mali. Therefore, references to four countries in this text refer to Kenya, Tanzania, Ghana, and Mozambique.

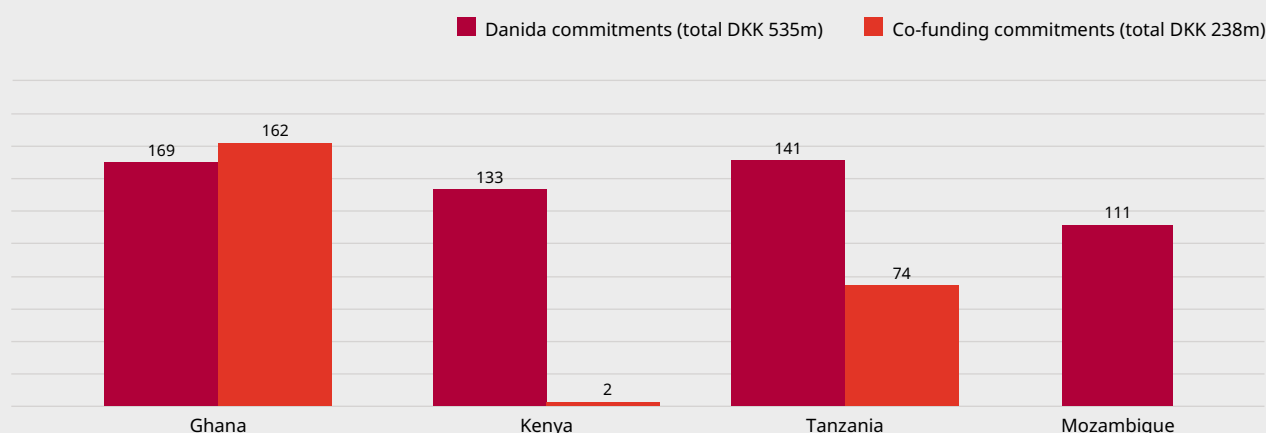
**MAIN FINDINGS REGARDING DANISH CONTRIBUTION TO BUSINESS ADVOCACY:**

- It is plausible that the BAF programmes led to specific improvements in the business environment, but based on the available evidence, it is not likely to have led to more investments and job creation beyond the micro-level.
- The main explanatory factors for the mixed results and variation in performance are the differences in country context that were only considered to a limited extent in the programme design. Other factors are the lack of coherence with BER support, weak M&E, too limited attention for cross-cutting issues especially green growth and gender equality, and embassies operating at a distance from the BAFs which were implemented by management consultants.

## 4.1 Background

In all four countries, Denmark took the lead in setting up a BAF. The first BAFs were set up in 2003 in Ghana and Tanzania and the last one in 2011 in Mozambique. In Figure 4.1 the funding and co-funding of BAFs in the four countries is presented, which shows the variation in the volume of funding per country. This is explained partly by the difference in Danish funding and partly by the amount of co-funding. Most co-funding was provided in Ghana where Danish funding and the volume of co-funding were almost equal, followed by Tanzania with a substantial amount of co-funding (approximately one third of total funding). BAF-Kenya only received relatively limited additional UK-funding during the second phase of support, and in Mozambique, Denmark was the only donor.

**FIGURE 4.1 DANIDA FUNDING AND CO-FUNDING OF BAFS IN GHANA, KENYA, TANZANIA AND MOZAMBIQUE, 2005-2020, COMMITMENTS IN DKK MILLION**



Source: Calculation based on programme and project documents including review and evaluations connected to the Danish support to BAFs in the four selected countries.

In all four countries, the implementation of BAFs was contracted out to management consulting firms after a tender process. In practice, two consulting firms implemented all BAF-support in the four countries from 2003 to 2021. In 2021, all Danish funding to BAFs stopped as it did not fit into the new focus on green growth. This will be discussed further below. In addition, other donors were not interested to continue their funding.

## **4.2 Relevance**

### **Addressing the needs of private sector and governments**

BAFs were set up specifically to address the needs of the private sector regarding reforms of the business environment as demand-driven programmes complementary to the supply-driven government BER-programmes (see Chapter 2). In practice, this complementarity was not realised, which negatively affected their relevance.

The Public Private Dialogue (PPD) was meant to be part and parcel of BER-programmes according to international literature (see Chapter 2). Therefore, the World Bank established PPD structures in various countries as part of its BER-support. Nevertheless, Denmark, together with co-funding donors, opted for a different approach in setting up separate BAFs. This can be considered as a rather unique, innovative and relevant approach. In practice, however, there are no signs of attempts to match the demand for BER by BAF-supported efforts with the donor-supported government reform agendas. Especially in the beginning, BAFs were mainly focused on their own implementation, which proved to be challenging (see below). There is no evidence that as part of their policy dialogue Denmark attempted to align BER and BAF support in the various countries. Finally, matching the two approaches was even more problematic after 2010 when BER support in the three countries – Kenya, Ghana and Tanzania – was discontinued. As one of the main aims of BAF-support was to improve the PPD as part of a more enabling business environment and the related growth of the private sector, this lack of alignment negatively affected relevance.

### **Quality of programme design**

BAFs had ambitious higher-level objectives and followed a demand-driven approach. This meant that, in practice, many different issues were addressed. However, the principal focus was on achievement of outputs.

All four BAFs promoted the same five-step approach towards PSO-grantees<sup>58</sup>:

1. Establish the issues;
2. Evidence the issues (including research);
3. Express your policy;
4. Engage appropriate people in government;
5. Evaluate and monitor progress.

The overall aim of the four BAFs was to influence governments through the PSOs to create a more enabling business environment. Other objectives referred to strengthened advocacy capacity of PSOs, but also to strengthened capacity in general of PSOs. In the few cases where higher-level objectives, such as economic growth, jobs or reduced costs and risks for the private sector were included as overall objectives, it was not followed up with results reporting. Broader societal impact was given limited or no attention in BAF results frameworks.

Table 4.1 reflects the variety in approaches among countries. In addition to providing advocacy grants, BAFs prioritised strengthening the advocacy capacity of Business Membership Organisations (BMOs) or PSOs. Therefore, quite some attention was paid to training. As PSOs were often perceived to be organisationally rather weak, in most countries the BAF-advocacy support was broadened to overall capacity-building with the view to increasing the membership base to ensure sustainability.

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58 Irwin, David, 2020. Five steps to reform public policy: An introduction to advocacy and dialogue. The Business Advocacy Network.

**TABLE 3.1: MAIN AREAS OF DANISH GBER SUPPORT IN THE FOUR SELECTED COUNTRIES**

Areas of BAF support	Kenya	Mali	Tanzania	Ghana
Number of PSOs involved in capacity building PSOs (advocacy and broader support)	580	141	279	16
Number of advocacy grants	295	293	890	71*
Media support	●	●	●	
Support to universities/research institutes		●		●
'Trade council' activities with Confederation of Danish Industries				●

Source: Calculation based on programme and project documents including review and evaluations connected to the Danish support to BAFs in the four selected countries.

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

The high number of (advocacy) grants in Ghana draws special attention. The high number of grants can be explained by the focus on supporting local organisations including small farmer associations, which was important for USAID as co-funding donor. In Kenya, a larger number of PSOs/ BMOs were supported with capacity building. While Kenya had the most favourable context for business advocacy – including some strong PSOs and a government interested in PPD – less attention was paid to local level support. After the adoption of the new Constitution in 2010, which set in motion a decentralisation process, BAF provided during the second phase (2011-2015) some grants at county level, but this declined again in the third phase. In Tanzania and Mozambique additional support was provided to research institutes to further enhance the evidence basis for business advocacy. A media component was often also part of the BAF-approach.

The variation in BAF approaches can only to a limited extent be explained by differences in country context. The focus on local-level issues in Ghana and Tanzania can be understood as an adequate response to a problematic business environment context at national level, but this is less the case in Kenya. Nonetheless, all BAFs did aim to implement a demand-driven approach where PSOs together with BAF-management decided on advocacy issues to be pursued. This meant that there was no targeted approach to select specific issues in line with the reform agendas or other criteria. This led to a rather scattered approach that can be characterised as a 'let thousand flowers bloom' approach.

Mozambique presents a specific case, as this BAF could potentially benefit from lessons learned elsewhere, even though the context was far more challenging than in the other three countries. Although programme documents state that lessons were learned from other countries, the approach was basically the same. As the context was even more challenging, the scattered approach was even more problematic<sup>59</sup>.

### **Use of political economy analysis**

One of the (sub) evaluation questions and underlying assumptions is to what extent political economy analysis (PEA) has informed the design and implementation of Danida BAF support. Interviews indicated that the early decision by Danida to support demand-driven business advocacy that would be complementary to supply-driven government-oriented BER programmes, was a decision based on PEA insights. Specific attention to strengthen the advocacy capacity of private sector actors would allow the private sector to act as a countervailing force to government. On this basis, it would have been logical to deepen the PEA for BAF programme design and implementation, but this has only been done to a limited extent.

In some BAF programming documents, institutional analyses were presented dealing with institutional relations and capacity building issues. For example, BAF programme documents do contain rather extensive analyses of the (limited) capacity of PSOs, for which capacity building interventions were developed (see above). However, hardly any of the BAFs made an analysis of how segments of private sector and/or PSOs are related to formal power, while it is well-known that some businesses as well as some PSOs might be directly related to specific political parties and persons of interest (PoI)<sup>60</sup>. In theory, PEA could have been a useful instrument to develop criteria to target specific PSOs or specific advocacy themes, but there are no indications that this was done in practice.

The BAF in 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. The analysis was later used to explain why some sector specific PSOs had more influence than others, but it is not clear whether this research affected programming or implementation. Informants in Tanzania referred to examples of private

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59 In Mozambique, the intention was, from the start, to set up a separate foundation, which was only realised in the second phase.

60 Not necessarily criminal suspects but politically connected persons who may influence decision making in favour of political interests.

sector influence which benefited individual investors, sometimes to the detriment of other private sector players, instead of benefitting the whole sector.

In general, BAF-management appeared to have followed a pragmatic and also rather technocratic approach regarding funding of advocacy proposals. This was based on the idea that if issues were well researched and documented, it would be difficult to resist the arguments at the political level. This makes the somewhat hopeful assumption that politicians will always base their decisions on rational arguments, at the expense of other interests. While the need for evidence-based advocacy is clear, PEA could have been an important additional tool for adaptive BAF-programming.

### **Cross-cutting issues**

In BAF documents, gender quality is often mentioned as being important but, in general, does not appear to have influenced design or selection of advocacy projects. BAF-Ghana was the exception as the fund manager reported consistently on gender, included disaggregated data where relevant and gender aspects seem to have been mainstreamed in the activities. Also, in relation to poverty reduction and inclusiveness, BAF Ghana stood out as the most consistent, both in overall objectives and outcomes as well as in its implementation. The large number of rural projects targeting small-holder farmers was an expression of this strategic orientation.

As green growth has been a specific priority policy theme for Danida since 2021, BAFs did mention green growth as a cross-cutting issue in the last programming phases in Tanzania and Ghana. However, this 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 window and the UK stopped their co-funding. In the last programme phase, BAF-Kenya documents did mention green growth, but it was not operationalised and reflected in the portfolio. The general explanation provided by BAF-management for the limited attention paid to green growth was the perceived lack of interest from the PSOs. However, given the growing importance of the green enabling environment and the opportunities for private sector (and the sometimes-detrimental environmental effects of some practices such as mining), the fund management could have addressed environmental and green growth issues in an active dialogue with the PSOs. There is no evidence that potential negative environmental effects were addressed by the fund managers. It appears to have been a deliberate choice by the BAF fund managers not to focus on green growth. This became an important reason to discontinue BAF-funding from 2020 onwards, as there was no obvious match with green growth. This points at missed opportunities.



### 4.3 Effectiveness and sustainability

#### Outputs and intermediary outcomes

In addition to the overall ToC, a more detailed ToC for the BAF thematic study has been developed further specifying the activities and outputs (see Thematic BAF study). As the implementation approach of BAFs has been rather scattered, so too are the outputs and intermediary outcomes. Table 4.2 presents some overall figures on achievements.

**TABLE 4.2: ACHIEVEMENT OF OUTPUTS AND INTERMEDIATE OUTCOMES ACROSS BAFs**

	Ghana	Kenya	Tanzania	Mozambique	Total
<b>Number of people trained in PSOs</b>	16,000	7,447	468	2,103	26,018**
<b>Number of changes in policies, laws, regulations, administrative procedures</b>	50%* (445)	426	100	2***	973
<b>Media coverage (number of press articles)</b>	1,365	3,425	625	na	5,415

Source: Calculation based on programme and project documents including review and evaluations connected to the Danish support to BAFs in the four selected countries.

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

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

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

The number of people trained in the various countries shows enormous variations, which can only partially be explained by the size of the respective BAFs. The rather low number of people trained in Tanzania attracts particular attention, although this might be due to differences in counting rather than less attention given to training and capacity building. Regarding capacity building, in Ghana, Kenya and Tanzania the BAFs carried out surveys to assess PSO advocacy competences. These surveys comprised four dimensions: organisational development, relationships, advocacy activities and advocacy results. The survey outcomes are positive regarding enhanced advocacy capacities, especially in the beginning of the period where the PSO was supported.

Regarding the changes in BER (policies, etc) to which BAFs contributed, the variation in numbers reported is also considerable. Moreover, these changes are not recorded in a uniform way, which complicates the analysis. In general, it meant that the targeted public authority for advocacy adopted the change which was being advocated. While 50%

of the BAF advocacy grants in Kenya and Ghana appear to have resulted in changes in laws, policies, regulations or practices, this is only true for only about one third for Tanzania<sup>61</sup>. There was one main difference in the set-up of BAF-Mozambique as it was the intention from the beginning to establish a local foundation that would manage the fund. This foundation was indeed established at the start of the second phase, but after the end of bilateral cooperation and closing of the embassy, no new funding has been received.

### Outcomes

As indicated above, the BAF results frameworks for this Evaluation did not usually include outcomes as defined in the ToC, i.e., the results for the private sector. Nevertheless, the BAFs included examples of 'successful' cases in the annual reports and programme completion reports. These were verified by the Evaluation Team as illustrated in Table 4.3 (except for Mozambique for which no reliable data are available).

**TABLE 4.3: ACHIEVEMENT OF OUTCOMES ACROSS BAFS**

	Ghana (phase 3)	Kenya (phase 3)	Tanzania
<b>Impact studies: number of 'successful' cases reported</b>	44	27	116
<b>Verification by the Evaluation Team: number of cases with evidence on outcomes</b>	For 16 cases anecdotal or other evidence of positive effect for the target group (mainly increased income for farmer-based organisations). Three cases evidence of contribution to wider changes in business environment.	For four cases evidence of reduced costs for private sector.  For 10 cases, benefits for specific sector or segment, but no clarity on the type or scope of the benefits.	Not possible to verify data as these cases are only mentioned by their title without further description.

Source: Calculation based on programme and project documents including review and evaluations connected to the Danish support to BAFs in the four selected countries.

<sup>61</sup> In Kenya, the 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.

### TANZANIA: EXAMPLES OF BAF OUTCOMES OF SUPPORTED ADVOCACY PROJECTS

- The Agricultural Council of Tanzania and the Tanzania Chamber of Commerce advocated for reduced crop cess (a form of tax), 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 would reduce the fees for some companies with 50% (no evidence on actual reduction).
- Government agreed to establish standard for tomatoes, onions and cabbage as a result of advocacy from Tanzania Horticulture Association, which was expected to contribute to increase exports benefitting more than 50,000 small-scale horticulture farmers, but no evidence on actual change is available.
- In 2015, the Cashew Board of Tanzania agreed to remove shrinkage costs and a number of levies in the cashew value chain, which should lead to a substantial estimated benefit cost reduction for producers (again no evidence on realisation of actual benefits available).

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

The reports and case studies by BAF management point at evidence for some positive outcomes for a small part of all advocacy support<sup>62</sup>. For about half of the cases reported, the Evaluation Team could verify the evidence. There are indeed a small number of clear advocacy efforts that contributed to reduced costs, reduced risks, or better functioning markets such as reduced taxes, levies and fees, as well as improved standards for products that led to increased exports of specific commodities. Examples of these positive advocacy efforts are presented in the text box for Tanzania, and in the country reports and the BAF thematic study.

Some impact studies were done at the initiative of BAF management (i.e., not independent impact evaluations)<sup>63</sup>. In addition, one independent external evaluation (2014 Ghana), and one evaluation of BAF-Kenya by the embassy (2020 Kenya) were undertaken. The external evaluation of BAF-Ghana already concluded that “BUSAC has contributed

62 The BAFs did not report on the effects at the level of businesses, except for some impact or case studies.

63 As described in the BAF thematic study report, they all had some methodological problems, especially in relation to the use of control group.

to create a more conducive climate for public-private dialogue and made duty bearers appreciate the value of consulting private business representatives on issues affecting these. But it is not possible to establish a clear link between BUSAC-funded advocacy actions and the overall business environment<sup>64</sup>. Another study in Tanzania in 2015 concluded that “although there are piecemeal improvements in the regulatory framework, there is not overall or consistent improvement in the wider business environment<sup>65</sup>. In Section 6.4, the contribution to impact is presented in relation to support to other FC-themes.

### Sustainability

The assessment of the sustainability of BAF-results shows a mixed picture with some sustained changes in the business environment to which BAF contributed, while the sustainability of capacity strengthening efforts appears to be limited.

At the level of lasting results of changes in the business environment initiated by BAF grants, there is limited and mixed evidence from the ‘success cases. Some of the success cases could be verified and did result in lasting changes as indicated in Table 4.3 above,

The sustainability of the capacity development results, especially the advocacy capacity, is negatively affected by staff rotation and limited resources after ending BAF-support. PSOs are often no longer able to do the necessary research for evidence-based advocacy work, although there is quite some variation among countries and types of PSOs. The capacity problems of PSOs led to increased efforts by some BAFs to strengthen the overall capacity of PSOs, increase membership and fees income. However, these efforts were not successful.

In relation to the PPD, 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 extent to which BAFs contributed to improved and sustainable PPD is difficult to establish. In Tanzania, prior to 2010, BAF paid due attention to strengthening PPD, but these efforts stalled when government was not very responsive and, instead, prioritised discussions with selected enterprise leaders. In the government’s most recent 2018 Blueprint for Regulatory Reforms to Improve Tanzanian Business Environment, there were quite some proposals stemming from PSOs and their advocacy. PPD in Kenya started to take momentum before BAF was created and this has continued.

64 MFA, Danida, OPM, 2014, Evaluation of the Business Sector Advocacy Challenge Fund Ghana, p. 16.

65 Coffey, 2015, BEST-AC Longitudinal Impact Assessment of BEST-AC, p 5.

## 4.4 Explanatory factors

The performance of the BAFs was heavily influenced by national context factors. The BAFs programmes in Kenya, Tanzania and Ghana were established at a time when there was a high priority given 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 implementation of reforms and therefore also the effectiveness of the BAF programmes. This also explains to some extent why BAFs did not contribute significantly to improved public private dialogue mechanisms.

In addition, the scattered demand-driven approach in combination with the lack of alignment with the national reform agenda are other key factors that affected BAF-performance. While the evidence-based five step approach, was a clear strength, some steps such as evaluation and learning received too limited attention. The demand-driven 'let a thousand flowers bloom' approach led to scattered results and did not allow for the targeting of BAF-support on specific sectors or issues, such as green growth.

Internal coherence between the BAF programmes and other Danida PSD support was given little attention. The BAF programmes operated mainly as stand-alone programmes, operating at a distance from the embassies, which led to missed opportunities to realise synergies (see also Chapter 6). There is no evidence which shows that advocacy issues identified by BAF programmes were addressed in a systematic way in policy dialogue. In addition, there are no examples of synergies realised with other Danida PSD-support.

## 5. FINDINGS REGARDING SUPPORT TO FOUR OTHER FRAMEWORK CONDITION THEMES

In this chapter, main findings regarding the relevance, effectiveness, and sustainability of the Danish support to four FC themes – trade facilitation, labour markets, skills development, and infrastructure development – are presented in line with the evaluation matrix and the ToC. As most support was provided to trade facilitation, this theme receives relatively more attention in this chapter. The EQs regarding impact, coherence and efficiency of BAF-support are answered in Chapter 6 related to all six FC-themes.

### 5.1 Trade facilitation

#### MAIN FINDINGS REGARDING DANISH CONTRIBUTION TO TRADE FACILITATION:

- Trade facilitation support in Kenya, Tanzania and Ghana aimed to contribute to meeting the international trade standards and thus to contribute to improved exports. In principle, this support aimed to address private sector needs. However, the extent to which these needs were taken into account varied among the countries and support programmes. Only in Kenya, via the independent (donor) entity TradeMark East Africa (TMEA) was the private sector actively engaged.
- In all three countries, the capacity of government institutions such as bureaus of standards and laboratories, but also trade negotiation capacity was strengthened.
- Only in Kenya, were clear effects for the private sector in terms of reduced travel time and reduced time for importing goods found, while also attention has been paid to greening of the infrastructure.
- Explanatory factors for the good results of trade facilitation support in Kenya compared to the two other countries are the quality of programme design including integration of cross-cutting issues such as gender equality and green growth, the multi-stakeholder approach, and the volume of support (TMEA received support from many donors; Denmark being responsible for approx. 20% of the Kenya funding). Nevertheless, organisation sustainability issues of TMEA remain to be addressed.

## Background

Trade facilitation is closely related to BER and has been supported and analysed in two countries, namely Kenya (support to TradeMark East Africa from 2010 and still ongoing) and Ghana (part of the overall Joint PSD support programme 2003-2010) (see country reports). Danida also provided support to trade facilitation in Tanzania, but this was not among the three FC-themes selected for in-depth analysis for the Tanzania field study. Where relevant. Desk study findings regarding trade facilitation in Tanzania have been included in this synthesis analysis. The main features of Danida support to trade facilitation are presented in Table A4.11 in Annex D and are summarised below:

- Danida has provided most trade facilitation support compared to the other countries (DKK 265m in commitments, more than 80% of trade facilitation support covered by this Evaluation) to TMEA for Kenya. TMEA is a regional not-for-profit entity<sup>66</sup>, focusing on the East African Community (EAC)<sup>67</sup>.
- In Ghana and Tanzania, relatively small amounts of grant support for TA were provided to the national government. In 2005, this support for Ghana was included in the joint donor support to the Private Sector Development Strategy and was discontinued in 2010, together with support to BER.
- In all three countries, Denmark was one of the contributing donors to trade facilitation interventions providing 10-20% of donor support in the periods concerned.

## Relevance

The trade facilitation support to the three countries shows both similarities as well as differences. In all three countries the main aim was to contribute to meeting the international trade standards and thus contribute to improved exports. Therefore, support to National Bureaus of Standards, test laboratories, and capacity building for trade negotiations were always part of the support packages provided. Only for Kenya, was the private sector directly engaged in the support.

The differences are primarily related to the selected aid modalities. In Kenya, the support was provided to a regional entity, even though the support was increasingly earmarked for Kenya<sup>68</sup>. TMEA was focused

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66 This is an independent regional entity established by donors, including Denmark.

67 EAC was first established in 1967 by Kenya, Tanzania and Uganda. It was dissolved in 1977 and in 2000 the new Treaty for EAC entered into force. In 2007, Rwanda and Burundi became full members of the EAC, in 2016 South-Sudan and in 2022 the Democratic Republic of Congo.

68 Denmark, through the bilateral country programme with Uganda, also provided support to TMEA.

on various actors, including government and private sector, but also NGOs. In contrast, the Ghana and Tanzania trade facilitation support was more focused on the government even though the aim was to increase exports by the private sector. TMEA did address simultaneously both the supply-side (government institutions) and the demand-side (private sector and civil society) of trade facilitation, which is considered to be a best-practice approach. In addition to this multi-stakeholder approach, the TMEA Kenya support was based on TMEA strategies with clear results frameworks and clear indicators, which were better articulated and defined than was the case for other trade facilitation support activities. This is seen as being mainly due to the difference in the limited implementation capacity of government institutions that have been responsible for the programmes in Ghana and Tanzania versus a donor set-up such as the TMEA.

The trade facilitation support in Kenya through the TMEA is one of the few positive exceptions. For example, TMEA specifically targeted women traders with concrete actions at various levels and benefits for them were measured.

The longer period of support to TMEA Kenya, compared to the other two countries, and the different aid modality, allowed the support to adjust to changing Danish priorities. This meant that over time TMEA – also encouraged by other donors such as Canada – started paying more attention to green growth and inclusiveness. This is reflected in green or gender-specific outcome indicators, such as resilient port infrastructure including tree planting and maintenance of 7,000 trees in the built-up area of the port, and trade capacity development of male and female owned enterprises.

### **Effectiveness**

There are large differences between the outputs and outcomes realised in the three countries with many outputs and outcomes achieved in Kenya, and relatively limited achievements in the other two countries.

In Annex E (Table A5.2) the achieved outputs and intermediary outcomes from the trade facilitation support are presented in line with the ToC. In all three countries, capacity of government institutions responsible for trade was strengthened with a specific focus on bureaus of standards and laboratories. Also, the focus on trade negotiations and policy changes received attention in all three countries. In Kenya, additional attention was given specifically to transport infrastructure related to the regional hub function and to reducing non-trade barriers. There is relatively limited information available on the realisation of intermediary outcomes – with the exception of Kenya (see below) – linked to the actual implementation of new policies and legislation, the results of trade agreements, etc.



For Kenya, the following outcomes of TMEA support were reported: Transit time from Mombasa to the Northern corridor border reduced by 61-72% between 2010 and 2018, and time taken to import goods through Mombasa Port reduced by 51% (from 11.2 to 5.5 days) from 2015 to 2017. The 2019 TMEA evaluation confirmed these outcomes, noting that TMEA's work contributed to increasing ease of trading across borders and reducing the associated uncertainty for businesses. In addition, TMEA helped to eliminate some non-tariff barriers to trade, such as weighbridges and checkpoints. Furthermore, the additional safe trade emergency facility, supported by Denmark and the EU, to keep the borders open during the Covid-19 pandemic, led to considerable positive effects for the private sector according to several interviewees, because closing of the borders would have affected many producers and traders.

For the other two countries, no clear information at outcome level is available. For the first period of trade support in Tanzania (2003-2008) the final component completion reports were rather positive, although no clear evidence was presented. For the second phase of trade support, only outputs were reported, and overall implementation was hindered by management problems both with Tanzania government as well as on the TA side. In Ghana, the lack of willingness on the part of the government to implement reforms was the main reason brought forward for the limited progress made, and there was no reporting at outcome or impact level. Overall, the performance of the trade support was considered below expectations in Ghana<sup>69</sup>.

### **Sustainability**

The sustainability of the results is dependent on ongoing willingness of the governments to continue facilitating trade, removing trade barriers, and continuing innovations. In Kenya, there was more willingness to reform than in the other two countries at the time the support was provided.

There is an in-built dilemma regarding the sustainability of TMEA, which is a donor vehicle and remains dependent on donor funding, and which therefore makes TMEA dependent on changing donor priorities. This became clear when the UK substantially cut its funding, which led to lay-offs. So far, TMEA has functioned as a main initiator of trade reforms in Kenya and elsewhere in East Africa and has united trade actors. In principle, TMEA should make itself redundant over time and the organisations in charge of trade should be able to continue without support, but clearly that time has not yet come. The response of TMEA has been to broaden its area of work to other regions in Africa and to consider the set-up of a commercial entity, namely the Trade Connect Africa (TCA).

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69 PSDS, 2010, Final Progress and Completion Report.

## 5.2 Skills development

### MAIN FINDINGS REGARDING THE DANISH CONTRIBUTION TO SKILLS DEVELOPMENT:

- Danish support to skills development in Ghana and Mali was relevant as it aimed to bridge the gap between the needs of the private sector for qualified and well-trained people on the one hand, and the needs of young people that – even when trained – do not easily find jobs or income-generating opportunities. The main challenge has been to find adequate approaches to fill this gap, which proved to be more challenging in Mali than in Ghana.
- Danish support to skills development contributed to improved skills that the private sector could use. In Ghana, through the challenge fund approach, direct results for enterprises were achieved. In Mali, many people were trained, which led to improved income opportunities, but long-term effects for the private sector were less clear.
- In both countries, vocational training systems have not been strengthened in a sustainable way.
- In Mali, over a period of 15 years and within its fragile state context, four different approaches were adopted, which led to a lack of continuity and limited learning and adjustment given this problematic context. In Ghana the challenge fund approach has clear benefits for private sector grantees, but no wider effects have been achieved.

In two of the selected countries, Mali and Ghana, Denmark has provided support to skills development at the institutional level. The support in Mali has been part of the country study, while some findings regarding Ghana are presented based on a desk review<sup>70</sup>. In Mali, various approaches and aid modalities were followed (see Annex D, A4.4). In Ghana, a Skills Development Fund (SDF), co-funded with the World Bank was set up. After Danish funding ended in 2020, the World Bank continued its support and the SDF was still functioning.

A main challenge to evaluate this support from the perspective of improved framework conditions was that the improvement of vocational and educational training systems is important from an investment climate perspective. However, a considerable share of the Danish support was focused on direct training of people (micro-level support), which is not the subject of this Evaluation.

70 MFA, Danida, 2018, Evaluation of The Ghana – Denmark Partnership (2007- 2017).

## **Relevance**

The aim of skills development as an IC-theme is to bridge the gap between the needs of the private sector for qualified and well-trained people to be able to invest and grow, on the one hand, and the needs of young people that – even when trained – do not easily find jobs or income-generating opportunities. Strengthening of training systems is part of skills development as an IC-theme. Both in Mali and in Ghana, Denmark aimed at filling this gap through its skills development support, although different approaches were followed. However, in both countries' implementation issues affected relevance.

In Mali, the approach changed several times. During the first period of support 2008-2013, Denmark's focus was on aligning and supporting Mali's strategic and institutional frameworks for skills development at the national and the regional level mainly through government institutions. This proved to be problematic especially after the coup in 2012. Therefore, the focus changed in the second period of support towards creating framework conditions at regional level and providing direct training support, while also paying specific attention to gender equality and youth. Interviewees and documents indicate that this was perceived as a relevant approach at the time, but a main constraint was that vocational training programmes do not automatically create employment for young people. Therefore, this approach was also abandoned and replaced by an employment programme. In 2021, the embassy formulated a new pilot project called Vocational Training to meet the priority skills needs of the formal private sector through the European Chamber of Commerce. Despite all efforts, the various approaches to skills development in Mali supported by Denmark failed to develop a convincing solution to bridge the gap between the demand and supply for skilled labour in this challenging context.

In Ghana, the SDF challenge fund provided funding based on proposals from companies. The SDF aimed to demonstrate a model for skills development close to the private sector that could subsequently be scaled up by government. This assured a direct link to the needs of enterprises, while government is involved in the management. The direct links with enterprises in Ghana constitute an advantage, but it is not clear to what extent vocational training systems have really been strengthened.

### Effectiveness and sustainability

At the level of outputs and outcomes the following results were achieved:

- **In Mali:** Development of a Ten-Year Vocational Training for Employment Programme and of specific training programmes, strengthening of Regional Education Councils, and training of 48,415 people (including 25,398 women, 52%). It was reported that 30,984 people (86%) improved their income, of which 25,593 increased theirs by 20% or more; 1,706 companies with trained people improved their turnover by 20% and 8,400 (84%) young people were found employment. On the other hand, there is no evidence of increased income over a longer period of time. Moreover, beneficiaries had difficulties obtaining formal employment or setting-up their own enterprises and their expectations were not met.
- **In Ghana:** A total of 705 grants were awarded during 2012-2017, distributed among all 10 regions of Ghana. It is estimated that some 7,800 enterprises benefitted from the fund and that about 24,000 workers were trained. The target of direct women beneficiaries was set at 50%, but only 31.5% was achieved . In Ghana, grantees generally reported productivity gains and significant benefits in terms of increased value of sales in the year following the completion of the grant activities. The 2017 the Ghana country evaluation concluded: "The introduction of demand-driven skills development linked to the needs of specific private enterprises – an alternative to the prevailing supply-driven approach – has proved to be an effective way of improving enterprises' productivity. The awareness of the demand-driven SDF approach may, due to the high number of grants, be relatively high among the involved stakeholders, but the economic impact at the national level may not be significant".

In both countries, there is limited evidence available on the sustainable strengthening of vocational training systems.

## 5.3 Labour markets

### MAIN FINDINGS REGARDING DANISH CONTRIBUTION TO LABOUR MARKETS:

- The support to labour markets in Tanzania and Kenya succeeded to a limited extent (first phase of support in Tanzania) to address relevant key issues related to new legislation and social dialogue. Most of the support focused mainly on the capacity building of trade unions and employers' organisations, as there was limited willingness and engagement from the governments to do more.
- The labour market support did result in strengthened capacity of employers' organisations and trade unions. In the first phase of support in Tanzania, an alternative labour dispute mechanism was established and resulted in more effective and efficient handling of labour disputes and overall, the number of collective bargaining agreements increased.
- Labour market support was not based on clear programme designs with good results frameworks, which explains to some extent the limited results.

### Background

Denmark provided bilateral support to labour market institutions in Tanzania from 1998 until 2013, including support to employers' organisations, trade unions and government institutions. From 2005 to 2010, the support to public sector labour market institutions was included in the joint donor BER programme. When the second phase of this programme did not materialise, only the Danish cooperation with non-government institutions was continued until 2013 (see Annex D, and for detailed analysis Tanzania country report). Also in Kenya, from 2005 to 2010 one of the three components of the Danida business support programme focused on improved labour markets with support to trade unions, employers' organisations, and to government institutions dealing with labour market issues including occupational health and safety. The focus was on capacity building in order to improve the social dialogue and the functioning of the labour market. This support was not one of the three FC-themes selected in Kenya for in-depth analysis, but relevant findings from desk research have been included.

### Relevance

Danida support to labour markets in Tanzania focused on the formal sector, which employed **only 8% of the labour force in 2014**<sup>72</sup>. The support was initially focused on supporting the implementation of the new labour law and social dialogue, but implementation was slow. Danida supported various public labour market institutions including

72 Integrated Labour Force Survey, 2014. Government of Tanzania, Bureau of Statistics.

the Ministry of Labour (MOLYD), the new Commission for Mediation and Arbitration (CMA), the Occupational Safety and Health Agency, and the newly established Labour, Economic and Social Council. From 2008, support gradually shifted towards capacity building of the employers' organisations and trade unions with the aim of increasing the number of members and their satisfaction with the assistance and services provided by these organisations. Despite the shift in focus from the first to the second phase, the support to labour market institutions in Tanzania from 1998 to 2013 can be considered as a niche within PSD that Denmark developed and pursued almost as the only bilateral development partner.

Similar developments took place in Kenya, albeit in a shorter period of time (2005-2010). Improved productivity in Kenya's enterprises by way of social dialogue in the formal labour market was at the heart of the support. Based on the new labour laws, in general, and the newly established National Labour Board (NLB), in particular, the interventions were hampered by long discussions on the new labour law regarding key aspects that were not anticipated when the support was formulated. In addition, the Government of Kenya did not give the NLB the necessary clout (and possibly the resources) needed. This led to more focus on support to the other actors, similar to the approach followed in Tanzania.

### **Effectiveness and sustainability**

Danida labour market support in Tanzania – including training of staff, infrastructure, and new support systems – allowed the employers' organisations and trade unions to improve their functioning, while there was also capacity strengthening of the public and tripartite institutions. In addition, the establishment of the Commission for Mediation and Arbitration (CMA) in 2007, and further strengthening of its capacity, reportedly had an important effect on dispute resolution within the labour market by avoiding cases going to court. This Commission enabled workers and employers to resolve conflicts with less cost and time, as well as involving the government in Collective Bargaining Agreements (CBAs). CBAs can be considered an important outcome of the social dialogue and the available data suggest that these have increased considerably during and after the programme. In 2008, there were 159 CBAs in Tanzania and, in 2018, the number was 444 covering more than 135,000 workers<sup>73</sup>. It is reasonable to assume that the Danida support may have contributed to this outcome. In the second phase, the support was limited to capacity strengthening of workers' unions and employer organisations and it lost sight of the overall social dialogue issues.

73 Tanzania and Zanzibar Labour Market Profile, Danish Trade Union Development Agency, 2012 and 2021.

For Kenya, it is reported that the main objective of the labour market component – a strengthened social dialogue to increase the overall labour productivity – was not reached due to the difficulties faced during component implementation including limited willingness of the government as mentioned above<sup>74</sup>. The focus was on training, but none of the participating institutions have measured the results of the training on trainees and their institutions. There were plans to improve mediation and arbitration, but these were not realised. There were some successful lobbying activities, but in general there was hardly any positive effect on the social dialogue according to the available documentation.

## 5.4 Infrastructure development

### MAIN FINDINGS REGARDING DANISH CONTRIBUTION TO INFRASTRUCTURE DEVELOPMENT:

- The support to infrastructure development in Mali faced challenges to address the needs of the private sector. From 2013 to 2018, an appropriate mix of direct infrastructure support to SMEs (dams, slaughterhouses, warehouses) and broader FC-support such as roads was provided. However, this approach was abandoned again in 2018, with less attention paid to private sector needs.
- As a result of the support, 60 different infrastructures were realised. There is only very scattered information on the use, operation and maintenance of these infrastructures. There is anecdotal evidence that this has led, in some cases, to cost reduction (e.g., reduced transport time) and increased incomes for the private sector.

### Background

Mali is the only country where Denmark provided support to infrastructure development as part of its PSD programmes during two periods. From 2008 to 2012, rural infrastructure was a component of the agricultural sector programme. Subsequently, from 2013 to 2018, there was an economic infrastructure component as part of the PSD programme. Both programmes consisted of a mix of direct (micro-level) support to farmers or groups of farmers or SMEs (e.g., dams for irrigation) and broader support infrastructure (rural roads, markets). From 2018 to 2022, infrastructure support became part of the decentralisation programme and consisted of a mix of social and economic infrastructure (see Mali country report for more details).

<sup>74</sup> Opiyo, David O, 2010. *Lessons Learned from the Ongoing BSPS Programme in Kenya*, p. 11-13.

### **Relevance**

The Danish support for the development of economic infrastructure has been relevant and responded, to some extent, to real needs and challenges faced by the private sector. However, the Danish support faced difficulties in finding the right approach. Another challenge was how to make a distinction between direct infrastructure support and infrastructure development as part of improved framework conditions. In fact, most of the infrastructure support can be considered as direct support to SMEs. There has been very little infrastructure support that can be considered as improvement of framework conditions for larger parts of the private sector. In the second period (2013-2018), it was planned to address the broader issues by establishing linkages to the global PSD programme on infrastructure (DBF/DSIF), but this did not materialise (see Chapter 6).

For the first period of support, 2008-2012, Denmark worked closely with government at central and local level. The infrastructure components of the PSD programme and the agricultural support programme were designed to be complementary to each other, one focusing on providing direct support and the second focusing on improving the enabling environment. The agriculture infrastructure programme addressed the needs of farmers, but this was not the case for the economic infrastructure component, where the infrastructure choice was made by local authorities and very often proved to be weakly aligned with the needs of the private sector. The infrastructures built were therefore more of a social than an economic nature (e.g., schools, community buildings etc.). The mid-term review of 2010 emphasised the need to focus on private sector needs and the economic infrastructure support was stopped. For the second period, the approach was to place private sector actors at the heart of the process of identifying, prioritising, choosing, and operating the infrastructures to be built. At the same time, local authorities would be owners of these infrastructures. The more central role for the private sector in the choice of infrastructure and its management, enhanced the relevance even though the organisational set-up was complex. Nevertheless, this approach was discontinued in 2019 when social and economic infrastructure were combined again in the decentralisation programme with local authorities as the key actors. This risk is that, as with the first period of support, private sector needs will again be neglected.

### **Effectiveness and sustainability**

The Danida support resulted in concrete outputs, including 60 infrastructures such as markets, warehouses, processing units and artisan houses, and 268 km of roads rehabilitated/built.

There is very limited information at outcome level. The focus of the infrastructure components has been mainly on planning and realisation of the infrastructure. The limited information at outcome level in reports



and from field visits suggest that for a number of beneficiaries, incomes did increase, and transport time (and costs) have been reduced due to improved roads.

There is no information available on the actual functioning, operation, and maintenance of the realised infrastructures. This was not given attention during implementation of the support, while the security situation has now deteriorated throughout the country and most infrastructures cannot be visited anymore.

## 6. OVERALL FINDINGS ACROSS FC-THEMES

In this chapter, three evaluation criteria and related EQs – coherence, efficiency, and impact – are assessed and answered across all six-FC themes, complementary to the analysis in the previous chapters of the relevance, effectiveness, and sustainability of each of the six-FC themes (see Table 1.1).

### 6.1 Coherence

#### MAIN FINDINGS REGARDING COHERENCE OF DANISH FC-PSD SUPPORT:

- Internal coherence has been analysed at four levels – 1) within bilateral PSD programmes; 2) between bilateral PSD and other bilateral programmes; 3) between bilateral PSD programmes and other global Danida PSD support; and 4) between development cooperation and broader foreign and trade policies. The analysis points to scattered evidence of realised synergies and missed opportunities at all four levels.
- Commercial justice in Ghana is an example of good internal coherence between this support and bilateral governance support, including a high-level policy dialogue. However, in most areas no evidence on realised synergies via policy dialogue could be found.
- The main reasons for the limited realisation of synergies are different roles and responsibilities of actors involved leading to working in silos, different implementation modalities and different priorities (for example, the priorities for global PSD programmes are not well aligned with bilateral cooperation priorities).
- After an ambitious start with joint programmes in Ghana and Tanzania that were not considered successful, external coherence has been focused mainly on coordination and information exchange among DPs, and co-funding of specific programmes.

### Internal coherence

Internal coherence among the various components of Danish development cooperation support – i.e., the synergies between the core sample and the broad sample – was analysed at four levels<sup>75</sup>:

1. Coherence among the various components of the bilateral sectoral and/or thematic PSD programmes;
2. Coherence between the bilateral PSD programmes and other bilateral support programmes;
3. Coherence between the bilateral PSD programmes and global PSD programmes;
4. Coherence between Danish development cooperation interventions and broader Danish foreign policies.

#### ***Ad 1. Coherence at the level of sector and thematic PSD programmes***

PSD programmes (or Business Sector Programme Support (BSPS)) in the four countries consisted of various components or DEs (see Chapter 2 and portfolio analysis, Annex D), which were expected to be complementary to each other. This would allow synergies to be realised. Furthermore, policy dialogue by the embassy should also contribute to synergies. In practice, synergies at sector or thematic PSD programme level were limited. The following factors have affected the realisation of synergies between the various bilateral PSD programme components.

First, the extent to which the components of the PSD programmes are logically linked to each other on paper varies, which determines the possibility to create synergies in practice. Some programmes were more coherent in the set-up than others. In general, the complexity of sector and thematic programmes initially increased during the evaluation period, as the number of components and sub-components increased. In addition, less FC support was provided and more direct private sector support. For the Green Growth and Employment Programme (GGEP, 2016-2020) in Kenya with nine different DEs, a ToC was developed “to help identify areas of commonality and shared outcomes among partners, to identify synergies and open opportunities for dialogue and collaboration”<sup>76</sup>. However, the 2019 Kenya country programme Mid Term Review (MTR) reported that under the broad thematic programme, DEs were merged that represented largely isolated interventions.

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75 Coherence with civil society organization was not analysed as there were no obvious linkages between FC-support and civil society.

76 Kenya Country Programme 2015-2020, Thematic Programme for Green Growth and Employment. Final Draft, 5 December 2014, p. 14.

“Therefore, not all DEs linked directly to the different Danish priorities on employment, greening, and others. While synergies exist between several of the DEs, the MTR pointed at the scope for further strengthening of the strategic focus, coherence, and synergies”<sup>77</sup>. Similar challenges were found in other countries such as limited opportunities for synergies in the last PSD programme in Ghana between BAF support and the skills development fund (SDF). Nevertheless, more recently the complexity of the sector or thematic programmes has decreased with fewer engagements, but whether this has increased synergies is outside the scope of this Evaluation.

In Tanzania and Ghana, the demand-driven BAFs were also meant to be complementary to the supply-driven BER programmes (see Chapters 3 and 4). As indicated before, Denmark developed a unique approach to shape this complementarity. However, in practice, there were hardly any concrete efforts to establish synergies. The (joint) government support programmes included some form of consultation with the private sector but did not consider BAF as a partner. BAF fund management on the other hand did not focus its support on the government’s (and donor) reform agendas. From 2010, the Danish support to BER in these two countries was discontinued, which meant that opportunities for synergies were further reduced. BAF fund management claimed to be demand-focused, and that PSOs prioritised other issues than the government reform priorities. Finally, no evidence could be found that the embassies addressed BAF and PSO priorities in policy dialogue and in dialogue with the implementing partners. This is confirmed by the 2018 Denmark-Ghana partnership evaluation, which stated that there was little collaboration between BAF-Ghana and the embassy in relation to engaging the embassy in a dialogue with government on business environment issues identified under BAF Ghana<sup>78 79</sup>.

A second factor affecting the realisation of synergies in practice, has been the often (over)ambitious and complex sector and thematic programmes, which have been very difficult to implement. This has been particularly the case for the joint programmes in Ghana and Tanzania before 2010 (see Chapter 3), but also the demand-focused BAFs considered many different issues.

77 Kenya Country Programme, Mid-Term Review Report 2019, p. 13.

78 MFA, Danida, NCG, Evaluation of the Ghana – Denmark Partnership (2007- 2017), p 105.

79 Other examples of intended synergies on paper involving BAFs that were not realised in practice are the continuation of funding of labour market organisations in Kenya by BAF after stopping the bilateral labour market support in 2010. This funding was not followed up, despite the initial agreement. The same applied for BAF supporting complementary green growth actions (see Section 6.3 on cross-cutting issues).

A third factor affecting internal coherence among PSD programme components was the different implementation partners and aid modalities. embassies did take various steps to overcome this challenge by bringing different implementing partners together. For example, in Kenya, TMEA and BAF participated in each other's Boards and regular meetings with the management of the two organisations were organised. However, in terms of actual synergies there was little to report on. BAF and TMEA supported the same organisations such as the Kenyan Association of Manufacturers<sup>80</sup> (KAM) and the apex body for private sector organisations KEPSA, but there is no information on harmonisation. Also, according to interviews, the implementing partners of the various DEs of the thematic programme met regularly at the initiative of the embassy, which was useful for information exchange, but this did not contribute much to enhanced internal coherence. The embassy in Kenya considered the thematic (or sector) programmes as a barrier for a more holistic approach and, therefore, only strategic objectives remained in the new Kenya strategic framework 2020-2025. In interviews, it was made clear that the embassy now opts for a pragmatic approach of implementing partners working together when clear trade-offs and value added can be expected between the areas of support and implementing partners.

A fourth factor is the coherence of PSD programmes over time. In Kenya, there has been consistent support to three areas for at least 15 years<sup>81</sup>. In other countries, there was considerably less continuity in support, and this remained mainly limited to BAF-support in Ghana and Tanzania for 15 years, labour market support in Tanzania (1998-2013) and skills development support in Ghana for ten years. Especially in Mali there has been a lack of continuity in FC-PSD support. The lack of continuity is to some extent related to changing priorities (more direct support and less FC-support), but also to a change in aid modalities and implementing partners. These frequent changes negatively affected internal coherence.

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80 Denmark provided support to KAM via various programmes and mechanisms. In addition to BAF and TMEA funding of KAM, there was a bilateral support component from 2016 to 2020, while also SSC and Dansk Industri provided support, which were not well coordinated.

81 1) support to environmental government institutions from 2005 to 2002; 2) support to BAF during the same period; and 3) support to TMEA from 2010 to 2025.

## ***Ad 2. Coherence between PSD and other bilateral sector/thematic programmes***

The various sector support programmes in the country frameworks were also meant to be complementary to each other, but this was not easy to realise, although there are a few good examples of realised synergies. One of the explanatory factors is that different sections in the embassies dealt with the various sector programmes (see section on organisational efficiency).

Very strong coherence was found in Ghana in relation to Danish support to the modernisation of the Justice system in Ghana under the Good Governance and Human Rights Programme and the establishment of the Commercial Courts, which formed part of the PSD programme. This also included high level policy dialogue. As part of the 2014 country strategy for Ghana, Denmark pursued the objective of combatting corruption, logistical shortcomings, and red tape in relation to import and export, most notably focused on Tema Port through the Tax and Development programme with a focus on customs, and through the SSC with the Ghana Maritime Authority. The programmes made small, but in some cases important, contributions to improving conditions for trade. Danish investment in a new container terminal and port facilities made a significant improvement in the capacity to handle containers in Tema Port. Nevertheless, political economy factors were not taken sufficiently into account as reflected in the programme documentation.

In Mali, for the period 2008-2012, the infrastructure components of the PSD programme and the agricultural support programme were meant to be complementary to each other, one focusing on providing direct support and the second focused on improving the enabling environment noted by various reviews, this did not work in practice, which pointed at the lack of concrete cooperation between programmes. This led to an early end of the agriculture infrastructure support. In the second period (2013-2018), there was only one component of infrastructure support in the PSD programme. In the third period (2018-2022), infrastructure became part of the decentralisation programme, which led to a lack of continuity and negatively affected internal coherence with the PSD-support.

***Ad 3. Coherence at the level of overall Danida PSD support***

The Evaluation found only some scattered links between bilateral support, on the one hand, and global PSD programmes and/or multilateral support, on the other. Global PSD programmes take Danish knowledge, expertise, and interests as a point of departure and aim to match this with partner country needs. These programmes are not explicitly focused on FCs. The SSC programme and the infrastructure programme DSIF (previously DBF) are more directly related to framework conditions<sup>82</sup>. Some multilateral support via the World Bank and ILO was also focused on FCs (see Annex D).

In Mali, the 2013-2018 economic infrastructure component included the explicit intention to create linkages with DBF/ DSIF, and this was even part of the logical framework. Apparently, this did not work out, but the reasons for this failure are neither mentioned in any of the implementation documents nor in the completion report. The explanation given in interviews was the risk-averse attitude both from the global programmes as well as the investors, especially for investing in a high-risk fragile country such as Mali. In addition, the embassy in Mali aimed also to raise the interest of potential Danish investors for larger infrastructure projects. IFU did invest in a power plant in the Kayes region and in solar panels, but these have been the only investments so far.

In Tanzania, synergies between bilateral support to labour market institutions (see Section 5.3), and Danida funding of ILO's Decent Work Country Programme (2006-2010 and 2013-2016) were explored. In the MFA's annual policy discussions with ILO, there was special emphasis on Tanzania. This ILO-funding came mostly after the bilateral support to labour market institutions, which ended in 2013. This meant that there was no direct coherence, but rather a linkage in the form of continuation of support (with a different focus) after Denmark phased out. The same applied to the Danida support of the Labour Market Consortium for the period 2018-2022 where some of the same issues as in the bilateral support were addressed.

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82 P4G, a global partnership programme initiated by Denmark to accelerate pioneering market-based partnerships to build sustainable and resilient economies, has established a P4G Kenya platform including some bilateral FC-PSD partners. So far, the focus is mainly on specific issues such as e-mobility and not on the overall green enabling environment. The same applies to DMDP that is focused on the collaboration with specific companies and NGOs, working for example on organic production of coffee and bananas. This is linked to the issue of certification of organic products that can be considered as a framework condition, on which the Kenya Bureau of Standards (also TMEA partner) has worked to some extent.

In the most recent Kenya country framework 2021-2025, considerable attention is being paid to synergies with global programmes as part of the DDD approach including a pragmatic approach to enhance internal coherence. Indeed, in Kenya some evidence on concrete synergies was found for two SSC programmes in Kenya<sup>83</sup>. For example, the choice for greening the bilateral PSD support went well together with SSC initiatives working with food standards and circular economy that started around 2016. These initiatives aimed to bridge legislative and regulatory reforms with capacity building for implementation at national level as well as at county level to the extent possible<sup>84</sup>.

### STRATEGIC SECTOR COORDINATION ON CIRCULAR ECONOMY IN KENYA

In 2015, project preparation started on Green Growth in the Manufacturing Sector in Kenya, with linkages to the bilateral GGEP. Danish partners were the Ministry of Environment and Food and the Danish Environmental Protection Agency (DEPA). It was decided to focus on solid waste and wastewater management in the manufacturing sector. The bilateral programme partners MENR/MEF, NEMA and KAM would be involved. The programme is now in the second phase of implementation.

Initially the focus was on the preparation and adoption of a new Waste Bill including enhanced compliance by the private sector and appropriate inspection procedures, which was approved by the Cabinet on 25th February 2021 and an Extended Producer Responsibility regulation. Gradually, the focus broadened to circular economy.

Although SSC worked with the same implementing partners, and the responsible Sector Advisor and bilateral cooperation staff are working next to each other at the embassy, initially it was challenging to overcome differences in approaches as indicated in interviews. The bilateral cooperation support focused more on enforcement and compliance in its support to NEMA, while SSC emphasized the importance of self-regulation and voluntary adherence to standards. Therefore, it took time to overcome these differences. The fact that bilateral support was not continued from 2021 in the new country framework constituted another obstacle. SSC felt that there was some inertia from the side of government partners, while the Kenyan partners perceived a lack of financial support as SSC only provides technical support and training.

Nevertheless, some common ground among the various government and non-government partners has been developed. Also, a donor coordination group around circular economy has been set up. This shows that conditions for realising internal and external synergies have been created, which should be grasped in the next phase of support.

83 Also, synergies were found between the bilateral direct support programme Micro Enterprise Support Programme Trust (MESPT) and the global PSD programme DMDP in relation to organic banana production and certification.

84 In the Ghana country report, an example on potential synergies around Danish support to Tema Port (SSC, bilateral support and a research project) is analysed.



While some examples of synergies were found between global PSD programmes and multilateral support with bilateral FC-PSD support, there are important limiting factors that need to be overcome in order to achieve these synergies. Global PSD programmes are based on Danish supply and involve other Ministries, such as the Ministry of Climate, Energy and Utilities that have other priorities than Danida. In the new set-up of SSC, the SSC-secretariat at MFA has disappeared and the Danish sector stakeholders set the priorities. This means that the countries with important bilateral cooperation programmes prioritised by Danida, do not have the same priority for sector stakeholders involved in global PSD programmes. In practice, Danish stakeholders tend to stay away from poor and especially fragile countries and focus, instead, on middle-income countries. The MFA has, therefore, limited means at this time to stimulate internal coherence at this level.

#### ***Ad 4. Coherence between Danish development cooperation interventions and broader Danish foreign policies***

The synergies between aid and trade were stressed in policy documents but proved to be difficult to realise in practice also given the different interests of Danish and local businesses.

This level of coherence has only been analysed to a limited extent as it was largely outside the scope of this Evaluation<sup>85</sup>, while there was limited information in documents and from interviews on the linkages between the policy dialogue on FCs and the political and trade dialogue. In Kenya, trade counsellors at the embassy, responsible for promoting and facilitating Danish business interests, have become more involved in the policy dialogue on the enabling environment via the EU Trade Counsellors group. In this policy dialogue, foreign business interests determine the agenda. While Kenyan business and foreign business may have common interests, they may also have diverging interests when it comes to issues such as tax exemptions. Thus far, limited attention has been given to the analysis of converging and diverging interests of Danish and local business. While in Kenya the bilateral cooperation staff and trade counsellors indicate that they are gradually working more together, they are aware of these different interests also in relation to the green enabling environment.

Similarly in Ghana, some tensions around aid versus trade were noted. The Ghana-Denmark bilateral partnership was meant to transition 'From Aid to Trade'<sup>86</sup>. Danida aimed to increase synergies between the

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85 For example, IFU investments in infrastructure such as the Lake Turkana windmill park in Kenya have not been considered.

86 Ministry of Foreign Affairs, September 2017, From Aid to Trade, stating that bilateral assistance was to be phased out and political cooperation and commercial relations would be increased as Ghana continued to grow its economy.

development programme and the commercial work at the embassy while responding to Ghana's policy of "Ghana beyond Aid", emphasising trade opportunities and investments for Danish commercial partners. With the phasing-out of the bilateral cooperation programme, the embassy has increased its emphasis on business instruments and the Trade Council. The broader dimensions of trade versus aid, i.e., increasing market access for Ghanaian businesses, which is linked to the trade facilitation, was hardly given any attention. In 2018, the country evaluation<sup>87</sup> concluded that "the current development programme interventions are not sufficiently aligned and contributing to achievement of the objectives of the Denmark-Ghana Partnership Policy 2014-2018", which points at limited internal coherence.

### External coherence

The assessment of external coherence – the extent to which Danida support is in line with the global evolving norms and standards, and the extent to which it is well-coordinated and complementary to support of other development actors – is affected by the evolving global aid agenda. As indicated in the previous chapters, in the early 2000s, joint PSD programmes (the case of Ghana) and Joint Assistance Strategies (the case of Tanzania) were developed by Development Partners (DPs). Even in countries without joint programmes or strategies, donor harmonisation and alignment with government policies (Kenya and Mali) were high on the agenda, in line with the aid effectiveness efforts at the time. This led to the set-up of donor coordination mechanisms, including sector working groups for PSD. As Denmark was an active PSD donor in the four selected countries, Denmark has also led these PSD-groups during this period and has been considered as an active and flexible donor regarding PSD<sup>88</sup>.

These sector working groups still exist in most countries, but in many cases, they have become less active in policy dialogue and especially since Covid, they are meeting less regularly. The changes are due both to a change in donor interests and priorities as well as less interest from governments in policy dialogue with donors. Therefore, sub-sector groups such as those on vocational training or circular economy have become more active than the overall PSD donor coordination groups. This sub-sector model appears to be very appropriate, as discussion on concrete policy and technical issues can be combined in order to agree

87 Ministry of Foreign Affairs, 2018, Evaluation of the Denmark-Ghana Partnership (2007-2017).

88 Other very active DPs on FC-PSD support are as one of the main bilateral PSD donors and the WBG on climate investment issues. Germany, and the Netherlands are also important PSD-donors, where Germany is active on some specific PSD areas such as vocational training and agri-food systems, the Netherlands provides mainly direct support.

on the way forward, which may also be useful to establish internal and external synergies. Recently, Team Europe Initiatives, for example on the Green Deal in Kenya – provide a new entry point for increasing EU coherence.

When joint programmes and strategies gradually disappeared, external coherence was sought either via co-funding or via concrete collaboration with other DP support to the same sectors. The BAFs in Kenya, Ghana and Tanzania, and also TMEA are good examples of co-funding. TMEA is a special case and can still be considered as a joint programme, although quite some earmarking takes place. The BAFs in the three countries were co-funded for one or two periods, but co-funding donors stopped mainly because they set different priorities. In practice, the return primarily to project funding meant that synergies are more difficult to achieve as DPs inevitably work in silos. Nevertheless, the country studies provide many examples of practical coordination in the field among Danida-funded interventions and interventions by other donors, which mainly focus on information exchange rather than creating actual synergies.

Recently, Team Europe Initiatives are being developed in various countries, for example around the Green Deal, which provide new opportunities to enhance external coherence among European partners.

## **6.2 Efficiency**

There are three issues related to the main EQ regarding efficiency of FC-PSD support: 1) efficiency challenges related to aid modalities; 2) organisational efficiency, focusing on the role of the embassies with linkages to the DDD approach; and 3) the use of MEAL systems for learning and accountability.

### **Efficiency challenges related to aid modalities**

Efficiency was analysed in relation to the various aid modalities, although no full comparative assessment could be made. The contracting out of programme implementation has become the dominant aid modality over time as Danida perceived the efficiency of this approach to be higher. In practice, some programmes that were contracted out were, in effect, rather efficient, but there were also examples of limited efficiency. Government-to-government support, which was the main aid modality at the start of the evaluation period was often not efficient, with a few positive exceptions. The assessment of efficiency proved to be problematic as very limited data regarding cost breakdowns were available.

**MAIN FINDINGS REGARDING EFFICIENCY OF DANISH FC-PSD SUPPORT:**

- Main efficiency challenges were found in Mali as a fragile country and in relation to (joint) government-to-government support. Potential efficiency gains of joint support to government in terms of reduced transaction costs were not realised, but this might also be due to the discontinuation of support, which was partially due to changing donor priorities.
- Contracting out – to consulting firms, international NGOs or multilateral organisations – has become the preferred aid modality over time because of perceived efficiency gains, which were, in some cases, also achieved in practice. Contracting out has negatively affected the possibilities to realise internal and external coherence.
- In most cases, with the exception of the embassy in Kenya, there has been relatively limited capacity at the embassy to deal with FC-PSD support, which has led to dependence on external consultants for programme design and monitoring.
- The quality of MEAL systems has been insufficient for accountability, learning and adjustment purposes despite some improvements over time. There has been insufficient focus on tracking results at outcome level and in relation to the Danish strategic objectives.

Danida applied a variety of aid modalities for its FC-PSD support:

- Joint donor support to governments with TA (BER support Ghana and Tanzania, 2005-2010);
- Bilateral government to government support often with TA (all four countries for various FC themes, excluding BAF-support);
- Contracting out of programme implementation to commercial firms (BAFs);
- Implementation by not-for-profit NGO (Mali, skills development 2013-2018) or multilateral organisation (Mali, BER 2018-2020);
- Miscellaneous, such as implementation by independent entity/ donor set up (Kenya, TMEA) or implementation by various government and non-government partners at the same time (Mali, BER support 2013-2018; Tanzania, labour market reforms 1998-2010).

***(Joint) government-to-government support including TA***

For the most common aid modality government-to-government support (either bilateral or joint) many efficiency problems were reported in documents and interviews, such as frequent delays in implementation due to problematic programme procedures, public financial management issues<sup>89</sup>, limited capacity, lack of commitment and ownership etc. While the overall impression is that the efficiency of this aid modality was rather low, there were also a few positive examples such as the bilateral support to the commercial courts in Ghana, where good sustainable results were achieved at reasonable cost.

According to programme documents, joint funding arrangements as applied in Ghana and Tanzania for BER-support, would contribute to reduced transaction costs both for recipient governments as well as for DPs. In practice, there is no evidence on reduced transaction costs<sup>90</sup> and TA was almost always accompanying the government-to-government aid modality. The roles and scope of TA varied from one intervention to another. In some cases, TA worked as advisors, while in other cases they were also responsible for programme management. In Tanzania, in March 2009, for the joint BER-programme, there were 40 ongoing consultancies, four completed consultancies and 60 ongoing activities on procurements for goods under the programme. In some other cases, however, TA was kept lean and mean, thus contributing to efficiency gains. This might have been the case for the local BER support (2017-2021) in Tanzania, where the contracted management consultancy company was also the secretariat for the Project Steering Committee and custodian of all project funds. This arrangement is considered cost effective because it eased coordination while reducing administrative bureaucracy and reporting complexity since only one entity was required to report to the embassy. However, it may have jeopardised ownership and negatively affected sustainability.

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89 For example, in the third phase of funding MENR/MEF for which Denmark transferred the money to the Treasury, MENR did not receive funds for the first two years as the code had been confused with the NEMA budget code. This meant that activities were put on hold for quite some time. It took the GoK very long to solve this issue.

90 In Ghana, challenges included preparation of annual aggregate workplans, reporting across implementing units, procurement issues related to preparing an overall procurement plan, obtaining DP's no-objection and delays in the procurement process itself. At the side of the government of Ghana, there were changes in leadership and in some cases lack of ownership in the implementing ministries, departments, and agencies, while also the designated coordinated Ministry responsible for programme management, did not have authority to supervise other ministries, which led to accountability issues. These problems were also reported for other countries.

### ***Contracting out of BAFs and challenge funds***

All BAFs have been contracted out to management consulting companies, with the exception of BAF2 in Mozambique for which a separate local foundation was set up. Only two companies were selected and in charge of the management of all BAFs. The embassies were quite satisfied with the management of BAFs. The independent evaluation of BAF Ghana in 2014 provided a positive value for money assessment.

#### **MALI, BER SUPPORT IMPLEMENTED BY WBG/IFC DID NOT LEAD TO EFFICIENCY GAINS**

The Danish embassy decided in 2018 to provide funding for a trust fund in the WB Group for the implementation of its BER-support to Mali for various reasons 1) the experience of WBG/IFC with BER-programmes; and 2) it was expected that the WBG would have more leverage with the government of Mali; and 3) working through a trust fund arrangement would make it possible to collaborate both with key public actors and key private sector actors and attract other funders.

The appraisal report of the 2018-2022 PSD programme was critical of the set-up and indicated the choice of activities and intervention areas was not clearly articulated. In practice, no other donors joined the trust fund and there were no synergies with other WBG programmes.

In addition, efficiency challenges were related to the changing context including the Covid-19 pandemic and the deteriorating political situation that led to suspension of WB support to Mali. The type of activities planned and related outputs, changed frequently, which led to delays Furthermore, the fact that the IFC team mainly operated from Abidjan and online, plus the high dependence on short-term consultancies limited efficient implementation.

The thematic BAF study shows that only for BAF-Kenya a complete breakdown of the main cost categories is available, making a distinction between grants, capacity building and TA and administration/management costs. The proportion of the budget spent on grants varies between a low of 34% (for BAF 1 Tanzania) and 39% (for BAF 1 in Kenya) and 67% (for BAF 2 in Ghana). The cost breakdown indicates that management costs tended to decrease as funds matured. It appears that the management costs have been below other comparable funds.

In Ghana, Tanzania, and Mozambique a challenge fund approach was adopted for some time. This involved announcement of application rounds for PSOs and selection of submitted applications. This challenge fund set-up has been implemented with limited success across the different countries. In Ghana, the relatively broad eligibility criteria for PSOs led to approving projects that were not in line with the overall objective to create advocacy projects aimed at business environment reforms. Following the 2014 evaluation of BAF-Ghana, a strategic decision was made to focus more on invitational grants that provided some more control over the focus of the projects. In Tanzania and Mozambique, difficulties were also faced with the challenge fund due to lack of relevant and qualified applications. This led to a more proactive approach. The common BAF-approach, which was followed in Kenya from the start, became a system of co-creating advocacy projects. This meant that projects were identified through a dialogue between the PSO applicant and the fund manager; moreover, there were no predetermined application deadlines. As described above, this approach did not entail a better definition of the areas to address from the side of the fund management.

#### ***Implementation by NGO or multilateral organisation***

In Mali, Danida reconsidered the aid modality to use for its BER-support on a number of occasions. In the third phase of BER support (2018-2022), it was decided that IFC would become responsible for implementing the BER-support. Quite some efficiency gains were expected from this aid modality but were not achieved in practice (see text box). For FC-PSD support, implementation via an NGO is not an obvious aid modality. In Mali, the skills development programme (2013-2018) was implemented by a specialised international NGO. Danida co-funded the fourth phase of this programme, and the three previous phases were funded by Switzerland. There were no main implementation issues, and the programme was considered to be rather efficient according to documents and interviews.

Country context as well as the type of programme determine the relative efficiency of different aid modalities. In Mali as a fragile country, most efficiency challenges occurred related to implementation problems, delays, and high costs as a result of the high risks of working in a fragile context. A recently started vocational training project with the European Council for Investors, commenced with considerable delays as the recruitment for TA proved to be very challenging and the procedure had to be changed. This shows the difficulties of implementing this type of projects in fragile circumstances and the need for careful risk assessment and mitigation. In Mali, there were also a few cases of misuse of funds that were, however, adequately addressed but did lead to the temporary suspension of support.



### Organisational efficiency

The assessment of organisational efficiency specifically focuses on the role of the Danish embassies, including the change towards a DDD approach. Except for Kenya, the other three embassies faced increasing staff capacity constraints that affected efficiency. Partly in view of capacity constraints, more tasks, such as programming, implementation, and monitoring, were outsourced, that were expected to lead to efficiency gains, but created challenges especially regarding the realisation of synergies. A detailed analysis is presented in Annex F, while some elements are highlighted in this section.

In Kenya, the embassy is well-staffed – two sections for bilateral green growth cooperation, four strategic sector counsellors and a Trade Council with various staff members – and embarked in 2021 on a DDD approach. An embassy with a large number of staff should make it possible to be less dependent on external consultants. In Kenya, the embassy staff noted that in the 2016-2020 period too many responsibilities were delegated to external consultants (formulation, appraisal, monitoring and real-time evaluation). Therefore, the focus was shifted to internalisation of processes (e.g. monitoring, see the analysis in the next section) and closer working together. It is too early and beyond the scope of this Evaluation to assess whether this will increase organisational efficiency. In Ghana, Tanzania, and Mozambique, with fewer PSD staff at the embassies, there were limited opportunities for learning broader lessons from bilateral cooperation and using these for sustaining the results and/or integrating these in the new strategic direction, as was the case in Ghana.

As indicated above, contracting out has become the preferred aid modality in Danida's PSD interventions, and was expected to lead to efficiency gains and reduce the workload for the embassies. This was true for the BAFs that were implemented according to plan, and which produced regular and clear activity reports, but this was not always the case. In Mali, PSD staff capacity at the embassy was reduced in 2018, when more PSD-programmes were contracted out. The capacity with only two PSD-experts is considered as rather limited especially for such a complex fragile context. Working in silos was frequently mentioned in interviews as a factor that negatively affected organisational efficiency. Also, the distance between implementing partners and the embassy, especially in the case of contracting out, was mentioned as a complicating factor. Nevertheless, embassies did aim to bring implementing partners together and organised regular meetings at least among the implementing partners of the PSD – programmes. In Ghana and Kenya, there was also regular exchange between the Trade Council, strategic sector advisors and bilateral cooperation staff. These meetings focused mainly on information exchange and there is no evidence that they led to more synergies.



### Quality of M&E

Another sub-EQ reflected in the underlying assumptions of the ToC refers to the extent to which MEAL (Monitoring, Evaluation, Accountability and Learning) systems were a useful basis for assessing performance and whether they led to learning and/or changes in programming (adaptive programming? Two factors affect the quality and use of MEAL systems: 1) the quality of programme design, in particular results frameworks; and 2) the Danida procedures for MEAL that have changed during the evaluation period. The Evaluation found that while there is some reference to outcomes and impact in programme design, there was no systemic assessment of these higher results in monitoring and evaluation. This limited the opportunities for learning and adaptive programming.

The variable quality of programme designs was analysed in the relevance sections in Chapters 3, 4 and 5 for the six FC-themes, pointing at problems to define adequate indicators for the higher results levels<sup>91</sup>. On the other hand, some improvements in results frameworks were made such as better indicators at output level. Furthermore, in general, no clear distinction between effects of FC-PSD support (including via SSC) for local and Danish business was made. While there were some changes in the Danida MEAL procedures and guidelines, progress reporting during implementation remained limited to output level. Outcomes should only be reported on at the end of each phase, but this was hardly done, also because outcomes indicators were often not well defined. Therefore, the quality of the Programme Completion reports varied considerably.

### *Danida MEAL experiences in Kenya*

A very ambitious M&E set-up was agreed upon for the Kenya country programme 2016-2020, which was related to efforts at ELQ to introduce Real-Time Evaluations (RTE). The RTEs were meant to provide an independent assessment especially at outcome level and thereby support implementation of country programmes. An external consultancy company was contracted for implementation of the Kenya RTE that again revisited the country ToC. As the embassy was interested in improving its M&E, it contracted a consultancy company for external monitoring of the country programme, the thematic programmes and all development engagements. The external monitoring team worked alongside embassy staff, which was responsible for monitoring in dialogue with the implementing partners. In practice, this meant that there were two external consulting teams as well as embassy staff working on the M&E of the Kenya country programme, including the

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91 Appraisal reports and MTRs did report on weaknesses in results frameworks, which led to some adjustments.

GGEP with its nine development engagements. This triple set-up proved to be very challenging, and roles and responsibilities were not well defined. Therefore, the RTE was discontinued after the inception phase. The external monitoring team – after a difficult start – developed good working relations with all parties and was appreciated by implementing partners. This resulted in annual monitoring reports with a few pages per development engagement with well-structured presentations of outputs and outcomes. Finally, a Kenya Country Programme 2016-2020 Completion Report was prepared by the M&E consultant, which was very useful for this Evaluation. Nevertheless, there were some in-built limitations as there was limited flexibility in changing the results frameworks for implementing partners. Therefore, the design problems related to insufficiently defined outcome indicators could not be solved. In addition, the monitoring consultants were not able to monitor at thematic programme level as this was not foreseen in the set-up. Hence, there is no indication of achievement of outcomes at thematic programme level.

For the new holistic integrated country strategic framework 2021-2025, the embassy in Kenya changed its position and monitoring was considered to be a core role for the embassy that should not be outsourced. Therefore, additional M&E capacity at the embassy has become available since 2021. In practice, the challenge to assess the contribution to strategic objectives still remains to be addressed.

### ***Monitoring and evaluation at programme level***

Programme Completion Reports (PCRs) prepared by implementing partners are the main source of information regarding the achievements of results. PCRs are of variable quality and mainly focus on output achievement. In some cases, implementing partners decided to commission additional studies to document results. This has been specifically the case when the support was contracted out (for example, the BAFs, TMEA, and skills development Mali). For skills development in Mali, the implementing partner, Swisscontact, made a useful overview of 20 years of vocational training support in Mali (of which only the last four years were co-funded by Denmark) with lessons learned. The same applies for BAF Kenya where the fund management made an extensive final completion report including 15 years of lessons learned<sup>92</sup>. In addition, BAFs in Ghana and Tanzania did respectively two and one impact studies that were of variable quality (see BAF thematic study).

<sup>92</sup> The BAF evaluation did not assess outcomes and included less information on results than the final report with 15 years of lessons.

Danida does not require specific MTRs<sup>93</sup> or final evaluations at development engagement level, which means that for a large number of development engagements (i.e., the entire core sample over a long period of time), only very few independent external evaluations were found. This was especially the case when there were co-funding donors that required independent evaluations, e.g., TMEA evaluations<sup>94</sup>. In general, the quality of TMEA M&E stands out as a positive example as there was clear reporting on outcomes, value of money and even impact assessments, which were a requirement for DFID/FCDO as the main donor. Nevertheless, TMEA evaluations still criticised its ToC and results framework, but, compared to other Danida support in the core sample, TMEA's M&E system was the most advanced.

At the country, sector, or thematic programme level, Danida went from annual reviews to mid-term reviews (MTRs). In addition, ELQ also commissioned independent external evaluations for Denmark's partnerships with Ghana and Mozambique<sup>95</sup>.

### ***Accountability***

Evaluations serve both accountability and learning purposes. There have been very few independent external evaluations of programmes of the core sample, which is a first indicator of accountability. However, the number of evaluations is not a sufficient indicator to assess accountability as also the quality of evaluations is important. The quality of evaluations has been variable. If progress reports contain validated and reliable information on outputs and outcomes, this could compensate for the lack of independent, good quality evaluations. However, progress reports and final completion reports are mainly limited to output level. This means that for much of the support provided, only very scattered information at outcome and impact level is available. This shows that accountability has not been given due attention.

### ***Learning and adjustment***

An important function of MEAL-systems is to provide lessons learned that can be used for adjustment of the programmes, which can be applied in parallel with the accountability function. The dialogue between the embassy staff responsible for monitoring and their

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93 The country or thematic programme MTRs cover, in principle, development engagements, but do not allow for an in-depth analysis at this level.

94 There are some other evaluations initiated by Danida such as the evaluation of infrastructure support in 2012 in Ghana and the BAF Kenya final evaluation in 2020.

95 MFA, Danida, NCG, 2018, Evaluation of the Ghana-Denmark Partnership (2007-2017) and MFA, Danida, Tana, 2018, Evaluation of Danish Engagement in Mozambique 1992-2016.

implementing partners is the main mechanism for learning and adjustment. Implementing partners have shown their satisfaction with Danida as a rather flexible and not too demanding donor. When adjustments were made in the programming, this appears to have been mainly done on the basis of slow progress achieved as reflected in reporting.

The MTRs at thematic programme and country programme level were mainly process-oriented and did focus on implementation challenges. MTRs did only partially deal with the main question: “Is the programme on the right track to achieving its results?” and were, therefore, less results oriented. Nevertheless, MTRs did lead to adjustments to allow programmes to speed up implementation and there is concrete evidence that steps leading to adjustments in all four countries have been taken based on the MTRs. This improved the efficiency, but not necessarily the effectiveness.

In practice, with a few minor exceptions, there is no clear evidence that MEAL systems were used in a systemic way for learning and adjustments. This points at important missed opportunities.

## 6.3 Impact

### MAIN FINDINGS REGARDING THE DANISH CONTRIBUTION TO (INTERMEDIARY) IMPACT:

- It is plausible that the FC-PSD support strengthened the role of private sector, which allows businesses to act as a driver of change for PSD.
- While Danida FC-PSD support led to specific localised positive effects for the private sector that are likely to have contributed to more investments and some job creation by these businesses, this evaluation could not find evidence that the Danida FC-PSD support for PSD led to a measurable contribution to increased investments and economic growth in the countries concerned.

BER support to business registration (Tanzania and Ghana) and to commercial justice in Ghana, that the relation with specific DB indicators could be established, and which showed specific improvements<sup>96</sup>.

96 Ghana’s DB ranking in relation to “starting a business” (including business registration) improved from 145 in 2006 to 99 in 2010 and in relation to “enforcing contracts” (which encompasses commercial justice) the ranking improved from 50 in 2006 to 45 in 2010 according to the DB reports 2007 and 2011.

It is likely that Danida support to these areas contributed to these improvements. In Kenya, where the main GBER and trade facilitation focus was on contributing to a greener enabling environment, it is arguable that Denmark contributed positively to some of the conditions for a greener enabling environment at national and county level.

In addition, most Danida FC-PSD support did focus to a certain degree on strengthening of the capacity of private sector actors and intermediary organisations. This was the explicit focus of the BAFs, but also GBER programmes, in particular in Kenya and Mali, and trade facilitation support in Kenya paid due attention to strengthening the capacity of private sector. Results were reported in Chapters 3, 4 and 5 for the various types of FC-support. At a higher level and in relation to one of the key underlying assumptions of the ToC, it is probable that Denmark – and other actors – contributed to strengthening the private sector to act as driver of change. In most countries covered by this Evaluation (with the exception of Mozambique), governments are engaging more with the private sector to prepare new reforms.

In the ToC, intermediary impact i.e., more investments and job creation by the private sector and contribution to green and inclusive growth, employment and poverty reduction at impact level are distinguished. Through contribution analysis it should be possible to establish any contribution of Danida FC-PSD support to impacts. However, there are several methodological limitations which make it difficult to assess the contribution to impact: 1) scope limitations as only the FC-support is considered and not the more substantial direct PSD support; and 2) use of mainly qualitative methods as no in-depth econometric analyses could be done. The analysis of outcomes of FC-PSD support in Chapters 3, 4 and 5 points at scattered positive outcomes for the private sector in terms of reduced costs or risks, or increased incomes. While this was important for those segments of the private sector that benefitted from this support, no evidence could be found that this led to substantial investments or to job creation; however, but this might also be due to methodological limitations.

## 7. CONCLUSIONS, LESSONS, AND RECOMMENDATIONS

In this chapter, main conclusions, lessons, and recommendations are presented based on the findings presented in the previous chapters. At the same time, the conclusions provide answers to the evaluation questions.

### 7.1 Conclusions

- 1. Denmark provided in most cases relevant framework conditions support for Private Sector Development addressing private sector needs, although this proved to be especially challenging in a fragile context such as Mali. Denmark has been innovative and rather unique in its initiative to set up BAFs. Nevertheless, the support could have been even more relevant if better use would have been made of political economy analysis and if more multi-stakeholder approaches had been pursued.**

Evaluation criteria: **Relevance**

Denmark provided relevant framework conditions support that addressed important needs of the private sector such as reforms of the business environment, public-private dialogue, reduced trade barriers, skills and infrastructure development, and labour market reforms. Danish support aimed to contribute to changes in the framework conditions that would allow the private sector to reduce costs, reduce risks and increase their turnover or profits. Nonetheless, the main responsibility for framework conditions rests with government. Therefore, most donors, including Denmark, focused on supporting government-driven business environment reform programmes, especially before 2010. In several of the countries evaluated, governments at that time showed interest in reforms, and donors followed the aid effectiveness agenda that emphasised government ownership. However, only limited use was made of political economy analysis in programme design and implementation, which affected the relevance. If drivers of change would have been consistently identified, this could have contributed to the performance of Denmark's framework conditions support.

Denmark did make some bold innovative choices, in particular the set-up of the business advocacy funds in four countries. These funds aimed to support the demand-side of reforms, complementary to the supply-

driven supply side of reforms. However, in practice, no effective linkages were established between these two types of support.

- 2. The Danish support to framework conditions was (with a few exceptions) not based on a clear strategic approach, which is reflected in output-focused and relatively weak programme design. cross-cutting issues, such as gender, inclusiveness and green growth were insufficiently addressed in programme design, and consequently in implementation.**

Evaluation criteria: **Relevance**

While the importance of framework conditions is stressed in Danida policies and strategies, in practice, there was no specific strategic framework underpinning this support, providing operationalisation of the various concepts and tools as well as guidance. Policy documents, such as the 2011 Growth and Employment strategy, do not make a clear distinction between the various types of framework conditions support, and between intended benefits at macro (overall policy and regulatory reforms), meso (institutional reforms) and at microlevel (individual enterprises). The issue of operationalisation and integration of cross-cutting issues such as green growth and inclusiveness is not sufficiently addressed. While as part of programme design, some cross-cutting issues, such as gender or environmental issues, were given attention, in most cases this was not reflected in clear approaches, targets or results indicators, albeit with a few positive exceptions.

In programme design and accompanying results frameworks, the focus was mainly on the output and intermediary outcome level with limited attention to higher-level results. PSD sector or thematic programmes were often (over)ambitious and complex, which made these programmes difficult to implement. Furthermore, the country context, in particular, political economy factors were insufficiently taken into account in programme design. This led, in practice, to a pragmatic and rather technocratic approach of FC-PSD support with insufficient attention for identifying the main drivers and hindrances for business environment reform.

- 3. Danish support to framework conditions for Private Sector Development contributed to the realisation of a large variety of outputs ranging from strengthened capacity of government and private sector actors to the formulation of new laws, policies, and regulations. There are, however, only few examples of evidence of contributions to intermediary outcomes, i.e., the actual implementation of new policies and practices, improved service delivery and use of infrastructure. Nevertheless, it is plausible that Danish support in specific areas to some extent has contributed to creating improved conditions for an enabling business environment, including greening aspects in Kenya and through business advocacy projects in several countries.**

Evaluation criteria: **Effectiveness, output and intermediary outcomes level**

The Danish support was relatively effective in terms of achieving the planned outputs. There are achievements at the meso level in terms of strengthened capacity of government and private sector actors. Also at the macro level, Danish support contributed to the formulation and adoption of new policies and regulations, such as green and climate policies, as well as tools at national and sub-national level in Kenya. The business advocacy funds showed that one third to half of the advocacy grants led to changes in policies, laws and regulations that the PSOs were lobbying for, except in Mozambique where only few changes occurred. There were also examples of support that did not result in realisation of the planned outputs. In particular, in Ghana, Tanzania, and Mali efforts to contribute to changes in business and trade policies did not always succeed. The main explanatory factors for limited output achievements were the lack of willingness from governments and weak programme design and/or implementation.

While there is good evidence on the achievement of outputs, with a few exceptions, there is relatively little evidence regarding the actual adoption and implementation of new policies and laws. Literature and also fieldwork for this Evaluation pointed at many formal changes in the business environment that did not lead to actual change, as new policies were not implemented, or administrative practices and behaviour did not change. Nevertheless, good but scattered examples were found on specific positive changes in the business environment. Business environment reform and trade facilitation support led to concrete changes in specific areas such as business registration in Ghana and Tanzania, commercial justice in Ghana and changes in tariffs as well as changes in non-trade barriers (Ghana, Kenya). The business advocacy funds provided (mainly anecdotal) evidence for a few dozen cases where government authorities at national or local level adopted new laws and regulations and changed their behaviour in consequence.



As Denmark did contribute to some specific business environment reforms, it is plausible that Denmark also contributed to a certain degree towards better conditions for a (green, in the case of Kenya) enabling business environment. As many PSOs and also government institutions have been trained on issues related to a green enabling business environment, there is more awareness and knowledge of the need for change.

- 4. For most framework conditions support there is not enough evidence to determine to which extent the programmes contributed to tangible improvements for the private sector. There are only a few examples of evidence of outcome, i.e. that Denmark contributed to actual benefits for some segments of the private sector in terms of reduced costs, reduced risks or increased incomes or profits.**

Evaluation criteria: **Effectiveness, outcome level**

For specific local segments of industry or agriculture, such as for traders and transporters in Kenya or members of farmers' organisations supported by BAF Ghana, evidence was found at the micro level that some parts of the private sector benefitted from changes in the business environment. These benefits consisted of reduced costs, as less taxes or levies were paid, reduced risks and sometimes improved incomes or profits mainly for some SMEs. The explanatory factors for these positive outcomes are that the support was well targeted on specific, concrete interventions and based on good collaboration between government, private sector and civil society actors.

However, for most Danida framework conditions support programmes, no concrete evidence at the micro level could be found on an actual contribution to improvements for the private sector at the level of enterprises. It should be stressed that Denmark's direct support to Private Sector Development including value chains and SME support has not been analysed in this Evaluation. The weak programme design, including lack of clear definition and monitoring of outcomes is a key explanatory factor for the limited evidence of results at macro level. This is in line with findings from main evaluations of UK and German support of Private Sector Development.

- 5. While the support has contributed to enabling the private sector to become a driver of change, there is not enough evidence to determine whether the private sector significantly increased investments and created jobs as a result of framework conditions support.**

**Evaluation criteria: Sustainability and impact**

The assessment of sustainability provides a mixed picture. There is evidence that some of the government and private sector organisations that received framework conditions support have continued to improve their functioning, and that new legislation, systems and procedures have been implemented leading to further changes in the green business environment. However, most private sector organisations that received capacity development support from business advocacy funds did not succeed to improve their business advocacy activities in a sustainable way. Nevertheless, through the various types of support, the private sector in all four countries has become more able to act as a driver of change at the macro- and meso-levels, although the extent to which this is the case varies substantially from one country to another.

Notwithstanding, this Evaluation could not measure whether private sector did increase its investments and/or created more jobs as a result of the fragmented benefits of the support it received, but this might have been due to methodological limitations. Therefore, no evidence of measurable macro or systemic impacts of the programmes, such as on overall economic growth, a green economy and/or inclusiveness has been found. One key challenge was, as indicated above, that the higher levels of the results chain were hardly given any attention in the design and implementation of framework conditions support.

- 6. On paper, due attention has been paid to the realisation of synergies between the various types of Danida support to Private Sector Development, notwithstanding that, in practice, there have been many hindrances to realise these synergies. There are a few good examples of internal coherence, but also many examples of missed opportunities to realise synergies.**

**Evaluation criteria: Internal coherence**

Danida aimed to enhance internal coherence between its various bilateral sector programmes, including the bilateral PSD programmes, and also between the bilateral support and global PSD programmes. With the recent introduction of the Doing Development Differently (DDD) approach, enhancing internal coherence and realising synergies between the various types of support and policy dialogue have been even more prioritised. The macro- and meso-level framework conditions support, on the one hand, and the micro-level direct support to private sector, on the other, were meant to be complementary to each other. In practice, there have been only a few good examples of realisation of synergies, such as some recent Strategic Sector Cooperation programmes that succeeded to achieve synergies with bilateral programme components and the policy dialogue on specific reforms.

In general, there is little information on the policy dialogue, and only in a few cases do issues raised in framework support programmes appear to have been addressed in the policy dialogue. Furthermore, the Danish trade and aid agendas are only partially aligned, and often no explicit distinction is made between benefits for Danish and local businesses. The Evaluation did not find any evidence of attempts at internal coherence between the Danida bilateral support and multilateral support.

The government-focused business environment reform support and the demand-driven business advocacy support are two types of framework conditions support that were meant to be mutually reinforcing. In practice, however, there was no coupling between these two types of support. This led to a demand-driven approach to the use of the funds and the absence of focus on specific reform agenda issues, i.e., 'let a thousand flowers bloom' approach.

The following factors negatively affected internal coherence: different implementation modalities and implementing partners, the dispersion of framework conditions support over a relatively large variety of themes, the decreased attention for framework conditions support, the heavy workload at the embassies often combined with working in silos, and different priorities of global PSD programmes that are not aligned with bilateral cooperation priorities.

**7. Denmark was considered an engaged and flexible Private Sector Development donor by other stakeholders and followed mainly the international donor agenda, paying gradually more attention to direct support to private sector and green growth.**

Evaluation criteria: **External coherence**

Denmark did follow the international PSD agenda and trends and was among the group of early active donors in this area. Stakeholders, such as implementing partners and other donors, emphasized the flexibility and commitment of Denmark as an important PSD-donor. The flexibility of Denmark is appreciated as Denmark does not stick to rigid procedures. This was visible when, for example, additional support was provided to trade facilitation in Kenya, to keep the borders open during the Covid-19 pandemic. From 2012 onwards, green growth became an important theme in Danish PSD support in line with the evolving international agenda. However, no clear linkages have been established between green growth support and framework conditions support. The concept of a green enabling business environment has not been elaborated even though Denmark was in a good position to do so.

Denmark took the lead and participated actively in donor coordination groups on PSD that were set up in line with the international aid effectiveness agenda from the early 2000s onwards. This initially resulted in various joint programmes to contribute to business environment reforms, in particular in Tanzania and Ghana. These programmes were discontinued from 2008-2010 onwards. From that time also bilateral government-to-government support gradually decreased in volume and importance, and donor coordination on PSD started losing some momentum. Nevertheless, in specific areas such as skills development, the circular economy and other green growth areas, new mechanisms for good donor coordination were established in various countries. Team Europe Initiatives around the Green Deal appear to create new opportunities for donor coordination among like-minded donors.

**8. Danish embassies have faced capacity constraints.**

**This led, in some cases, to limited guidance of programme implementation and missed opportunities for enhancing internal coherence. The adoption of the Doing Development Differently approach in Kenya appears promising but requires substantial staff capacity if positive results are to be achieved.**

Evaluation criteria: **Efficiency**

Contracting out programme implementation to consulting companies, NGOs or international organisations has become the preferred aid modality for framework conditions support, given its perceived efficiency and limited workload for the embassies. Government-to-government support has almost disappeared.

Sufficient capacity is needed at the embassy to guide and supervise programme implementation, with adequate attention to achieve outcomes and address Danish policy priorities and cross-cutting issues, while also synergies across programmes need to be realised. Embassy staff tend to operate in silos, which means that opportunities for realising synergies are not always grasped and Danish priorities, such as green growth have not always been well addressed. For embassies it is crucial to establish linkages between implementation of programmes and issues for policy dialogue that stakeholders in programmes may identify, which has proved to be challenging. The Doing Development Differently approach, adopted by the embassy in Kenya, aims to provide solutions for these problems. It is too early and beyond the scope of this Evaluation to assess this approach, but there are a few early signs of improved internal coherence among bilateral cooperation programmes and global PSD programmes. This is partly due also to the relatively large number of staff.

- 9. The main explanatory factors for the variation in performance of the interventions are the differences in country context, weaknesses in programme design, insufficient political economy analysis, the degree to which the private sector was involved in reforms, inadequate Monitoring & Evaluation systems, and some discontinuity of support.**

Evaluation criteria: **Effectiveness, sustainability and impact**

The four countries provide different contexts for framework condition support that has affected the performance to an important extent. Kenya represented the most favourable context with a relatively well-developed private sector and enterprise structure. The changing context in Mali over the period 2008-2021 – from a champion regarding the implementation of the Paris Agenda for Aid Effectiveness in the early years, to a fragile state from 2012 onwards – has affected considerably Denmark's support and its performance. Denmark developed a flexible approach to address the challenges of this evolving context. As the success of framework conditions support depends on formal and informal power relations within government and between government and private sector, political economy analysis would contribute to solid programme design. While stakeholders have basic insight into main political economy factors, there are no indications that political economy analysis has been used extensively in the programme design and implementation phase. This led to rather variable quality of programme designs. For example, Danida failed to examine the real willingness of governments to reform in favour of the private sector, while also the various and sometimes diverging interests of the private sector have not been given due attention. For strategic sector cooperation programmes, outcomes for Danish and local businesses have not been clearly distinguished.

Framework conditions support aimed to contribute to changes in the (green) business environment, which requires long time frames. Changing policies or laws is already a timely process, but this applies even more to the actual implementation of policies from which the private sector can end up benefiting. In some specific and important areas (green growth in Kenya, business advocacy funds, trade facilitation in Kenya, skills development in Ghana, and labour markets in Tanzania), there was continuity in support. This should allow, in principle, for learning and adjustment. In other areas, however, there was discontinuity of support, notably in business environment reform programmes, but also in the skills and infrastructure development support in Mali. This negatively affected performance. Over time, programme design and result frameworks have improved with clearer targets and indicators, but a general shortcoming is clearly the lack of definition of clear outcome indicators.

With adequate M&E, it would have been possible to address weaknesses in programme design and make adjustments. However, M&E did not lead to many examples of learning and adjustment. For the majority of programmes, reporting on outcomes is deficient and the reporting focused more on outputs. MTRs of country or sector programmes focused on progress in implementation and did lead to some concrete adjustments in programming. However, MTRs did not focus on (potential) achievement of outcomes. This means that, in the almost complete absence of programme evaluations, there is no information at outcome level, let alone impact level. Where evaluations are available, often a co-funding donor is involved. In practice, the absence of good information beyond output level has limited learning and adjustment.

## 7.2 Lessons

Although Denmark's most recent development strategy – The World We Share – includes mentioning of framework conditions, Danida's current portfolio has decreased significantly in the four countries covered by this Evaluation as well as in other country programmes. In Ghana and Tanzania, the bilateral cooperation programmes have stopped and are in the process of being phased out, respectively. In Kenya, there is ongoing bilateral support focusing on green growth, mostly as direct support to the private sector, but with some framework conditions support to trade facilitation and via Strategic Sector Cooperation (SSC). In Mali, the support to government has been suspended, but other direct private sector support continues. Among the global PSD programmes, the SSC is clearly related to framework conditions on green growth. However, the focus is on middle-income countries with only very limited overlap with countries with a bilateral cooperation programme. In addition, the Danida Sustainable Infrastructure Fund (DSIF) deals with framework conditions support i.e., infrastructure development and this also applies to some IFU investments.

The gradually decreased attention to framework conditions support affects the utility of the lessons learned from this Evaluation. The lessons feed into the Danish policy priorities on green growth, which includes a focus on the private sector. These lessons are addressed at the MFA staff at headquarters level, including staff in charge of global PSD programmes, and embassies where bilateral PSD-support is provided. For each lesson the linkages to specific conclusions are indicated.

- 1. Support to framework conditions for green growth is complementary to direct private sector support and requires a sufficiently long timeframe as well as a certain degree of flexibility.**

Related to conclusions: **Related to conclusions 1, 6, 7 and 9**

Reforms of the green business environment take time and require a longer timeframe than five years. The bilateral support that led to good results, such as trade facilitation support in Kenya, was almost always provided over a longer period time. This importance of continuity is also recognised in the SSC where long-term support and up to three phases (ten years) for sector programmes are envisaged. One of Denmark's strengths is the flexibility of its support, which showed Denmark's ability to adapt its support to emerging needs and opportunities. This flexibility of the Danish support should be maintained or reinforced, in line with the concept of adaptive programming.

**2. Green growth support to the private sector requires due attention to the green enabling business environment, and a targeted approach yields the most promising results.**

Related to conclusions: **3, 4, and 5**

Private sector may thrive in an enabling business environment with adequate policies and regulations. This applies also to the green enabling business environment, as direct support to enterprises to enable the transition to a green economy should go hand in hand with clear and coherent regulations, creating appropriate market conditions for green products and services. This Evaluation showed that a targeted approach focusing on specific issues has been most successful; examples are: some business advocacy support; some areas of green business environment reform; and green economic infrastructure development.

**3. Targeted framework conditions support should be based on adequate analysis and insights, especially political economy factors, while paying due attention to the realisation of synergies and to the adequate integration of cross-cutting issues in the context of the Doing Development Differently approach.**

Related to conclusions: **2, 6, and 9**

The private sector can contribute significantly to the achievement of the SDGs, and this may be furthered by an enabling business environment with adequate policies and regulations. This will allow a growing private sector growth to contribute to the SDGs, which is reflected in Danida strategies. Therefore, targeting of framework conditions support is required for solid programme design and to contribute to higher-level objectives. In programme design, complementarity with other types



of green growth support provided either via bilateral cooperation programmes or via the global PSD programmes, should be the point of departure. Moreover, the support should be based on good political economy insights, identifying the drivers of change. In addition, cross-cutting issues such as green growth, inclusiveness and gender equality need to be adequately integrated in programme design and implementation, in line with the overall strategic Danida objective of green, sustainable and inclusive growth.

**4. The development of adequate results frameworks and related M&E systems, which go beyond output measurement and reporting will allow to draw relevant lessons during implementation and will allow for adaptive programming.**

Related to conclusions: **4, 5, 8 and 9**

Adequate programme design should be accompanied by clear results frameworks, including concrete and measurable (intermediary) outcomes and linkages to intended impacts. This requires targeting of outcomes for different stakeholder groups, such as for local SMEs (female-headed or start-ups by youth) and for Danish businesses. It should be realised that different stakeholder groups may have converging but also diverging interests, which need to be addressed in programme design and implementation.

Collecting and analysing outcome-level data is essential for assessing programme achievements during or after a programme intervention. This can be embedded to some extent in regular programme monitoring, although outcomes can of course not be assessed during the early days of implementation.

**5. Sufficient capacity at the embassy is needed to implement the DDD approach aiming to realise synergies and for adequate exit or transition scenarios.**

Related to conclusions: **8**

Most Danish embassies in the selected countries, with the exception of Kenya, faced staff constraints, which limited their opportunities to adapt programming, to enhance internal and external coherence, address issues in policy dialogue, and effectively monitor programme implementation. Therefore, staff capacity constraints at the embassies, especially in fragile states but also in other countries, and at the level of headquarters in Copenhagen need more attention. Outsourcing of some tasks can be helpful, but important tasks, such as participation in policy dialogue and donor coordination meetings, as well as enhancing internal coherence in line with the DDD approach can, of course, not be outsourced.



In exit or transition scenarios, Danida needs to pay due attention to consolidating development results, as there is a risk of jeopardising results. In addition, in the case of transition from aid to trade, due attention is needed for realising synergies between the phasing-out of bilateral cooperation with the ongoing commercial agenda. These agendas may not always be aligned and may compete for the available programme funding during the phasing-out.

### 7.3 Recommendations

Based on the conclusions and lessons, a first overall recommendation has been formulated:

**R1. Support to Private Sector Development framework conditions should be an important element in Denmark's bilateral support to economic growth, green transition and sustainable development. This support should therefore be continued as a supplement to the direct support to enterprises that presently constitutes by far most of the bilateral support to the private sector.**

Given the present focus on Green Transition and Sustainable Development, which includes Private Sector Development support, it is crucial to provide continued support to establishing an appropriate enabling environment for this green transition and to address the challenges identified in this Evaluation. To realise a Green Transition, a systemic approach is needed that includes support at various levels and involves governments, private sector organisations and civil society. These actors should work closely together to create a green enabling environment and Danida is in a unique position to support these processes. When lessons are learnt from this Evaluation, Danida support in this area can be made even more relevant and effective in the future.

In addition, the following specific recommendations for two separate groups of stakeholders have been formulated: A) Recommendations for embassies with bilateral country programmes focusing on Green Transition and Sustainable Development, including PSD support; and B) Recommendations for Danida management at headquarters dealing with global programmes, IFU and multilateral support.

**C. Recommendations for embassy staff dealing with bilateral Green Transition and Sustainable Development support, including PSD support.**

**R.A1. Bilateral support to framework conditions should be targeted and complementary to other green growth and PSD support under a country programme and should aim to build synergies with direct Danish support to the private sector. It could include strengthening the effective implementation of specific policies, laws and regulations, possibly in combination with support to advocacy capacity of the private sector on specific issues and/or support to specific reform processes. Linkages between targeted framework conditions support at central and decentralised levels in the partner country should be established, which also includes multi-stakeholder approaches.**

Related to conclusions: **1, 2, 6 and 7** and lessons **1 and 2**

It should be realised that the performance of direct support to SMEs and other businesses depend on adequate framework conditions at all levels. Therefore, due attention is needed in Danida's bilateral PSD interventions to support complementary interventions at micro-, meso and macro levels to achieve the desired impact. The approach to focus on specific sub-sectors of reform addressing the supply – and demand side of reform at national as well as at local level has been adequate in various country contexts and deserves follow-up. The reform processes to be supported should be identified by stakeholders of ongoing programmes. The specific form of support to be provided depends on the context, specific capacities of stakeholders and support provided by other donors. Addressing the need for specific reforms in the policy dialogue with government together with other donors may be considered as a first step. This might refer to the need to change of policies, strategies or regulatory frameworks. It may also include strengthening the (lobbying) capacity of the private sector to act as a driver of change. Implementation of specific reform processes normally requires a multi-stakeholder approach including government, civil society and private sector actors. Therefore, embassy staff may consider providing support (non-financial or financial) to other actors as well, which requires a flexible approach. Small amounts of flexible funding would be catalytic for obtaining wider results from interventions supported by other (less flexible/adaptive) funding sources. For example, embassies with a bilateral country framework have access to flexible SDG-funds managed by HQ. These opportunities should be more proactively explored during programming and implementation.

**R.A2. Embassies should develop future framework conditions support based on more in-depth understanding of the political economy context and the enterprise structure in the countries concerned. This analysis should clearly inform choices in relation to targeting drivers of change and be reflected in risk management in programme design and implementation.**

Related to conclusions: **2 and 9 and lessons 3 and 4**

Thus far, political economy insights and knowledge of the enterprise structure only influenced programme design and implementation to a limited extent. Programme approaches tended to be rather pragmatic and technocratic, and did not specifically focus on drivers of change or address the main obstacles. While political economy analysis reports may help, the key challenge is to actually use the information. Therefore, it should be a topic in regular embassy staff meetings and reporting as well as an issue for discussion with implementing partners and other donors.

Not only the specific country context should be well analysed and addressed in programme design and implementation, but also green growth, inclusiveness and gender equality as cross-cutting issues should be better operationalised.

Improved programme design should be accompanied by adequate results frameworks identifying output, outcome and impact indicators at macro, meso and micro levels.

**R.A3. For embassies in fragile countries, such as Mali, with a relatively dynamic private sector, supporting the private sector as driver for change, would be the best entry point for contributing to improved framework conditions and supporting a more enabling green business environment.**

Related to conclusions: **1, 2 and 9 and lessons 1 and 3**

In fragile countries, due attention should be paid to strengthening the advocacy capacity of the private sector to increase the demand for change, in addition to direct support to enterprises. Given the challenges in fragile states to provide direct support to government, and based on Danida experiences in Mali, private sector organisations can be a driver of change and act as a countervailing power to stimulate the government to reform.

**R.A4. Embassies should engage actors dealing with Green Transition and Sustainable Development at headquarters and in IFU, such as global programmes, in particular Strategic Sector Cooperation and the Danida Sustainable Infrastructure Fund, in the design of new strategic country frameworks to enhance internal coherence from the start of programming onwards.**

Related to conclusion: **2, 8 and 9 and lessons 3, 4 and 5**

While in some countries, such as Kenya, first steps have been made to better align bilateral and global programming, in general,

programmes set their own priorities and alignment is limited,. This complicates grasping opportunities for realising synergies. If embassies would engage global PSD programming staff (and IFU staff dealing with infrastructure and energy projects) in the bilateral country programming, from the start onwards, more opportunities for synergies would be created. Both from the perspective of local private sector as well as from the perspective of Danish businesses, continued attention for the green enabling business environment is needed to address their needs. In addition, supporting changes in the green enabling environment may create opportunities for the private sector to innovate, to produce greener goods and services, or to comply with green growth regulations. This requires making a distinction between benefits for the local private sector – preferably making a distinction between various parts of private sector addressing issues of inclusiveness – and Danish businesses.

**R.A5. Embassies should address cross-cutting issues – gender equality, inclusiveness and environmental/climate change issues – in a more systematic way during both the programme design and the implementation phase. This should be reflected in appropriate results frameworks with clear and specific indicators.**

Related to conclusion: **2 and 8 and lesson 3 and 4**

Cross-cutting issues, such as inclusiveness, gender equality and greening, should not only be given attention in the preparation phase, but should be part of programme design and implementation. A key factor is the development of adequate results frameworks with specific indicators that allow for monitoring the cross-cutting issues.

**R.A6. In view of the evolving geo-political context, embassies should pay renewed attention to external coherence, in particular Team Europe Initiatives around the Green Deal, while also linkages with multilateral support should be explored.**

Related to conclusion: **7 and lesson 2 and 3**

Donor coordination on Private Sector Development has evolved from broad coordination initiatives involving governments and the active donors to more specific sub-sector groups. There are clear merits to this sub-sector approach, but this needs to be accompanied with broader coordination approaches as, for example, has been done through the EU trade counsellors' meetings. For Denmark, Team Europe Initiatives, such as on the Green Deal, could in some countries be a new way to enhance further external coherence.

Denmark has also provided earmarked and non-earmarked support to multilateral organisations, such as the World Bank, and ILO, engaged in framework conditions support. However, to date, hardly any synergies have been established. In the context of the Doing Development Differently approach, some first steps should be made by proactively looking for opportunities at country level through the sub-sector donor working groups.

**R.A7. Embassies should include innovative M&E approaches in Green Transition and Sustainable Development programme design to assess outcomes. Quantitative or qualitative baseline data should always be established, as well as mid-term and endline measurements of outcomes, based on international experience and relevant literature. In addition, for ongoing programmes, embassies should review their M&E frameworks for this type of programmes, as these relate to the Evaluation's findings and conclusions, and decide how they will ensure documentation of results at outcome level during programme implementation.**

Related to conclusions: **8 and 9** and lessons **4 and 5**

A major overall weakness of the support to framework conditions has been the quality of M&E systems, which require major improvement. This should be linked to improved programme design and related results frameworks in which indicators at outcome, and impact level are defined, and a funded M&E plan as part of the programme design. In addition, for ongoing programmes, embassies should review their M&E frameworks as these relate to the Evaluation's findings and conclusions and decide how they will ensure documentation of results at outcome level during programme implementation. For some interventions, these M&E plans should go beyond standard monitoring and include innovative, quantitative approaches developed in consultation with evaluation experts in ELQ. These M&E plans may also include additional studies such as case studies, evaluations and impact studies based on solid and innovative methodological design. These innovative studies should allow for learning and adaptive programming, while also feeding into Danida knowledge management at embassy and headquarter levels. Adequate knowledge management should be based on solid digital archives with basic information on programme commitments and expenditures, cost breakdowns and achievement of results.

**D. Recommendations for MFA staff at headquarters dealing with Green Transition and Sustainable Development global programmes, IFU and multilateral support**

**R.B1. Danida should consider preparing new practical guidance in the relevant how-to-notes on designing framework conditions support as part of its Green Transition and Sustainable Development strategies based on this Evaluation. This guidance should be integrated in existing “How-to” notes and should be developed in an interactive, participatory process involving all relevant stakeholders.**

Related to conclusions: **1, 2 and 9 and lessons 1 and 2**

Danida recently started preparing “How-to notes”, such as the 2022 How-to note for implementation of “The world we share” on “Job creation and sustainable growth” and “Climate adaptation, nature and the environment”. It is indicated that in countries with an expanded partnership and with large scale bilateral interventions in job creation, the focus should be on framework conditions for the private sector, but the guidance on how to do this is limited. These notes could be updated in view of the learning from this Evaluation. The updating of these notes regarding aspects of framework conditions support should be done in a participatory process involving all relevant stakeholders (such as, the Department for Green Diplomacy and Climate, embassies, global PSD programmes, staff responsible for multilateral support). This will not only contribute to knowledge sharing, but also to the actual use of these notes. The notes should include a Theory of Change for the various types of support to framework conditions, as well as guidelines regarding cross-cutting issues and M&E.

**R.B2. Danida needs to pay more attention to knowledge management and learning around the Green Transition and Sustainable Development, including the linkages to Private Sector Development, and the necessary combination of support at micro, meso and macro levels, with a view to enhancing synergies and optimising results. Furthermore, appropriate linkages between framework conditions support both at central and local level should be established.**

Related to conclusions: **5 and 9 and lessons 2 and 3**

There has been a gradual shift from a focus on Private Sector Development at various levels to green transition support, which is mainly focused at the micro-level. Achievement of the higher policy objective to contribute to green, sustainable and inclusive growth requires transformation at all three levels. New opportunities should, therefore, be explored, such as engaging development finance institutions (IFU) and institutional investors in a dialogue on framework conditions in order to further synergies with potential investments. This may also contribute to help mitigate the risks for institutional investors allowing them to invest in transition.

**R.B3. Given the importance of global programmes such as the Strategic Sector Cooperation and the Danida Sustainable Infrastructure Fund for framework conditions support, and in view of the Doing Development Differently approach, further coherence between these programmes and bilateral cooperation is needed in order to realise synergies, which also applies to the multilateral support.**

Related to conclusions: **6 and 8 and lessons 2, 3 and 5**

Policymakers, at international, national and local levels, have a key role to play in enabling the transition of SMEs to the green economy, mainly by adopting clear and coherent regulations, creating enabling market conditions for green products and services, and facilitating access to funding and capacity building programmes that support investor-grade green SMEs. Danida may provide support to this transition via different instruments.

Some global programmes focus on framework conditions support, which, in principle, creates opportunities for realising synergies with bilateral cooperation support. However, the global programmes are, to a varying degree, supply-driven and to some extent based on Danish commercial interests, while also addressing local issues. Global programmes, such as SSC, work mainly in middle-income countries and not necessarily in countries with bilateral cooperation partnerships, which limits the opportunities for optimising internal coherence. Another practical limitation is that some of these programmes are not managed by the MFA and that there are few mechanisms at present to enhance internal coherence.

This also applies to multilateral support and IFU investments in energy transition and economic infrastructure. This should start with selecting specific countries where all Danish stakeholders intervening in the sector are committed to make this a top priority. This would also allow for proper exit strategies when bilateral cooperation is phased out. Where the sustainability of results is at risk, there may be the possibility of intervening through other Danish support channels – multilateral or civil society – for a limited period of time to secure an orderly exit.

Therefore, it is recommended that, in line with the DDD approach, the Department for Green Diplomacy and Climate should increase its efforts to provide guidance and suggestions regarding internal coherence for green growth among the various instruments available, including multilateral support and IFU. This would allow to explore synergies in a more proactive way as this should not be left to embassies alone.

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