

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

## **Summary, management response & follow up September 2023**

### **Introduction**

This note summarizes the main findings and conclusions of an evaluation of Danish support to Framework conditions for private sector development undertaken from 2008 to 2021. The note includes the management response and follow up proposals drafted by the department for Green Diplomacy and Climate Change (GDK) of the Ministry of Foreign Affairs (MFA). The MFA's department for Evaluation, Learning and Quality (ELK) commissioned and managed the evaluation, carried out by an independent team of international consultants.

### **Evaluation purpose and methods**

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 the 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 the 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 Finance, 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 the 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. Crosscutting 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 crosscutting 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 pro-active 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 geo-political context with a bigger role for countries, such as China, joint approaches, for example via Team Europe Initiatives, appear to be promising.

## **Conclusions from the evaluation:**

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. Crosscutting 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.

## **Management response and follow up**

### **General comments**

The MFA welcomes the evaluation of the Danish support to framework conditions for private sector development (PSD), 2008-2021. Improving framework conditions for the private sector has been a cornerstone in Denmark's support to PSD through various approaches for more than 20 years, and the evaluation provides a valuable assessment of 15 years of the Danish support through some of the approaches. The MFA also appreciates the timing of the evaluation. The conclusions, findings and recommendations can be used as input to the development of a new approach for a strengthened Danish engagement on the African continent, and a new strategy for development cooperation in 2024. The evaluation will also inspire the development of an expanded green and climate-related portfolio following the ongoing 'greening' of Danish development cooperation.

The MFA acknowledges the picture provided by the evaluation reflecting both critical aspects as well as more positive elements.

The MFA takes note of the challenges identified by the evaluation including the need for better use of political economy analyses and a clearer strategic approach in PSD programmes, insufficient evidence on impact due to weak programme design and inadequate M&E systems, as well as missed opportunities for realising synergies between the various types of Danish support to PSD. The MFA notes that there is limited evidence of whether new policies and legislation have actually been implemented and that it is unclear whether the efforts have led to for example jobs and investments. The MFA finally regrets that stocktaking of new concepts and programmes have only to a limited extent taken place.

At the same time the MFA appreciates the overall conclusions of the evaluation, that Denmark in most cases provided relevant framework conditions support for PSD, and that the Danish support was innovative and unique especially in setting up Business Advocacy Funds (BAFs). The Danish support also contributed to the realisation of a large variety of outputs and to enabling the private sector to become a driver of change in all four countries of study. The Danish support furthermore contributed to the formulation and adoption of new policies and regulations in the partner countries.

### **Follow up**

The MFA finds the recommendations useful. The recommendations fall in three categories: (i) Overall recommendations, (ii) specific recommendations for Embassy staff dealing with bilateral Green Transition and Sustainable Development support, including PSD support, and (iii) specific recommendations for MFA staff at headquarters dealing with Green Transition and Sustainable Development global programmes, IFU and multilateral support.

### **Overall recommendation from the evaluation:**

***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 the 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 the evaluation, Danida support in this area can be made even more relevant and effective in the future.*

**Response:** The MFA agrees that support to PSD framework conditions should be continued as an important supplement to the direct support to enterprises. The MFA also agrees that a systemic approach is needed in order to realise a green transition, and that both governments, private sector and civil society need to be involved. Building on years of experience, all evidence shows that good advocacy is best supported through partnerships with governments, private

sector and civil society. However, while Danish development cooperation builds on such partnerships, this is an area where continuous improvement is required.

In order to deliver a green transition and address the global challenges of climate change, environmental degradation, and biodiversity loss it will be necessary to address framework conditions for PSD both at national level and at international (global) level. This includes a reform of the financing for sustainable development (FSD) architecture and a greening of the international financial system.

The MFA will work to improve both national and global framework conditions through i.a. reforming the MDBs, accelerating transition from black to green energy, and strengthening normative frameworks for green investment through support to international institutions. Furthermore, the MFA is mobilising private investment for green transition through international partnerships on blended finance, and is working to shift incentives of financial institutions towards green investment and climate finance.

### **Specific recommendations:**

#### **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.*

### **Response:**

The MFA agrees with the recommendation that bilateral support to framework conditions should be 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. Examples of potential synergies include policy dialogue and support under the SSC programme to investment frameworks and capacity building of national authorities in the energy sector, DSIF energy projects, IFU investment projects, and Danish support to Just Energy Transition Programmes (JETP). As part of the efforts for strengthening linkages and synergy, it will be a focus point for the MFA to follow SSC programmes and DSIF energy projects to be able to assess and address the realization of relevant synergies and thereby results.

Aligning all relevant public and private stakeholders at the local, national and international level around a common set of objectives to improve the framework conditions and move a certain sector in a certain direction is a challenging task. By their nature, reform processes are home grown and successful outcomes ultimately rely on the relative strength of interest groups in a dynamic and often un-transparent power struggle at the national and local level. Bearing this in mind, the MFA will work to improve synergies between the various interventions to support



framework conditions, green growth, and the private sector, and use experience from concrete private sector interventions as a leverage in the policy dialogue to improve the framework conditions. One example is the Danish support to aBi Finance in Uganda. aBi Finance works to promote green financing through Ugandan banks, and this has led to concrete policy dialogue on the Ugandan government's approach to private sector-led climate adaptation.

**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.*

**Response:**

The MFA agrees that it is critical for the contribution to transformational change to be sensitive to the political economy context. The MFA also agrees with the evaluation assessment that, 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 contributes to solid programme design.

Political economy analysis is not only useful during the formulation of a programme but should be updated regularly to inform the implementation throughout the programme period. Political economy analysis thus rests on local embassy and programme staff having insight into main political economy factors in the country and following the development of these factors over time. The MFA notes that, in one particular case (Kenya) the evaluation has a positive assessment of the way in which political economy analysis has informed the design and implementation of the programme. Kenya has benefitted from a combination of significant embassy staff capacity and an ongoing governance thematic programme which has cross-fertilised the formulation of other bilateral development cooperation programmes where the political economy context has been taken into consideration, especially in the risk matrices of the programmes.

The MFA will use the recommendation to strengthen the political economy analysis and the way in which it is incorporated into programme design and implementation. This will include a stronger liaison with likeminded development partners in order to benefit from joint analysis and assessments, as well as building on the lessons from the positive case in Kenya wherever possible.

**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.*

**Response:**

The MFA agree that the private sector plays an even more important role in fragile countries as a driver of change and thus constitutes a key entry point for support to improve the framework

conditions. Mali is a good example of this, as also emphasized by the evaluation. Political economy analysis may help identifying the key drivers of change in the private sector. It is important to support and build alliances with actors in the private sector who are genuinely interested in a more levelled playing field characterized by e.g. protection of property rights, rule of law, absence of corruption and transparency.

The situation in Mali is special and cannot be assumed to characterize the conditions in all fragile countries. It is important to maintain a policy dialogue with national authorities whenever and wherever possible, and the fundamental objective in promoting framework conditions for PSD should therefore be to support both public authorities and private sector organizations. A balanced approach will provide better possibilities for adjusting support initiatives depending on the situation in the country.

**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 Finance, in the design of new strategic country frameworks to enhance internal coherence from the start of programming onwards.*

**Response:**

The MFA agrees with the recommendation, that there should be a close dialogue between embassies and relevant HQ staff during the design of new strategic country frameworks, and that IFU should be invited to contribute assessments of investment opportunities and potential projects under DSIF.

The Embassy in Kenya is already very actively seeking synergies between IFU, DSIF and the SSC programme. In line with the findings of the evaluation, this work is seen as an example of good practice that the MFA will pursue elsewhere as far as resources allow.

**R.A5.** *Embassies should address **crosscutting 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.*

**Response:**

The MFA agrees with the importance of addressing crosscutting issues in a systemic way.

The MFA takes note of the evaluations assessment that, “while as part of programme design, some crosscutting 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”.

As for the gender issue, the MFA will use this recommendation as well as other relevant recommendations on cross cutting issues from current evaluations (notably the gender evaluation) when designing programmes and setting targets and results indicators.

As for environmental issues, the recommendation is in sync with the establishment of the taskforce created to *green* the entire Danish development cooperation in a consistent and strategic manner. The focus of the greening task force is to integrate further guidance on how to consider and mainstream climate and environmental issues across the project cycle from design to implementation and reporting. This will be followed up by building staff capacity to apply the *greening* guidelines to ensure that all new projects and programmes are designed in a way where climate and environmental issues are integrated systematically.

**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.*

**Response:**

The MFA agrees with the recommendation. Team Europe Initiatives and the Green Deal – often as part of Global Gateway - provide a framework for coordinated efforts to design and implement flagship projects with a transformative impact on climate and environmental challenges, and it will be a priority for Danish development cooperation to achieve sustainable results in an equal partnership and in line with the Green Deal.

**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.*

**Response:**

The MFA agrees with the overall aim of the recommendation, in the sense that it focuses on strengthening M&E approaches, especially in relation to outcomes. It is noted and appreciated that the evaluation finds that MEAL systems have improved over time. This reflects the ongoing work of the MFA to improve M&E approaches, and that some of the elements of the recommendations are already in place. For instance, standard M&E frameworks for project and programmes in the bilateral development cooperation managed by the embassies already today requires quantitative and/or qualitative baseline information. This is also the case at outcome level and these are also reported on at the end of implementation. This does not imply that there is no further work to be done, but rather that it is an ongoing process.

With regard to including “innovative M&E approaches” in programme designs, it is seen as important to do this in a manner that considers the specific situation as well as programme needs, programme modalities, partner capacities etc. For this reason, the MFA will continue its current efforts to introduce annual stock-takings and reflective case studies based on solid evidence, which were trailed with selected embassies in 2022 (and thus was not part of the evaluation period). The idea is to complement monitoring of results frameworks with an open

format for capturing reflections and lessons learned that go beyond pre-defined targets. MFA will work to use case studies from embassies with development portfolios and to mainstream the approaches in this regard. In this manner, it is expected to supplement the monitoring of specific outcome-indicators with more nuanced assessment of outcomes, as well as to underpin the efforts to strengthen learning and knowledge management at all levels of the MFA. The MFA is further working to improve the presentation of results on OpenAid.

The efforts described above are also expected to contribute to the recommendation regarding documenting results at outcome level during programme implementation. Further, the MFA has already introduced annual reviews of embassy efforts to improve results systems and to outline steps taken to further improve systems in subsequent years.

To further strengthen the quality of M&E frameworks and the capturing of results, the MFA has initiated work to develop skills training for embassies related to planning, monitoring and documenting results. The MFA expects to introduce these skills training sessions for relevant embassy staff in the latter half of 2023.

## **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 the evaluation. This guidance should be integrated in existing "How-to" notes and should be developed in an interactive, participatory process involving all relevant stakeholders.*

### **Response:**

The MFA takes note of the recommendation. The how-to-notes have been developed for implementation of the Danish development cooperation strategy "The World We Share" and are also intended as reference documents in programming, monitoring, in dialogue with partners, and in working with international norms and standards. The how-to-notes are "living documents" and will be revised as required in response to changing contexts, priorities and accumulated knowledge. Guidance on supporting framework conditions could be developed in connection with updating the how-to-notes.

**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.*

### **Response:**

Regarding the overall recommendation on strengthening the focus on knowledge management and learning, it is noted that the evaluation period is for the years 2008-2021. This implies that the evaluation only covers the first steps in the current work in relation to "Doing Development Differently", which has a clear priority on knowledge management and learning, and on ensuring coherence and synergy. In the years after the evaluation period, a series of "how-to notes" have been elaborated, many of which specifically addresses private-sector driven development and the issue of framework conditions (topics include Energy Transition and Emission Reduction in Developing Countries, Climate Adaptation, Nature and Environment, Jobs and Sustainable Growth, as well as Fighting Poverty and Inequality). These notes provide guidance on approaches, principles and possible measures, but also call for adaptation to match the context at hand. The continued roll-out of these notes tallies with follow-up to the recommendations, and when appraising and reviewing new engagements within this field, ELK will follow up on the use of the how-to notes, as part of the overall focus on knowledge management and learning.

Apart from following up on the use of the how-to-notes, the MFA will work to strengthen the framework even further through a number of initiatives. Firstly, the MFA will continue engaging relevant embassies with significant PSD programmes in networks and learning events in order to enhance the leaning space for potential synergies with Danida PSD engagements at macro, meso and micro level.

Secondly, the MFA will initiate a study to gather experience regarding the strengths and weaknesses of external MEAL teams that are used by many embassies. This will provide input to the continuous work on strengthening M&E approaches, both with regards to result frameworks and their documentation of outcomes, but also in relation to the added value for learning.

Thirdly, the MFA will be reinforcing the existing Danida PSD knowledge management and learning framework by further refining the tools and processes for capturing, organising and sharing relevant knowledge within the MFA. In line with the "Doing Development Differently" approach the MFA will, for example, conduct more regular thematic reviews of new concepts and initiatives before they are scaled up and replicated in new countries. The MFA will further use existing PSD networks/communities of practice/knowledge institutions for knowledge sharing, such as the Donor Committee for Enterprise Development (DCED), World Resources Institute (WRI), ILO, Food Systems 2030 (WB Umbrella Programme), UN Global Compact, Partnership for Growth (P4G) and the Sustainable Trade Initiative (IDH), while also drawing on experience from relevant Danida instruments including the SSC, Danida Strategic Partnerships, Danida Market Development Partnerships/Danida Green Business Partnerships, and Danida Business Explorer.

***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.***

**Response:**

Denmark's strategy for development cooperation "The World We Share" emphasizes the importance of bringing the combined knowledge and solutions of Denmark into play in partnerships with our partner countries, and the MFA appreciates the recommendation to further align the bilateral cooperation with global programmes such as the Strategic Sector Cooperation (SSC) and the Danida Sustainable Infrastructure Fund (DSIF). There are, however, also challenges that need to be recognized.

As for the Strategic Sector Cooperation, this is one of the key instruments in improving the framework conditions in our partner countries. The recommended alignment between SSC and bilateral programmes (of various types) is pursued and will be strengthened further. The SSC is primarily and purposely directed to transition economies countries, and the large majority of SSC projects are thus located in countries without bilateral Country Programmes (as also noted in the evaluation). Of 17 countries with SSC programmes, only three (3) countries also include Country Programmes (Kenya, Ethiopia and Bangladesh). At the moment, the opportunities for further alignment between Country Programmes and the SSC are thus confined to those countries. Having said that, alignment with other types of bilateral or multi-bi cooperation in other countries is highly relevant.

Synergies between various types of interventions are and should continue to be pursued. The three overall global outcomes of the SSC are precisely centered around improving framework conditions in the partner countries. The framework conditions are not solely addressed with a view to facilitate private sector development; the interventions are more broadly seeking to improve local capacities, strengthen legal and policy frameworks for the specific sector in question, indirectly improve governance etc.

The MFA is planning more guidance on enhanced engagement of the Danish private sector in identifying sustainable development solutions and opportunities for the promotion of green investments in the context of the SCC. Also, three Investment Advisers - located in India, Indonesia and South Africa in a pilot arrangement - are seeking to bring the SSC closer to the market and investment opportunities.

As far as the Danida Sustainable Infrastructure Fund (DSIF) is concerned, work is ongoing to enhance alignment and synergies in line with recommendations from an independent evaluation of DSIF finalized recently (February 2023). The recommendations from the present evaluation will also be considered in this work.