

**Evaluation of Danida's Business-to-Business Programme
2006-2011**

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Evaluation Purpose

The Evaluation of the B2B Programme has the dual purposes of assessing and documenting the B2B Programme as well as providing lessons for future implementation of Danida Business Partnerships. The basic evaluation questions to be answered were:

- To what extent and how has the B2B programme contributed to poverty reduction by creating growth and employment in Danida partner countries?
- What lessons can be learned for improved design, implementation monitoring and management of future Danish support to strengthen local business development through partnerships with Danish businesses?

B2B Objectives – B2B Guidelines 2010

- Danida's Business-to-Business (B2B) Programme is a part of Danish development cooperation.
- The **overall objective** of the B2B Programme is to contribute to poverty reduction by promoting economic growth and social development in developing countries.
- The **immediate objective** is to promote the establishment of long-term, sustainable and commercially viable partnerships between companies in Danida's programme countries, including Egypt and South Africa, and Danish companies, with an aim of strengthening local business development.
- The **focus of this support** is to ensure a transfer of knowhow and technology from the Danish partner to the local partners thereby strengthening the competitiveness of the local partner.
- In turn, by partnering with a local company, the Danish company may **gain access to new markets**, raw materials and reduced production costs.

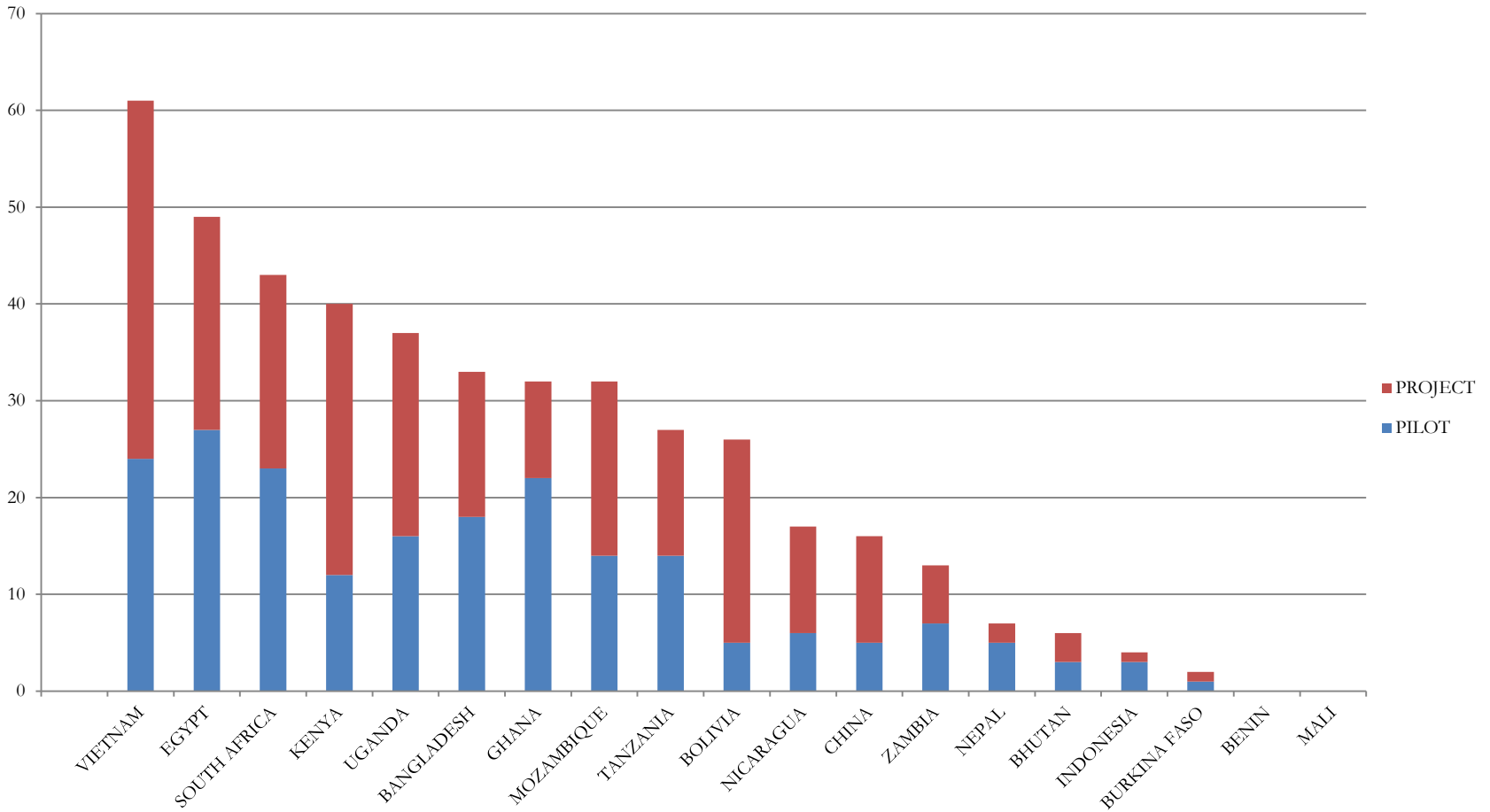
B2B Programme Design

- In the *Contact phase*, both a Danish company and a company from one of the eligible countries could apply for support to investigate possibilities for collaboration. B2B could provide a grant of maximum **DKK 100,000** to cover up to 90% of the costs for travel and related matchmaking costs. The Contact phase grants were open to individual companies both in Denmark and the B2B countries as long as they fulfilled the minimum criteria for support.
- In the *Pilot phase* a partnership had to be formed between a Danish company and a local company in one of the targeted countries. The B2B Programme covered up to **DKK 1 million** for 75-90% of the initial costs of such collaborations. This might have entailed a feasibility study, training activities, study visits, pilot production, and so on.
- The *Project phase* was a deepening of the partnership under which the B2B Programme providing up to **DKK 5 million** (including previous support) to cover up to 90% for relevant costs such as training and technical assistance, equipment, setting up or improving production facilities, further studies and so on. The programme paid particular attention to improvement of the external and working environment and to strengthen the **Corporate Social Responsibility (CSR)** in the local companies.

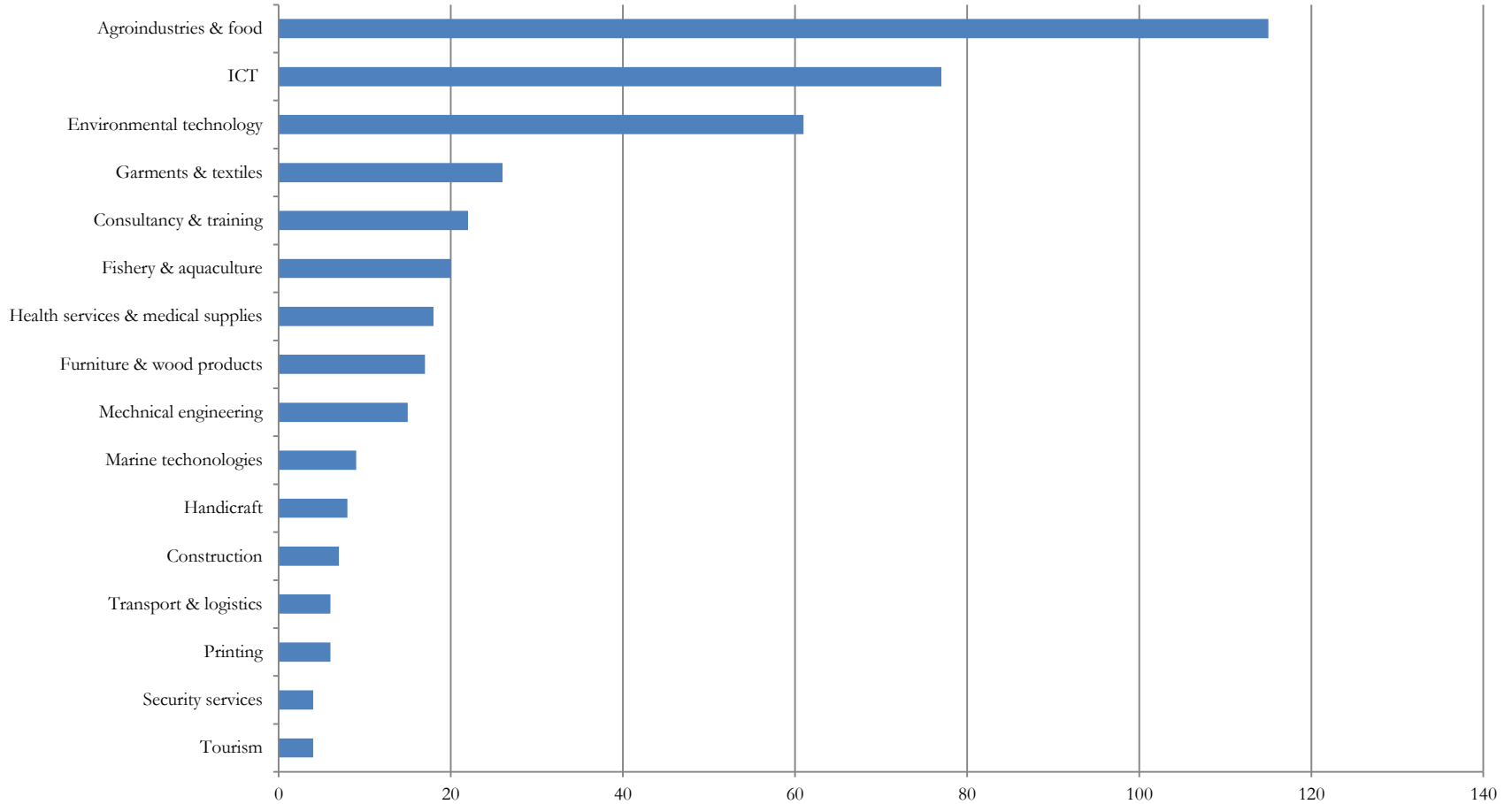
B2B Portfolio 2006-2011

- The B2B portfolio includes 445 partnerships – contact phase excluded;
- 205 collaborations were pilot only – meaning they did not continue into the project phase;
- 240 collaborations which included the project phase and in most cases the pilot phase;
- 27% continued or are likely to continue after the B2B support ceased.

B2B Programme Countries



Sector distribution in the B2B portfolio (number)



Estimated summary costs for the B2B phases (2006-2011)

Programme Phases	DKK mn	%
Matchmaking (Contact Phase)	110	9.5
Initial collaboration (Pilot Phase)	330	31.4
Deepened collaboration (Project Phase)	610	58.1
Total	1,050	100

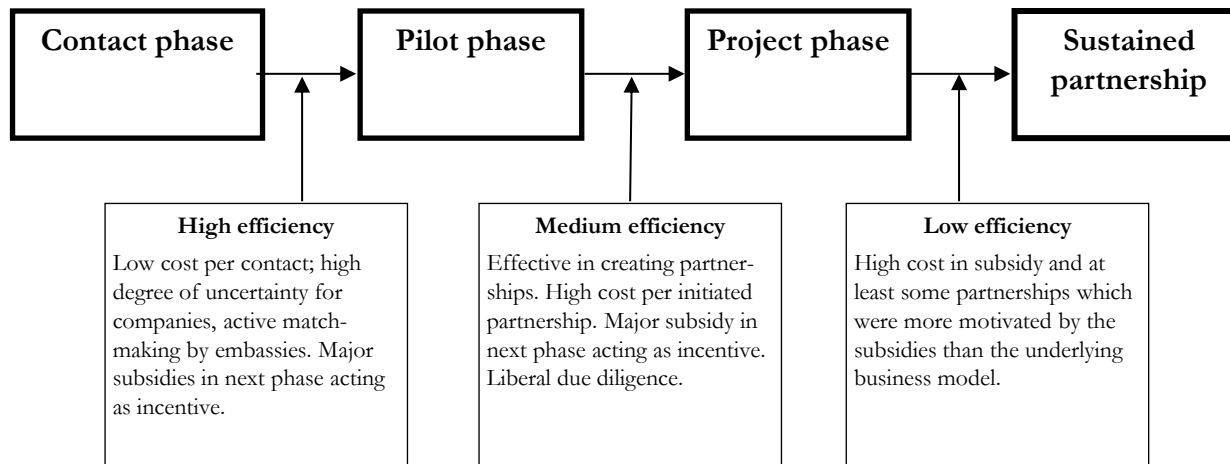
Methodology

- The Terms of Reference for the Evaluation specified 20 evaluation questions under the headings of the OECD/DAC criteria: relevance, efficiency, effectiveness, impact, and sustainability.
- The 20 evaluation questions were transformed into nine broad evaluation questions and a number of judgement criteria – ensuring that the intended scope of the Evaluation was maintained.
- An Evaluation Matrix was prepared combining evaluation questions, judgement criteria, indicators, and means and source of verification.
- A Theory of Change was reconstructed based on the B2B Programme objectives and the ToR's Annex 1, tentative B2B Programme Theory of Change.

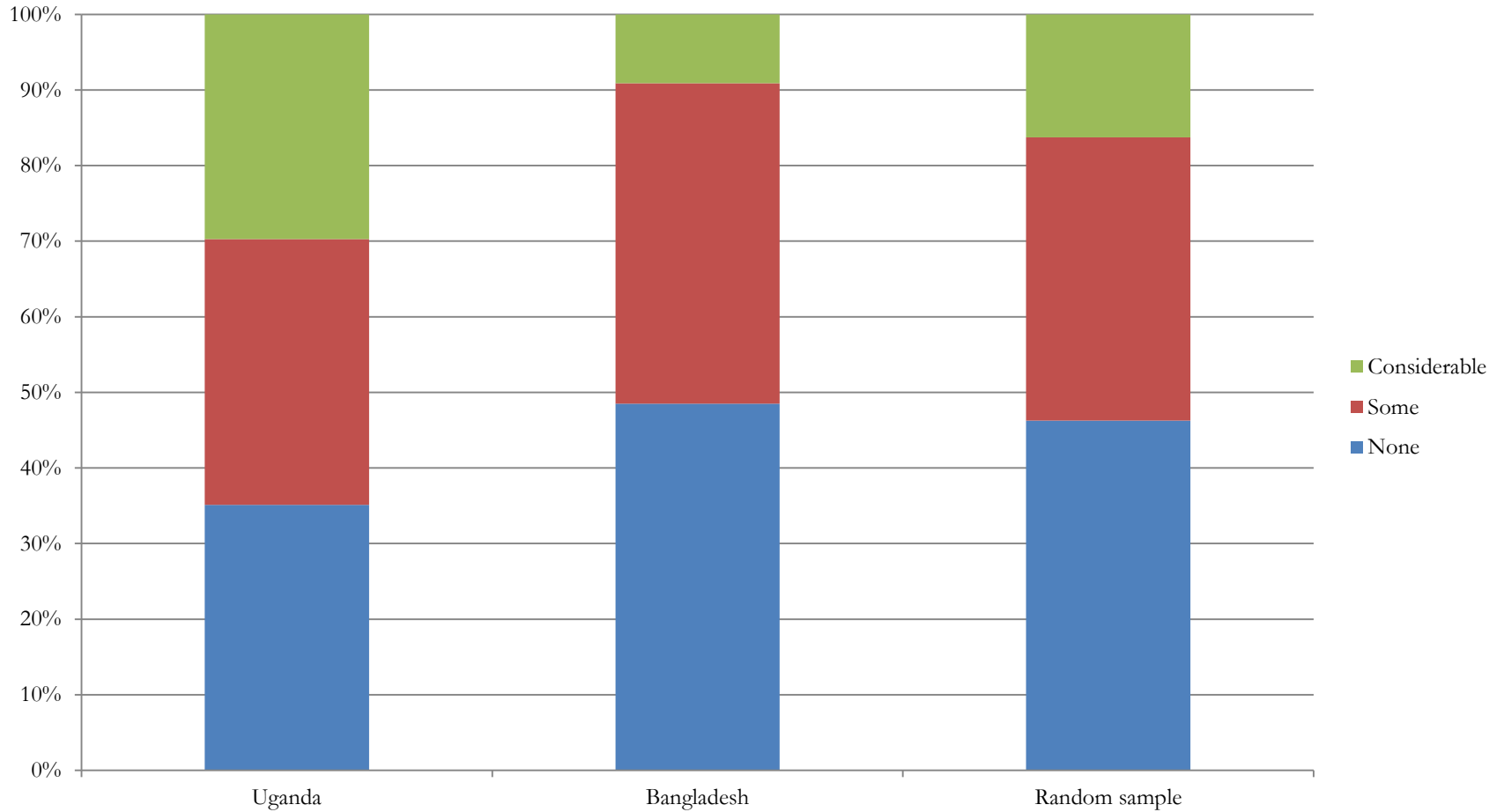
Evaluation tools

- A review of the relevant academic literature and of the available Programme documentation;
- Portfolio analysis – all collaborations in Bangladesh and Uganda; and 20% Random Sample;
- Desk-based case studies supplemented with interviews of Danish and local partners;
- Interviews with key stakeholders in Denmark and in the selected partner countries;
- E-survey administered to business partners;
- Focus group discussions among Danish and local business partners;
- Field visits for in-depth case studies in Bangladesh and Uganda.

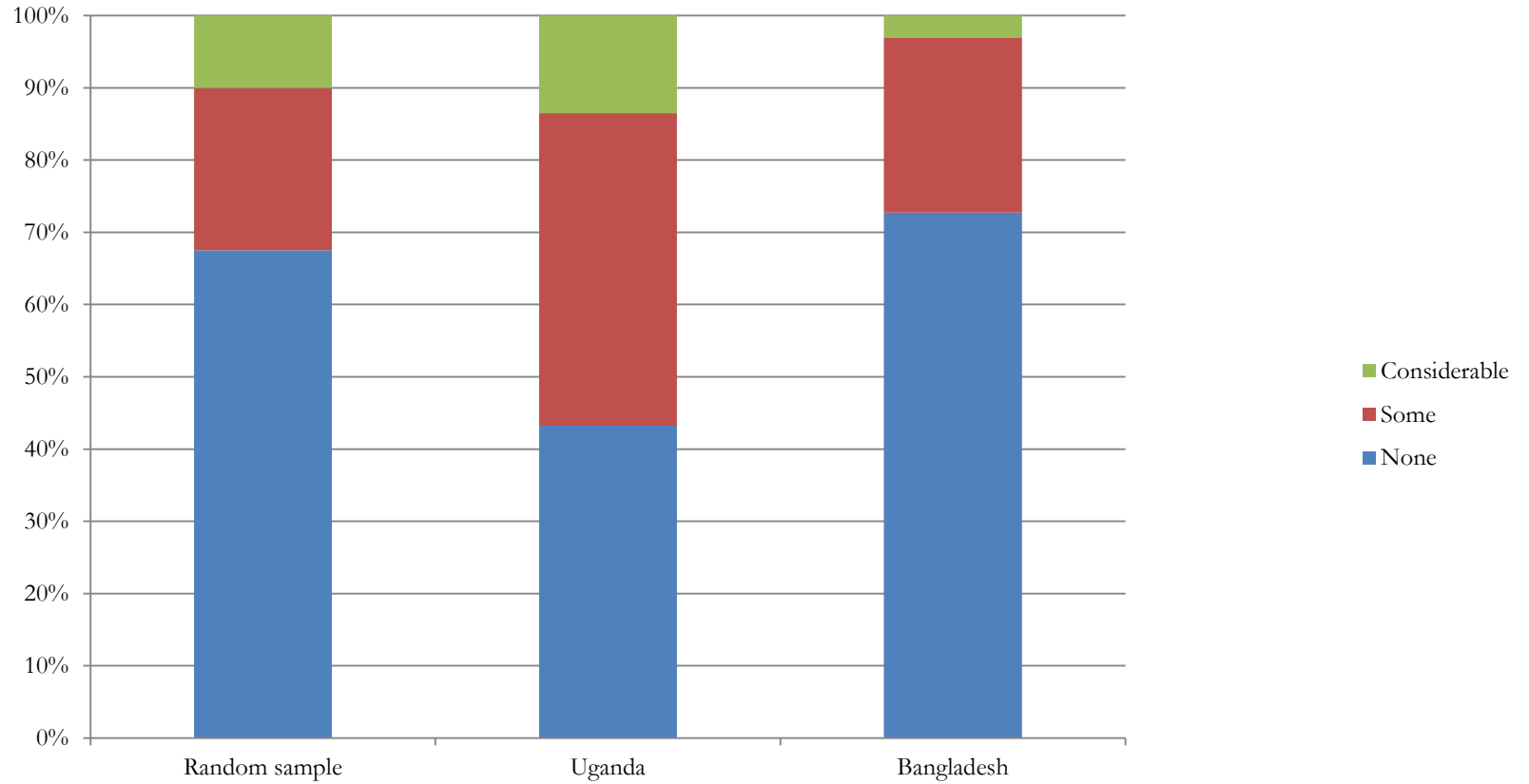
Efficiency levels in the different phases of the B2B Programme



Knowledge transfer



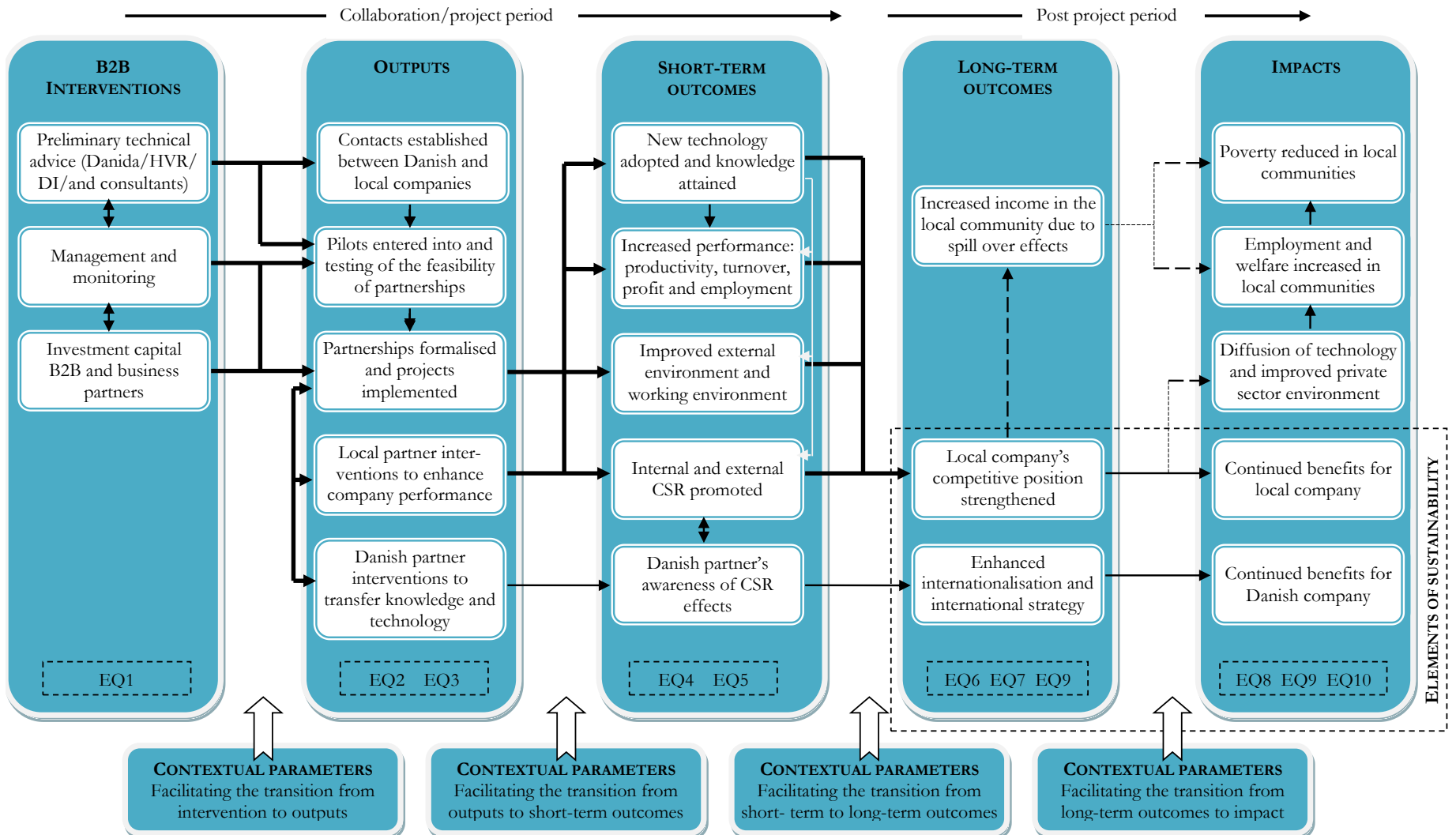
Level of Development Impact



Contextual factors and outcomes

The Evaluation has tested a number of contextual factors related to country, company characteristics (size, age, international experience and financial robustness) and type of collaboration in order to assess how well these correlate with success in creating sustained partnerships. Even though there is no apparent strong correlation between contextual factors and results, the Evaluation indicates some clear trends:

- Large **Danish companies** perform better in all result categories where the other size categories have a mixed/even performance;
- Medium-sized **local partners** perform slightly better in most categories but size of local company is not a determining factor;
- The more established, Danish companies show slightly better results in most categories;
- Age of the local company has a clear positive impact on results – the more established the local company the better results;
- Previous international experience is a more important factor for local companies than for Danish companies;
- The more financial robust Danish and local companies perform slightly better.



Overall conclusion and recommendation

- The B2B Programme facilitated transfer of knowledge and technology to the local companies.
- Generation of employment in the local companies – as well as upstream and downstream employment – was less than planned for.
- While the majority of B2B supported local companies achieved satisfactory results, the spill over effects to their surrounding local communities did not materialise to any significant extent.
- The B2B projects performed equally well in constrained as in conducive business environments.

The Evaluation **recommends:**

- *The strategic framework for the business partnerships should be broadened to: maximise employment generation and diffusion of technology and knowhow in order to enhance the dissemination of development effects; and incorporate potential positive and negative systemic impacts in the project design.*

Programme criteria requirement

- Small companies – less than the DBP requirement of five employees – have the potential to contribute to significant development effects. They are also more vulnerable than large companies.
- The reduction of the grant level to 50% for the DBP project implementation phase will imply a higher degree of financial commitment compared to the 90% for B2B projects and also reduce the risk.
- The timeframe provided for the DBP identification and preparation phases appears to be too short to allow that mutual trust can evolve substantially.

The Evaluation **recommends:**

- *Future business alliances should not exclude companies due to size. Small companies with less than five employees could be engaged through the DBP multiple partner arrangement;*
- *The grant level for the implementation phase should remain at 50%, but could be modified at a later stage to provide incentives for specific countries and sectors with higher subsidy levels;*
- *The duration of identification and preparatory phases should be about one year each to enable adequate time for mutual trust to evolve.*

Project design requirements

- The scope of the conceptualisation and design of projects have substantial bearing on the partnerships' wider outcomes and impacts – positive systemic impacts could be attained by addressing problems related to value chains, logistic systems, technology deficiencies, etc.
- The focus of most previous B2B projects has been on the local company in a narrow sense – appropriately integrated external CSR interventions in the business case have the potential to contribute to the wider development effects in the local community.

The Evaluation **recommends:**

- *Measures to enhance positive systemic impacts should be considered in connection with the conceptualisation of the business case and design of the project;*
- *Specific attention should be paid to how technological advancements could be diffused to the business community in a way that doesn't erode the companies' competitive gains, for example through sharing of information in business associations, universities and NGOs;*
- *The risk of market distortion should be made explicit in applications and measures taken to minimise resulting negative effects;*
- *Increased attention should be paid to how external CSR could benefit the business case and contribute to local level development effects.*

Promotion and marketing of the DBP

- The consequence of reducing the support to 50% for DBP Project phase has in the short-term implied that the number of applications has dropped significantly. There would thus be a need to promote and market the DBP Programme.
- Marketing plays a strong role of engaging Danish companies, and as projects perform equally well in constrained and conducive environments, the marketing should emphasise where DBP makes a difference, i.e. where there is limited FDI.

The Evaluation **recommends:**

- *DGG should launch a promotion campaign for engaging Danish companies in the DBP Programme, with a particular emphasis on countries with low overall inflow of FDI, which will increase the programme's additionality and effectiveness.*

Matchmaking and applications

- The embassies have been quite resourceful in facilitating the matchmaking and setting-up of the partnerships, but have had lesser resources to assist with the conceptualisation and application processes.
- Only a few of the Danish companies had the capacity to apply for the partnership support. Especially small companies with limited or no international experience are in need of such assistance.
- Networks for information and knowledge sharing between new and experienced partners – that help overcome unexpected problems – have been established with the assistance of the embassies in some countries.

The Evaluation **recommends:**

- *Danida (DGG and the embassies) should continue to encourage new partners to seek advice for preparation of applications and facilitate access to consultancy service providers (e.g. business associations or consultants with demonstrated experience) in order to enhance the realism of the business case and the quality of the project design;*
- *Danida (DGG and the embassies) should consolidate/ formalise knowledge sharing networks and introduce a 'mentor' arrangement in which one experienced company could guide new partnerships.*

Appraisal and approval

- Currently, the embassies have the appraisal and approval responsibility – most often it is the same programme officer conducting both functions.
- A more in-depth appraisal would have singled out those business cases and projects of inadequate quality, which would either need more preparation, or which simply could not fly.

The Evaluation **recommends:**

- *An independent appraisal function for partnership application should be established and operated by a professional and commercially oriented organisation – ideally with presence in the country.*

Implementation

- Most B2B partnerships that reached the project stage were implemented with limited oversight from the embassies. The embassies' resource allocation for monitoring project implementation was limited both in terms of time, mobility and technical insight to the multitude of business sectors.
- The management information system did not function well, as some information was incorrectly recorded and other information was hard to get by. The DBP operates with two key performance indicators: 1) new and maintained jobs for the local and Danish partners; and 2) CSR promotion in the local partner company.
- The very rigorous DBP accounting and auditing requirements are subject to serious complaints from partners.

The Evaluation **recommends:**

- *The embassies resources are complemented on an ad-hoc basis for review of critical business cases by a professional and commercial oriented organisation – ideally with presence in the country;*
- *A review of employment data in completed and ongoing DBP projects to assess the quality of data recording and the magnitude of employment generated – and change of procedures if need be;*
- *Review of the accounting and audit procedures with a view to simplifying these.*

The medium-term – the next generation of partnerships

- The introduction of the 50% grant level and the rigorous screening process for DBP, have in all probability enhanced the quality and robustness of the partnerships. However, these measures have also implied that the number of partnerships has been significantly reduced.
- Anticipating that the DBP will at least last for five years until 2016 – and possibly longer as the Growth and Employment Strategy may be extended beyond 2015 – it would be pertinent to consider how the DBP could be replaced, and what complementary options could be considered.

The Evaluation **recommends:**

- *A mid-term review of the overall performance of the DBP facility including the country reviews that have been conducted since 2011;*
- *Elaboration of the strategic framework for the next generation facility for Danish strategic business alliances – including considerations on harmonisation of the partnership facility with those of other EU member states.*