

An Investigation of Market-Based Development Through the DANIDA Market Development Partnerships Programme

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Lund 2022

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Number of pages: 43

Illustrations: 0

Keywords

Market-based development; Private sector development; Markets; DANIDA; Global South; Local inclusion; Partnership building; Local capacity

Abstract

This thesis investigates the concept of market-based development through the DANIDA Market Development Partnerships programme (DMDP), a challenge fund by the Danish International Development Agency (DANIDA). Market-based development is an emerging development approach that introduces the market in development work in order to achieve business goals and development objectives simultaneously, which has gained influence in the last decades. The investigation looks into this new development approach with the following research question: What challenges and advantages of market-based development can be identified through an investigation of the DMDP portfolio of market-based development projects? By applying a qualitative coding method on data from 18 active DMDP partnerships, several patterns and findings are identified, which are synthesized into 12 main results. These results are categorized into the following five main topics: 1) connection to the local context; 2) local capacity; 3) partnership building; 4) misalignment of interests; 5) market-based development approaches in practice. The results show that 1) being firmly connected to the local context is crucial for project success; 2) lack of local capacity is a challenge and it is important to recognize the issue of capacity asymmetry between partners; 3) partnership building is difficult and tends to be underestimated in the planning phase; 4) alignment of objectives and goals, the premise for market-based development, is difficult to obtain and can cause conflicts if not achieved; 5) some practical methods are more successful than others when carrying out a market-based development project in practice.

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Avdelningen för Riskhantering och samhällssäkerhet, Lunds tekniska högskola, Lunds universitet,
Lund 2022.

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Acknowledgements

First and foremost, I would like to thank my supervisor, Per Becker, for his guidance, encouragement, and assistance throughout this thesis process, which has been invaluable. I would like to thank my two internship supervisors, Marie-Louise Appelquist and Mikkel Klim from the DMDP secretariat, for sparking my interest in market-based development and for the many good times and laughs shared. Lastly, I would like to thank friends and family for endless support when the process seemed overwhelming.

Summary

Market-based development has gained increased popularity in the last decades and claims to be a win-win solution that offers unique opportunities for both businesses and development organizations. The approach brings together public, civil, and private sector actors in development partnerships, which makes it an approach that meets the growing demand for partnerships and for leveraging the available resources and actors in society in an effective way. Furthermore, it positions itself as a possible solution to the fundamental challenge that development cooperation organizations are currently facing: achieving sustainable results.

Considering this, this thesis aims to contribute to an increased understanding of market-based development. In order to do this, the DANIDA Market Development Partnerships programme (DMDP), a challenge fund from the Danish International Development Agency (Danida) consisting of 34 active market-based development projects, has been the object of investigation. The thesis is guided by the following research question: What patterns and learnings of market-based development can be identified through an investigation of the DMDP portfolio of market-based development projects? By applying a qualitative coding method on data from 18 active DMDP partnerships, several patterns and findings are identified. A Constructivist Grounded Theory approach is applied in order to remain flexible in the analysis and to remain as close as possible to the data in the analysis.

All the findings are synthesized into 12 main results regarding market-based development. These results are categorized into the following 5 main categories: 1) connection to the local context; 2) local capacity; 3) partnership building; 4) misalignment of interests; 5) market-based development approaches in practice. The results show that 1) being firmly connected to the local context is crucial for project success; 2) lack of local capacity is a challenge and it is important to recognize the issue of capacity asymmetry between partners; 3) partnership building is difficult and tends to be underestimated in the planning phase; 4) alignment of objectives and goals, the premise for market-based development, is difficult to obtain and can cause conflicts if not achieved; 5) some practical methods are more successful than others when carrying out a market-based development project in practice.

Based on these findings it can be concluded that this thesis contributes to an increased understanding of market-based development and paves the way for future research to further investigate the concept and its potentials and implications. As market-based development is an emerging concept that is not investigated in that many contexts yet, it is highly relevant for

research going forward to investigate market-based development within different contexts and aiming at different development objectives. One could suspect it to be an approach that works better in some contexts than others, and thereby not a universal win-win development approach. This would make it a development method that can supplement rather than substitute the development efforts carried out in the development sector today. Market-based development is a concept that requires further inquiry and research, but this thesis contributes to an increased understanding to build on.

List of abbreviations

DANIDA	Danish International Development Agency
DMDP	DANIDA Market Development Partnerships
KCP	Key commercial partner
PPP	Public-private partnership
SME	Small and medium-sized enterprise
SDG	Sustainable Development Goals

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1. Introduction

The development practice has one fundamental challenge: obtaining sustainable results (OECD/DAC, 2006). Despite all efforts put into development work, sustaining long-term and viable results remains one of the core challenges in development work today. Accelerated by the increasing complexity of challenges in society today, where previously separated sectors, actors and societal problems get more intertwined, holistic solutions are called for by experts and practitioners (Heylighen et al., 2007; Rothe, 2017). In order to achieve sustainable results under these complex conditions, development cooperation organizations are requesting holistic solutions that are able to leverage the available resources and actors in society in an effective way (Ministry of Foreign Affairs of Denmark, 2021). This has caused development organizations to look towards the private sector and private companies for a possible solution. The private sector is a crucial and indispensable component if the scale of resources, knowledge and capacities required to overcome fundamental challenges, such as poverty, climate change and equality in the world is to be reached. (International Finance Corporation, 2022; Green Climate Fund, 2020; Ministry of Foreign Affairs of Denmark, 2021). Market-based development is a development approach that leverages the private sector and is built on the premise of integrating development objectives and business objectives into co-creation of value (Kolk et al., 2008). By bringing together public, civil and private sector actors in development partnerships, it is an approach that meets the growing demand for partnerships in international development. Several international agreements, such as the UN Sustainable Development Goals, emphasize the importance of partnerships and highlight their effectiveness in mobilizing resources and capacities (United Nations, 2015). Market-based development is an approach that addresses this request by introducing commercial partners. Another tendency that has emerged in development is the growing pressure for donors to meet the demands of the receiver, and local ownership is considered one of the key routes towards this (Anderson et al., 2012). By including local commercial partners, market-based development opens up a new opportunity to include local partners and, thereby, offers a potential road to ensure local ownership. Market-based development has gained increased popularity in the last decades and claims to be a win-win solution that offers unique opportunities for both businesses and development organizations (Idemundia, 2009). A vital argument of market-based development is how it is able to deliver sustainable development results, by basing its efforts on business cases that are able to compete in the market and support themselves. As stated in the beginning, this is considered a

fundamental challenge in development today. However, as the concept is still emerging and gaining footing within the development sector, it is necessary to increase the understanding of the concept and how it works most efficiently. Practical experiences are key to understanding market-based development and to identify challenges and advantages of the approach. Extracting learnings from current market-based development projects is an obvious method to achieve this. Based on this, this thesis aims to investigate this new development approach with the following research question:

What patterns and learnings of market-based development can be identified through an investigation of the DANIDA Market Development Partnerships portfolio of market-based development projects?

In order to shed light on the concept of market-based development this thesis will investigate the Danish International Development Agency's (DANIDA) partnership programme: DANIDA Market Development Partnership (DMDP), that funds market-based development projects. This descriptive investigation aims to explore how market-based development operates in practice and based on this contribute to an increased understanding of this new development concept.

The DMDP is a competitive challenge fund (DANIDA, 2017), that allocates funding to projects from a competitive perspective based on SDG 8 as the guiding objective. The DMDP portfolio currently has 34 active partnerships (DANIDA, 2017). In total, 36 projects have been granted approval and two projects have been shut down before completion (DANIDA, 2017). There have been five application rounds with the first round of projects getting approved in 2016 and the last round getting approved in 2020 (DANIDA, 2017). In 2016 five projects were approved, in 2017 five projects were approved, in 2018 nine projects were approved, in 2019 eight projects were approved and in 2020 nine projects were approved (DANIDA, 2017).

Each project is carried out by a consortium that consists of an administrative partner, a key commercial partner and other additional commercial and non-commercial partners (DANIDA, 2017). The administrative partner, which can be a Danish, international or local non-commercial entity, is overall responsible for administering the project and is the main link between the DMDP secretariat and the consortium (DANIDA, 2017). The key commercial partner is a for-profit entity that is obligated to financially contribute to the project (DANIDA, 2017). Besides these two main partners, the consortium can consist of additional commercial and

non-commercial partners (DANIDA, 2017). The DMDP encourages collaboration between a broad range of stakeholders, and it is a requirement to include a local partner from the country the project is taking place in (DANIDA, 2017). This means that each partnership is different in set-up and some have key commercial partners that are local and some do not (DANIDA, 2017). The projects receive on average between DDK 5-8 million in support from the DMDP and there is a requirement of own-contribution from the consortium of 25% of overall project costs, which means that co-financing from DANIDA can be up to 75% of overall project costs (DANIDA, 2017). Projects run from 3-5 years with the opportunity of getting a no-cost extension for one year (DANIDA, 2017).

The overall objective of the DMDP is “*to contribute to sustainable economic growth in developing countries within the framework of the Sustainable Development Goals*” (DANIDA, 2017, p. 3) and all projects are required to contribute to the SDG 8, which is “*promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*” (DANIDA, 2017, p. 3). Besides meeting the key indicator of creating decent jobs, the projects should be based on a viable and solid business case based on the commercial partner’s business (DANIDA, 2017). The projects have different focuses based on the partners and are within the various sectors: agriculture, agro-processing, circular economy, green technology, services and manufacturing (DANIDA, 2017).

2. Conceptual Framework

Society is usually separated into three central pillars: state, market and civil society (Fernando & Heston, 1997, p. 8; Van Tulder & Keen, 2018, p. 321) and in the last few decades, the market is increasingly gaining footing within the development sector. This can be seen as the entrance of an important partner that has previously been absent in development work (Kolk et al., 2008, p. 262; Reed & Reed, 2009, p. 3). Since the 1990s the involvement of private companies in development work has significantly increased, and partnerships between state, market and civil actors have been a recurrent feature of development policies all over the world since then (Kolk et al., 2008, p. 261; Brogaard & Petersen, 2018, p. 0731). With the inclusion of market players into an arena that has previously been dominated by state and civil society actors, one can argue that market-based development is a method that includes a central pillar of society, that has previously been overlooked and thereby leverages the huge influence that markets have in

today's society. In other words, market-based development is a method that aims to utilize markets as a platform that can facilitate development with increased effect.

Market-based development is a widely used concept and an established definition is required to guide this investigation. As the name implies, market-based development requires the involvement of a private actor, usually a business, which is driven by a business case (Brogaard & Petersen, 2018, p. 0731). This means that the market and inclusion of market actors is a key driver in market-based development. The inclusion of markets and market actors can take various forms, and various approaches have been taken during the last decades.

An approach that has gained popularity since the beginning of the inclusion of market actors is public-private partnership (PPP), which can be defined as “[...] *the notion of network-society, in which policy outcomes are increasingly realized through cross-sector collaboration and joint decision-making among multiple stakeholders* (Brogaard & Petersen, 2018, p. 0729). In this case, PPP is a method to achieve policy goals through collaboration between private actors, and the main purpose of the partnership should be to achieve development objectives, and as add-on also achieve business goals (Brogaard & Petersen, 2018, p. 0735). The purpose of entering such partnerships is for the partners to mutually benefit from each other's capacities (Pauw et al., 2016, p. 491; Brogaard & Petersen, 2018, p. 0731; Khanom, 2010, p. 153). These capacities can differ in nature, but usually the public actor provides capital and project planning support, while the private actor provides specific sector knowledge, technology, and investments (Brogaard & Petersen, 2018, p. 0732). The argument about additionality is central to this kind of collaboration. Additionality can be described as the “*added value and the impact of the partnership compared to individual activities of the different partners*” (Kolk et al., 2008, p. 272). It can be described as the outcome that would otherwise not have been achieved if the partners were working on their own and therefore significant to the partnership. PPP can be seen as a method to utilize the unique capacities, sector knowledge and investment power that the private sector possesses and leverage it through collaboration (Pauw et al., 2016, p. 491).

In this investigation market-based development is not to be understood as equivalent to PPP, but rather a development approach that has developed from the concept and taken a step further towards market actors. Instead of the main purpose being the development objectives, the main purpose is rather to achieve development objectives and business goals simultaneously and with equal focus. This emphasizes the increasing focus there is on achieving the private sector goals compared to PPP (Di Bella et al., 2013, p. 11). That being said, the arguments about

additionality and mutually benefitting from each other's capacities put forward for the PPP are still defining for market-based development in this context. Within this definition of market-based development the market actors are perceived as a complementary partner in development rather than an external or competing partner (Moshi, 1998, p. 232). Furthermore, business and development objectives should be aligned and complementary, which creates the foundation for perceiving market-based development as a win-win concept that offers unique opportunities for businesses while achieving development objectives (Idemundia, 2009, p. 91). While this is a key strength of the concept, it can also be considered a central challenge as this alignment is crucial for realizing the benefits of the concept (Kolk et al., 2008, p. 268). Market-based development is to be understood as a method that brings together actors from the state, market and civil society with the purpose of co-creating value to achieve aligned objectives.

DANIDA describes how market-based development can be done in practice: *“The partnerships are built around a commercially viable business case that addresses key development issues in the country of implementation.”* (Ministry of Foreign Affairs of Denmark, 2021, p. 35). This is a description of the DMDP programme and emphasizes how a viable business case should be the driver of the development project, and thereby includes the market as an important and central arena for development to take place.

In this investigation market-based development should be understood in light of its short, but rapid, expansion into the development arena and how the goals and objectives of the market actors are increasingly gaining influence compared to the development and policy objectives. Based on this, it is clear that the inclusion of markets in development work has gained increased popularity in the last decades and taken various forms and approaches. However, in this investigation market-based development is to be understood as a development approach that puts equal focus on business objectives and development objectives by aiming to align them. This investigation has its starting point in development projects that are built around a viable business case that competes on the market, and hence positions markets as an arena for achieving development objectives.

3. Methodological Approach

3.1. Constructivist Grounded Theory

My research process is guided and directed by the work of Constructivist Grounded Theory theorists Kathy Charmaz (2006) and Johnny Saldaña (2009).

I am deliberately choosing a Grounded Theory approach as this aligns with my professional epistemological assumption and furthermore allows me to keep the data in the center and let the data direct my investigation. Charmaz (2006), developer of Constructivist Grounded Theory, describes how the Constructivist Grounded Theory “*places priority on the phenomena of study and sees both data and analysis as created from shared experiences and relationships with participants.*” (p. 130) which means that my approach takes a constructive stance towards research in terms of seeing my data and analysis as social constructs that reflect both the researcher and participant. Furthermore, as I adopt a Grounded Theory approach my analysis should be seen as “*contextually situated in time, place, culture and situation*” (Charmaz, 2006, p. 131) and thereby I do not follow a fixed set of rigid instructions but am rather guided by the data in a flexible manner when conducting my qualitative research.

3.2. Epistemological assumption

The use of Constructivist Grounded Theory is motivated by and reflects my epistemological assumption, which is constructivism (Blaikie, 201, p. 95). I believe knowledge is situational and there is no objective truth to be found a priori, which means that knowledge and truth can’t be detached from experience and the subject observing it (Blaikie, 201, p. 95). This also means that data analysis is intrinsically linked to me, the researcher, and should be seen as developed by and influenced by my perspective and experiences. This assumption aligns with the Constructivist Grounded Theory and lays the foundation for this investigation and learnings achieved.

3.3. Data collection

This thesis is based on a qualitative coding of data from the DMDP secretariat on 18 of their active partnerships. The data consists of Full Project Proposals—the proposal that the partnerships have been granted money based on—and Annual Reports—the report that the partnership hand in each year to report on progress and challenges. The Full project proposals

range from appx. 40-60 pages and the Annual report are appx. 10 pages. The 18 projects included in this thesis are from the 2016, 2017 and 2018 application round and, hence, the 2019 and 2020 round are not included. This is a deliberate choice as the 2019 and 2020 partnerships only have been running for appx. one year and therefore only have one or two annual report(s) to analyze. This very narrow data foundation risks to skew and compromise the rest of the investigation. Therefore, these partnerships are not included.

3.4. Coding process

Charmaz and (2006) Saldaña (2009) are the main research theorists in this thesis, and I adhere to their theory and definitions in the coding process. This is based on my agreement with their perspective on coding as a flexible and cyclical act rather than a rigid and linear one (Saldaña, 2009, p. 8; Charmaz, 2006, p. 2). I chose this general approach as I believe coding is highly situational dependent and the process of coding should be dependent on the data that is coded. Thereby, these two research theorists lay the foundation for my coding process.

The data is analyzed through a conventional content analysis (Hsieh & Shannon, 2005, p. 1279) and conducted through the software tool NVivo. My overall approach is to read the material and then subsequently develop the codes. This is also called “inductive category development” (Hsieh & Shannon, 2005, p. 1279) where the codes are being developed and defined when I identify them in the material, as opposed to reading the material based on a fixed set of codes or a theoretical perspective. This bottom-up approach allows me to subtract information and patterns from the data without being locked by preconceived categories and theoretical perspectives (Hsieh & Shannon, 2005, p. 1279).

To structure the coding process I apply what Saldaña describes as “First Cycle methods” and “Second Cycle methods” which allows my coding process to be cyclical and develop inductively (Saldaña, 2009, p. 10). To start off the coding process I read the material using a descriptive coding method, which is a part of the First Cycle methods (Saldaña, 2009, p. 70). While reading the data I identify various topics and create codes subsequently, that describe the topics mentioned in the data. Very early on in the process I realize that the full project proposals and annual reports differ fundamentally in format. They differ in their narrative nature since the full project proposal describes the planned activities and expected outcomes in a similar and rigid structure, and the annual report reports on the actual results and outcomes and thereby can be different in structure and content. This leads me to develop a group of baseline codes specifically

targeting the full project proposals with the purpose of being able to compare them better. This includes codes like: business objective/rationale, context inclusion, contextual risk, development objectives, enabling business environment, institutional risk, long-term sustainability, M&E, partnership building, partnership experience, partnership roles and dynamics, programmatic risk and project approach/model. These codes are more generic in nature and offer a comparable foundation for my analysis of codes. Besides these baseline codes many other codes are created during my coding process and common for them is that they are created when I identify them during my reading. Hence they don't follow a strict structure or are categorized into sub categories in a hierarchical manner, but rather just in a random structure. This initial First Cycle coding ensures that I achieve an open-ended approach.

After coding my data, I begin my Second Cycle methods (Saldaña, 2009, p. 10). In this process I reread all of the codes and begin reorganizing the codes and categorizing them in a hierarchical manner. This results in discarding some irrelevant or redundant codes, merging some codes and creating new and more specific and suitable codes. It allows me to create core categories and identify themes in the data. By repeatedly reading and categorizing the codes, themes emerge to me which I then synthesize into topics of patterns. The Second Cycle coding approach is guided by my overall topic, market-based development, and hence the process of organizing and categorizing the codes is directed towards developing a coherent system of categorized codes and to systematically link them together under the umbrella that is market-based development. That being said, I always strive to let the data stay independent in my categorization, rather than trying to merge all the data into one single category. This is done to ensure that I “*remain open to all possible theoretical directions indicated by (...) readings of the data*” (Charmaz, 2006, p. 46) which Charmaz points out as essential when coding data.

This cyclical and inductive method of coding data has is done to ensure that I can “*construct theories ‘grounded’ in the data themselves*” (Charmaz, 2006, p. 2) and thereby let the data guide my findings. My choice of method in the coding process can thereby be defined as “*pragmatic eclecticism*” (Saldaña, 2009, p. 47) as I aim to keep an open mind when determining which coding method(s) to use, instead of following a predetermined method of coding.

3.5. Limitations

It is important to recognize that this investigation is based on a series of projects that are not finalized yet. The findings are thereby a reflection of the current state of the projects and their

progress so far. It means that it is not possible to conclude on whether the projects will continue after the funding period or whether they reach their final objectives. This is a condition for the investigation. It is a limitation in the sense that this investigation is not able to conclude on the finalized projects, but the data is still very much valid for subtracting results and learnings on market-based development.

Another aspect which is important to reflect on, is the fact that the data is based on reports written by the partnerships themselves and are aimed at the DMDP secretariat. It is safe to assume that the partnerships are aware of this, when deciding on what and how to report on their project, since the DMDP is in charge of their funding. This means that the DMDP secretariat is in a position of power and the relationship between the partnerships and the DMDP will always be influenced by this power structure. This does not make the data invalid, but is rather a condition which is important to be aware of. The thesis builds on a constructivist epistemological foundation, which means that there is no such thing as an objective data set to achieve, and hence there will always be conditions and contexts that influence the data (Blaikie, 201, p. 95). It is not about eliminating these conditions and contexts, but rather about including and considering them, which is what this thesis aims to do.

4. Results

Through analyzing full project proposals and annual reports several topics emerge from the 18 market-based development projects and below follows a description of them.

Topic 1: Key commercial partner established in the market or not

Topic 2: Long-term sustainability: access to markets, organization of beneficiaries, local stakeholders, and scalability

Topic 3: Stakeholder inclusion

Topic 4: Lack of local capacity

Topic 5: Project scope

Topic 6: Misalignment between development and business objectives

Topic 7: Projects with a small and medium-sized enterprise as key commercial partner and flexibility

Topic 8: Previous partnership experience

Topic 9: The positive influence of embassies

Topic 10: Conflicts and commercial involvement

Topic 11: Progress of the business case

Topic 12: Local distribution networks

4.1. Topic 1: Key commercial partner established in the market or not

Out of the 18 partnerships, 10 of them have a key commercial partner (KCP) already established in the local market before the project start, which means they were already doing business in the country where the project takes place, and eight of them have a KCP that was not present, but wished to enter the market. The data shows that six of the eight partnerships, with a KCP not present in the local market, faced serious delays in the start-up phase of the project due to various issues.

A frequent issue was obtaining registration of various kinds. An example of this is an agriculture project which expresses challenges with product registration: *“Meeting requirements to get a new product registered has proven to be lengthier and more challenging than anticipated.”* The KCP of this project has no experience in the country they are implementing and hence no experience with the process of getting products registered. As a solution to this issue, the agriculture project initiated contact with a local distributor to ease the process. Another issue was obtaining physical space for production. An agro-processing project faced challenges

with the local legal rules when the KCP had to identify land for a production facility: *“Access to land being forbidden for foreign owned companies, and the lack of existing facilities available for rent has complicated the situation. So the legal structure who will process with the purchase is a bit more complex than expected.”*. The four other partnerships, with a KCP that was not present on the local markets and faced serious delays in the start-up phase, were all challenged by issues of the same sort, which can be categorized as issues that follow entering a new market.

It is worth to note that the remaining two partnerships, of the eight with a KCP not present on the local market, that didn't face serious delays in the implementation phase, both had strong local commercial partners included in the project that were well established on the market.

The remaining 10 partnerships with a KPC already established in the local market did not face the same kind of issues and consequently did not suffer from serious delays in the start-up phase.

4.2. Topic 2: Long-term sustainability: access to markets, organization of beneficiaries, local stakeholders, and scalability

A fundamental requirement for the DMDP programme is that the projects should be self-sustaining after the funding period is over. This means that long-term sustainability and viability of the business case is a target that the projects have to focus on and report on. Below is a description of the key methods and approaches identified to reach this.

The data shows that the majority of the partnerships view creating access to markets as a method to achieve long-term sustainability. For example, an agriculture project describes: *“As for the local level anchoring, the project is focused on creating good practices and creating equal opportunities for smallholder farmers [...] to enable their access to markets. Inclusive growth provides opportunities for those with meagre assets and skills, and improves the livelihoods and incomes of the poor, especially in agriculture.”*. Seeing access to markets as an opportunity for improved livelihood, through its ability to deliver a more stable source of income for beneficiaries, as the project cited above, reflects the perspective from the majority of the projects. Another agriculture project echoes this perspective: *“After this hand holding period (max of 3 years), [...], the farmer groups will be able to manage the value chain operations and linkages and will ‘graduate’ into the inclusive value chain.”*. Here access to markets, being a part of an inclusive value chain, is viewed as a platform from where farmers can further develop and

continue without the help from the project partners and funding. Thereby markets are viewed as an essential platform to achieve objectives in a viable manner.

A second method to achieve long-term sustainability which is used by the majority of the projects is uniting beneficiaries in organizations. An agro-processing project argues: *“Strong and capable organizations and cooperatives will ensure sustainability of business and delivery of project benefits to smallholders”*. Another circular economy project reflects in their annual report on the importance of a newly established cooperative: *“The establishment of the [...] Association and support of its activities is key to ensuring sustainability of the project. The association will gradually take up key roles in training of the waste managers, data collection, market linkages, lead on organizational development and promote responsible business conduct.”*. These two quotes describe how uniting beneficiaries in organizations, such as cooperatives, is a method to ensure sustainability through uniting capacities and strengthen the bargaining power of the beneficiaries on the market.

A third method to ensure long-term sustainability, which can be identified in all of the projects, is connecting with and establishing relationships with local stakeholders. An example of this is an agriculture project which states that to achieve long-term sustainability it is essential to *“[...] ensure coordination and alignment between key stakeholders at local level”* and a circular economy project which has learned that *“collaborations by partners through the leadership of the county government has led to building synergies and promoted plans to ensure sustainability of the project, especially by organizations that are rooted.* This means that collaboration with local stakeholders is generally viewed as a positive contributing factor to ensuring long-term sustainability among all of the partnerships.

A last method to achieve long-term sustainability that is predominantly visible in the data is the importance of having a business model suitable for scale up. A project describes how *“easiness to copy the concept”* is a key success factor of future potential, and furthermore has high influence on whether the project is viable after funding.

4.3. Topic 3: Stakeholder inclusion

All of the 18 projects express in their full project Proposal how local inclusion and involvement of local stakeholders is essential for project success and long-term sustainability. Based on the annual reports, which reflect learnings, each project found local inclusion to be more difficult than first anticipated in most of the projects. A manufacturing project reports: *“Project planning*

did not sufficiently take into consideration the time needed to build trust and capacity with local [...] partners [...]” and an agriculture project also experienced delays due to lack of trust: *“The final agreement between [...] and the local business partners [...] were delayed, because due to the necessity to clarify the business model and increase the trust between the parties”*. The results clearly show that in the majority of the projects, building trust is being underestimated in the planning phase. For instance, one agriculture project expresses how this challenge can be met through an increased effort to align objectives: *“The partnership building process must be guided by clear objectives which must be shared and agreed by all parties.”* and another agriculture project expresses how ownership involvement does not just occur but should be gradually built up: *“Stakeholder (PO) ownership of initiatives on innovations in agricultural value chains is taking longer. It is after 2 effective campaigns that POs (stakeholders) perceive the effects of the use of innovations on their functioning and performance and profitability. Innovation projects must therefore be built up over at least 5 years.”*. The results clearly show that building trust takes longer than most projects anticipate and frequently cause delays in activity implementations.

4.4. Topic 4: Lack of local capacity

Eight projects mention lack of capacity from their local partners as an issue. For instance, a manufacturing project reports: *“Lack of coordination, inadequate supply chains and poor stock management are main bottlenecks identified in 2019”*. In the following annual report the same partnership reflects on the issue: *“In short, the capacities in [the local commercial partner] and other [beneficiaries] are less than originally expected.”*. An agriculture project reports: *“[The commercial company] has also conducted test runs with local cooperatives [...] to assess the quality and efficiency of those. However, the results are worse than expected, thus putting a serious dent on the possibility to quickly start buying the raw material from these cooperatives.”*. A last example of this issue is from a manufacturing project that reports: *“lack of resources is a critical factor for most local partners”*. These three examples reflect how lack of local capacity from the local partner is a prevalent issue and can cause delays and hinder the project development. This clearly indicates a pattern within the partnerships.

Five of these partnerships report not only on a lack of local capacity, but furthermore that the local capacity was lower than expected and described in the full project proposal before beginning implementation. This can indicate that a capacity assessment was not sufficiently

carried out before project implementation, which can indicate that these five projects might reflect a pattern of an insufficient capacity assessment.

4.5. Topic 5: Project scope

Another pattern visible in data, is that five projects explicitly express being challenged by having planned a project too broad in scope. In this context broad in scope can be projects that include activities in both the upstream and downstream part of the supply chain and projects that include a broad range of distributors, suppliers, and retailers. Thereby broad can be both in the vertical and horizontal sense of the supply chain. An example of this is a services project that narrowed down its project scope: “[The key commercial partner] *will make* [the commercial partner] *a direct distributor from 2022, eliminating third party distributors, and putting improved SOPs in place. We trust that this model will lead to a smoother supply chain and help to strengthen the business case*”. This example reflects the challenge of ending up with a fragmented project that many projects experience when including several commercial partners in their projects. This fragmentation is also expressed by a green technology project, that as a result narrowed down its project scope: “*One simplified business model is easier, especially when trying to create behaviour change and bringing together multiple partners/organizations to work together.*”. These two examples show how a too broad scope can cause fragmentation and negatively affect the ease of implementation of activities.

As stated before, five projects experienced challenges from having planned a project too broad in scope, but the opposite challenge also occurred with two projects. An example of this is an agriculture project that experienced not having a broad enough scope to compete on the market: “*This model has been radically revised, because it is challenging to reach adequate volumes of high-quality milk sufficient to create a viable business case*”. The project had to revise its business model and include more suppliers to meet the demand on the market.

The results thereby indicate that there are challenges with having a project too broad in scope, but the opposite, too narrow in scope, can also be a challenge when the projects are competing on the market and aiming to reach a viable business case.

4.6. Topic 6: Misalignment between development and business objectives

A central aspect of market-based development is bringing together commercial and development objectives and utilizing them in a mutually beneficial way. The practical alignment of development and business interests is however not always easy, and the data shows a tendency of conflict, when the interests are not being aligned. A manufacturing project describes this dilemma: “[The administrative partner] *team focusses on the demand side (awareness creation and training of farmers [...]), the commercial partners emphasise more the supply side (business development, i.e. increased sales [...]). Hence, special attention is to be given to project coordination and communication.*”. This example shows how commercial and non-commercial partners can have different interests that require coordination in order for them to materialize into a shared overall objective. In this example, the project struggled with aligning the partner’s interests, and the administrative partner had to take on a mediator role to facilitate collaboration within the consortium to avoid a potential conflict. An example of more critical misaligning interests is expressed in a green technologies project: “[The KCP] *was expected to build a robust supply chain as part of the partnership; however, from their business standpoint, they first needed to see significant enough sales in order to trigger the investment and resources necessary to hold up their end of the agreement. It was challenging to understand the decision-making processes they engage in, and the different levels of internal oversight within the company that were not very transparent or at times disjointed, with different parts of the large conglomerate operating without a shared understanding of the project goals and the investment needed.*”. This is a very clear example of a project failing to reach a shared agreement and understanding of an overall objective. According to the administrative partner, the KCP did not engage in the project with sufficient focus on the aligned objectives, but rather focused mainly on their commercial interests, and ultimately it led to the exit of the KCP from the consortium. These two examples show how misalignment between commercial and noncommercial partners can be a trigger of conflict within a partnership. Overall, the results show that several projects experience this kind of conflict, they just vary in the degree of seriousness.

4.7. Topic 7: Projects with a small and medium-sized enterprise as key commercial partner and flexibility

11 of the 18 projects have a small and medium-sized enterprise (SME) as key commercial partner (KCP). The results indicate that the projects with a SME as KCP are very flexible in terms of adjusting project activities. Seven of the 11 projects with a SME as KCP have undergone restructuring of their project activities of various kinds to adjust to the implementing conditions. An example of a restructuring is found in an agriculture project, that changed its main product to better fit the consumer preferences of the market they were exporting to, while another agriculture project changed its training approach from using tablets to smartphones, as they found out more beneficiaries had access to smartphones. A last example put forward to support this point, is an agriculture project which experienced an exit of a commercial partner due to issues with importing rights, and as a result looked to diversify its portfolio of products and initiated collaboration with other partners experienced within this area. These are all examples of projects that were flexible and adjusted their activities due to either unforeseen challenges or unexpected contexts. The results show that this flexibility goes for seven of the 11 projects with a SME as KCP and hence could indicate a pattern of flexibility.

4.8. Topic 8: Previous partnership experience

Nine of the 18 projects have not worked together in their consortium before and thereby have no previous collaboration experience. The remaining nine have previous partnership experience and various kinds of relationships established. In some of the partnerships the partners have all worked together for several years and have already established the consortium and project, while in other partnerships, only some of the partners have worked together before, but not as a completed consortium and established project. Overall, the results do not clearly show that the partnerships that have previous partnership experience have a better functioning consortium, however the data shows that the partnerships with no previous partnership experience have had more partners exit from the consortium. In four of the nine partnerships with no previous partnership experience, a partner has exited the consortium, while in only one of the nine partnerships with previous partnership experience, a partner has exited the consortium. This means that there are significantly more partner exits in the projects that have not worked together before.

The partner exits are not always due to conflicts, but sometimes due to a lack of internal capacity or a change in strategic focus within the partner, and thereby it is not a clear indicator of how a partnership thrives. When it comes to conflicts within the partnerships, four partnerships have reported on serious internal conflicts, where two of them have been in partnerships with no previous partnership experience and two have been in partnerships with previous partnership experience. The two conflicts in the partnerships with previous partnership experience have been between two commercial partners, while the two conflicts in the partnerships with no previous partnership experience have been between the administrative partner and a commercial partner. Furthermore, the only conflict that was successfully resolved without a partner exit was in the partnership with previous partnership experience.

This can indicate that the partnerships with previous partnership experience have more stable consortiums, in terms of less partner exits, and since the conflicts are mainly between the commercial partners and do not involve the consortium as a whole, the conflicts can be considered less substantial.

4.9. Topic 9: The positive influence of embassies

The Danish embassies in the partner countries are contributing to the project selection process of the application rounds, to ensure that the projects are relevant in their local context and to explore possible synergies. They also have a supporting role to the projects during implementation. The data shows that all the projects which report on collaboration with embassies are very positive. For instance, an agriculture project reports that the Danish embassy was extremely helpful in a difficult registration process that caused unexpected delays in the project activities. The embassy successfully lobbied in the interests of the project, which significantly expedited the process. Another example is a manufacturing project which reports on the embassy's ability to reach out and influence official institutions: "*We have experienced that the Danish embassy in [the project country] (in worst case situations) can help push this process.*". In this example the embassy helps to get involvement and recognition from local official institutions through their established position in the country. Several other projects mention the embassies as a strategic and crucial country partner to have, in order to support the local involvement. Four projects specifically report on positive experiences with the embassies, but no partnerships report on negative aspects, which must indicate that the involvement of embassies contributes positively to context inclusion and relationships with local officials and organizations.

4.10. Topic 10: Conflicts and commercial involvement

As previously mentioned, four partnerships report on serious internal conflicts within the consortium. The data shows that all these conflicts have a commercial partner involved and are all due to either a disagreement between two commercial partners or due to a change in the commercial partner's internal business strategy. An example from one of the two conflicts between two commercial partners, is a manufacturing projects which reports on lack of collaboration between the commercial partners: *“Although the two [...] manufacturers [commercial partner] and [commercial partner] were present with their commercial/sales staff in the project area right from the beginning, it turned out that during the first months of the project both companies started looking inwards for better organisation and coordination of their [...] businesses. As a result, discussions with [commercial partners] were held concerning the project's approach and direction, whereby [the administrative partner] had to point out to them that the project and their business cases belong to the same side of the coin.”*. This example clearly shows how the inclusion of two commercial partners, with their separate interests, can cause conflicts if the commercial partners start counteracting each other instead of collaborating. The other kind of conflict found in the data, conflict due to a change in a commercial partner's internal business strategy, can be described through this example from a green technology project: *In early 2021, it became clear to the [...] consortium that [the key commercial partner] was not delivering on their role as stated in the MoU and on their commitment to develop a robust supply chain for [...] products. In addition, following a change in commercial strategy which positioned [the key commercial partner] as an OEM partner rather than a direct supplier of products, the [...] consortium increasingly found engagement with the company challenging.”*. This example shows how a key commercial partner restructured its strategy, which then resulted in the commercial partner not being able to uphold its commitments as initially planned. This negatively influenced the partnership and ultimately led to the exit of the commercial partner. The data shows that all four conflicts were influenced by commercial interest either not being aligned or counteracting each other, which clearly indicates that individual commercial interest can be a trigger of conflict.

4.11. Topic 11: Progress of the business case

The DMDP aims to foster inclusive business models through collaboration, and the business case is a key aspect of the DMDP projects. All projects must be centered around a business case, but the data shows that it differs how developed the business case is in the projects and whether it is clearly defined before project implementation. As the purpose of the DMDP is to support the creation and implementation of business cases that create decent jobs, the business cases are of course not viable before the project starts, but some are more progressed than others. The data indicates that there is a connection between how progressed the business case is and how successfully the project is reaching its early targets.

Out of the 18 projects, three projects stand out as not having a clearly defined business case before the project implementation, but rather plan to develop and identify the business case along the way. For instance, a manufacturing project describes how the business case is to be developed at a later stage in the project: *“A business case will be developed to document the commercial and workplace effects shown at project factories.”*. This project follows an opposite logic than the 15 remaining projects: developing a business case subsequently to the activity implementation, rather than developing a business case and then implementing the activities to achieve it. The same project furthermore reports in their annual report: *“The business case, which is a key results from output 2.1, is an on-going process of documentation and evaluation of all steps of the progress process. The business case will be addressed more directly from 2018 onwards”*. Here it becomes visible how the business case is included as an output, rather than being the foundation of the project. The remaining two projects, that do not have a clearly defined business case before the project implementation, are not to the same extent developing the business case subsequently with the activities, but they do not have a clearly defined business case before project implementation. One of the projects describes how the project will enable the key commercial partner to pilot its new business case, in a sector that has previously not been tested before. This project is built on a business case from the key commercial partner, but the project is being used to pilot a new kind of business within a sector that the key commercial partner has not previously done business in. This means that the business case is in its very early days and is tested during the project. The same goes with the third project that does not have a clearly defined business case before the project implementation.

The rest of the projects are all based on business cases that are more progressed. For

instance, an agriculture project describes how *“the project is built around [the key commercial partner’s] existing business model, which is already commercially viable.”*. Here the project is based on an already existing business case which is then further being developed. Another project follows the same logic and describes the behind lying logic of this: *“Rather than providing (project-financed) solutions and then expecting market players to take over, project will be feeding its vision from the beginning into a working and development process while leaving the lead and the final decision up to the market players.”*. This way of letting the business case take the lead on the project direction, with the development objectives included, is common for the remaining 15 projects, and they are all implementing their projects on a business case that is clearly defined before project implementation.

The data shows that the three projects that do not have a clearly defined business case face significant challenges with delays and show limited achievement regarding reaching targets and achieving results. The three projects have all spent a lot of time on defining and developing the business case and not reaching tangible targets. An example is a project that after five years only has reached output one out of 5: *“The focus of this reporting period has been entirely on initiating the trials under output 1. Consequently, there are no activities under these outputs.”*. This reflects significant delays and shows how the project has not exited its initial stages. The fact that these three projects all face serious delays and have a hard time achieving results cannot be proven to be a direct effect of their limited defined business case, however it is relevant to observe. The data does indicate that the projects that don’t have a clearly defined business case before project implementation face significant challenges, and hence it could be considered a negative contributor.

4.12. Topic 12: Local distribution networks

As previously described, almost all the partnerships believe that uniting local beneficiaries in organizations, such as cooperatives, is key to ensuring long-term sustainability and viability of the project, and it is a recurrent method used to recruit and train local beneficiaries. The data furthermore shows that some projects establish their own networks and organizations while others leverage existing local networks. There are different ways to leverage existing local networks. Some projects build solely on networks from a commercial or administrative partner, while other projects build on networks from different local partners and unite and merge these networks into a new one. The common trait is that they work with existing actors and their

already established networks, as opposed to setting up a new infrastructure where they have to recruit beneficiaries from scratch.

The data shows that projects using local distribution networks are faster in recruitment of beneficiaries and the data indicates that when using local distribution networks, the beneficiaries are more effectively mobilized. For example, an agriculture project describes how a local partner was essential when recruiting farmers: *“The successes registered in recruitment of farmers has been due to the partnerships between [the local partner] which facilitated the process of profiling farmers through their digital tools amidst COVID-19 related challenges with limited movement and scarcity of transport.”*. This project leveraged not just access to local farmers, but also local knowledge and expertise from the partner to be more effective in their recruitment. Another project describes this perspective of leveraging on existing organizations when arguing for their approach: *“This outreach model will hence tap into existing organizations of farmers into out-grower schemes or similar supply chain arrangements.”*. These examples bring light to how leveraging on existing local networks not only eases access to beneficiaries, but also allows projects to tap into and benefit from local knowledge from similar set-ups. A last example is an agriculture project which initially planned to set up its own organization, but changed its approach during implementation: *“The consortium took the decision to work with the [...] the existing union in [city of implementation], rather than establishing a new separate union or umbrella organisation. Steps are being taken to formalise this partnership.”*. This decision was based on learnings from early activity implementation and was made to reach beneficiaries more effectively. To sum up, the data shows that the projects who use local distribution networks are generally faster in recruitment of beneficiaries and furthermore are more effective in mobilizing these beneficiaries.

5. Discussion

The discussion is organized into 5 different categories that are all interrelated, based on the analysis of the results. These categories are: 1) connection to the local context; 2) local capacity; 3) partnership building; 4) misalignment of interests; 5) market-based development approaches in practice.

5.1. Connection to the local context

The findings clearly show that being firmly connected to the local context is regarded as a very important factor when it comes to achieving sustainable development objectives. All the projects identify establishing relationships with local stakeholders as an important activity in their projects and furthermore state that they view collaboration with local stakeholders as a positive contributing factor to ensuring long-term sustainability. To conclude, connection to the local context is regarded as important within development partnerships.

When it comes to the project progress, the results show that the partnerships with a KCP already established in the local market face fewer issues in the start-up phase compared to the ones that are not established, which must indicate that the knowledge of and connection to the local context is a positively contributing factor for project implementation. This result is furthermore strengthened when considering that the remaining two partnerships, of the eight with a KCP not present on the local market, that didn't face serious delays in the implementation phase both have strong local commercial partners included in the project that were well established on the market. The connection to the local context is here a prevalent factor for the partnerships with no serious delays in the implementation phase. This is backed up by the finding of how the projects who use local distribution networks are generally faster in recruitment of beneficiaries and furthermore are more effectively mobilizing them. This finding shows that when working with actors and their already established networks, as opposed to setting up a new infrastructure, the project is faster in implementation and more effective. This is because projects are able to tap into and benefit from local knowledge and built up trust from similar set-ups, which are based on previous contextually rooted learnings. In conclusion, it shows how being firmly connected to the local context is very important in project implementation and crucial for achieving sustainable development objectives.

Lastly, the results show that the involvement of embassies contributes positively to the relationships with local officials and organizations and thereby to the connection and inclusion of the local context. Embassies can therefore be considered a strategically important partner to include in such projects and partnerships in order to achieve connection to local stakeholders and inclusion of the local context. This last finding is a more practical learning about inclusion of local context compared to the previous ones.

Connection to the local context in development is not a new and groundbreaking idea, as many researchers have previously argued for the inclusion of local context as essential to achieving sustainable development results (Anderson et al., 2012; Ashwell & Barclay, 2010; Hagelsteen & Becker, 2013; Kuada & Sørensen, 2005). However, the results from this investigation show that projects have a better chance for successful implementation, when including commercial partners that have connections to the local context, specifically in a market-based development context.

Taking the discussion further, in development research lack of local inclusion is frequently mentioned as a challenge and local ownership is often presented as a method to achieve this and furthermore deliver sustainable results. Ashwell & Barclay (2010, p. 324) have shown how projects with more local ownership achieve better results, compared to those with less local ownership. When comparing this with the findings of this investigation, it is interesting to consider what local ownership in this context entails. It is relevant to note that only four of the DMDP projects have a local KCP, which clearly indicates that there is room for more local ownership in this regard. As with many other concepts, local ownership is widely defined and can take form in many ways, but it is worth further investigating how the inclusion of more local KCPs will impact the results, as this will most expectedly contribute to more local ownership. Considering this, an obvious next step will be to investigate if the inclusion of local companies is a method to achieve more local ownership, which is significant for market-based development and thereby represents a possible new solution to the challenge of missing local ownership and context inclusion in development. Anderson, Brown & Jean (2012, p. 67) argue how ownership and sustainability are interlinked and transferring ownership to the local part will contribute to sustainability and thereby long-term results. Thereby one can argue that including local companies as a lead in development projects will contribute to securing long-term results, which is considered a fundamental challenge in development today (OECD/DAC, 2006, p. 7). Market-based development can thereby be seen as a new approach that offers new opportunities to secure

long-term results, which is very relevant to further investigate. It opens up the sphere for actors and methods to utilize, as a way to ensure local inclusion and create local ownership. The findings of the investigation provide a foundation and steppingstone to further explore this very relevant area in a market-based development context.

5.2. Local capacity

Highly related to the issue of being connected to the local context, is the issue of local capacity and how to include it. As previously discussed, being firmly connected to the local context is a very important factor when it comes to achieving sustainable development objectives and this goes hand in hand with including and utilizing local capacity. The results show that when projects utilize local distribution networks, they are generally faster and more effective in the recruitment and mobilization of beneficiaries, which indicates that local capacity can be very useful due to its contextual advantage. Using local distribution networks is just one way to include local capacity in a project. Capacity can be understood in broad terms, but is generally understood as “*strengths, attributes and resources available within a community, society or organization*” (CADRI, 2011, p. 9). Capacity is not always straightforward to identify, and neither is it to utilize. The results show that eight projects mention lack of capacity from their local partners as a serious issue which must indicate that local capacity is a prevalent issue and can cause delays and hinder the project development. This pattern suggests that it is important to recognize the issue of capacity asymmetry between partners within development projects.

In development research local capacity is considered essential to successful development performance and simultaneously considered a main challenge (CADRI, 2011, p. 10; Hagelsteen & Becker, 2013, p. 9), which is very in line with the findings of this investigation. What is furthermore frequently expressed in development research, is how it is very important to understand and identify local capacity, in order to utilize and leverage it (Hagelsteen & Becker, 2013, p. 9). Kuada & Sørensen (2005, p. 484) have investigated development collaboration between companies in the global north and the global south and argue that resource asymmetry is a major challenge that brings several other challenges, such as conflicts and misuse of power due to power imbalance. How to include local capacity is thereby an important issue to investigate and when it comes to market-based development it is even more relevant, as many of the partnerships include big international companies or SMEs from the global north and small local companies from the global south. According to Kuada & Sørensen (2005) this resource

asymmetry can result in conflicts and prevent local ownership due to the power imbalance. The analysis of the DMDP projects does not conclude how the lack of resources influence the power imbalance and potential conflicts, however it is interesting to notice the pattern between the partnerships that report on lack of local capacity. The results show that most of the partnerships report that the local capacity was lower than expected, which can indicate that they did not carry out a sufficient capacity assessment before project implementation. This concurs with an argument put forward by Hagelsteen, Becker, & Abrahamsson (2021, p. 8) who discuss how external partners tend to skip or neglect carrying out a thorough capacity assessment due to lack of resources, time, and flexibility. They furthermore argue how some external partners can have “blind spots” that are caused by an excessive focus on their own capacity and priorities (Hagelsteen et al., 2021, p. 8). This argument is very interesting to consider in this context, since market-based development is built on the premise that it should be driven by commercial interests equal to development interests. If market-based development puts an increased emphasis on companies' own objectives, will this have a negative impact and involuntarily create more space for “blind spots”, that can result in power imbalances, conflict, and lack of local ownership, as previously argued? As previously described, market-based development can take various forms and can have local or international companies as a lead, which is an important point in this discussion. If the projects are driven by big international companies, then there is a bigger risk of missing or neglecting local capacities, but on the other hand, if the partnerships are driven by small local companies, there is a real risk of lacking crucial capacity, as shown in this investigation. This dilemma is also put forward by Hagelsteen, Gutheil, Morales, & Becker (2022, p. 9) who present the aid-paradox, which describes how the countries that need capacity development the most are the countries where capacity development has the lowest chance of being successful. While this argument is about the countries receiving aid, one could argue that this can be applicable to companies as well. It reflects how it can be a dilemma to choose which companies, big or small, local or international, to include in market-based development partnerships. Hagelsteen, Gutheil, Morales, & Becker (2022, p. 9) call for a holistic approach to tackle this issue, and in the context of market-based development, this can be an argument for including more commercial partners to ensure that both local, international, big, and small partners are represented and contribute with each of their individual strengths. This is a relevant lead to follow for future research, as it undoubtedly has both advantages and disadvantages. An

obvious disadvantage will be the extra challenges it would put on partnership building and dynamics, which is the next category to be discussed.

5.3. Partnership building

The results show that partnership building is a difficult task in development and that partnership building is frequently being underestimated in the planning phase. This is a pivotal finding as market-based development is usually based on partnerships and hence crucial for the implementation process. It means that building trust takes longer than most projects anticipate and frequently cause delays in activity implementations. Furthermore, the results show that conflicts can occur within partnerships when partners have not aligned their objectives and goals. Lastly, the results indicate that previous partnership experience is a positive contributing factor for both partnership dynamics and project success. The last result requires further research, but the findings indicate that partnerships which have had time to build up a consortium and build internal trust, have a more stable consortium.

The finding on underestimating the partnerships building process concurs with the findings of Ashwell & Barclay (2010, p. 322) who claim that insufficient time to build partnerships is a general flaw in the development environment and argue that the demand for short-term outcomes from donors prevents partnerships from taking the required time to build relationships. It can be considered a conflict between the short-term perspective demanded by donors, and the long-term perspective it requires to build up a partnership to meet those demands. This contradiction results in partnerships not taking the time to build partnerships. The findings from this investigation does not indicate whether the partnerships have been pressured by short-term outcome requirements, but it is relevant to investigate further.

The findings suggest that previous partnership experience is a positive contributing factor for both partnership dynamics and project success, which has also been shown continuously in research for the last decades (Holmes & Moir, 2007; Huber 1991; Kuada & Sørensen, 2005), however the fact that it is based on a market-based development context makes it new and relevant. This new development approach is built up around collaboration between, not only state and civil actors as before, but now also market actors, which indisputably requires collaboration between partners who might not be used to working together. The inclusion of this new partner with a different perspective, a commercial one, can bring new challenges. This point is backed up by the finding from this investigation, which shows that commercial partners, with their separate

commercial interests, can cause conflicts in the partnership if they start counteracting each other instead of collaborating. This finding is very specific to market-based development, as it describes the tension that can occur when collaborating with commercial partners. It shows the importance of being aware of aligning the objectives of the different partners, as misaligned individual interests can be a trigger of conflict. Based on this finding one can question whether market-based development projects are more prone to conflicts, due to the introduction of a partner with objectives that sometimes diverge or are difficult to align with development objectives. In other words, does the different nature of a commercial partner challenge the partnership building to a greater extent? Kuada & Sørensen (2005, p. 488) have shown that collaboration difficulties are more likely to happen when the objectives of the partners are diverging, and they have different operational backgrounds. The results from this investigation back up this argument, as many of the conflicts are due to companies either changing their own business structure or working independently instead of collaborating. Kuada & Sørensen (2005, p. 487) highlight the role of facilitative institutions, which play a vital role in supporting the partnership building process. In the DMDP partnerships, the administrative partner occupies an administrative role, which includes the link to the DMDP secretariat, however it does not entail any formal partnership building responsibilities. Nor does the DMDP secretariat have any partnership building responsibilities, but it does offer backstopping services if partnerships are facing internal challenges. A stronger partnership building support from a “facilitative institution” is relevant to look into, since this investigation demonstrates that market-based development projects tend to underestimate the partnership building process. Putting more effort into partnership building can have the potential to prevent or remedy this.

5.4. Misalignment of interests

Closely related to the challenge of partnership building is the challenge of misaligned interests. As previously described, when the interests of the commercial partners are not aligned, this can result in conflicts within the partnership. Another finding from this investigation indicates that the practical alignment of development and business interests can be difficult to achieve. The results show that some partnerships suffer from not having aligned objectives, which is due to the different focus there is between a commercial and noncommercial partner. The example from the partnership where the administrative partner focused on the demand side, i.e., creating awareness, and the commercial partner focused on the supply side, i.e., increased sales, shows very well this

difference there is to be found between commercial and non-commercial partners. This describes very well how the two partners by default have different motives for existing, and how it can be a challenge to materialize them into a shared overall objective in practice. This finding sheds light on how the premise for market-based development, aligning objectives, might be a fundamental challenge for this concept. The win-win concept, that offers unique opportunities for businesses while achieving sustainable development objectives, might not be as easy to achieve as it seems.

A number of studies have demonstrated how it can be a challenge to align objectives and achieve shared value. Kolk, van Tulder, & Kostwinder (2008) describe how companies find it difficult to reconcile with policy priorities, as corporate interests always will be leading and principal for a company in a partnership. These interests are profitability in a direct sense or indirect through reputational gain (Kolk et al., 2008, p. 268). Di Bella, Grant, Kindornay, & Tissot (2013) highlight how commercial and non-commercial partners often enact contradictory value creating logics due to divergent expectations and organizational and sectoral background (Di Bella et al., 2013, p. 3). The findings of this investigation back up these studies and show how aligning interests and objectives is difficult to achieve in practice. In the context of DMDP, creating decent jobs is the overall objective of the partnership and a premise for receiving funding. This objective is generally in the interest of both commercial and non-commercial partners and can be considered a more obvious goal to have in market-based development projects. Besides this overall objective, each partnership develops their specific objectives, which is where the alignment can be considered less straightforward. And as the results show, it is not just the agreement on what the shared objectives are, but also how to reach them, that can be challenging.

Creating shared value is one of the essential arguments of market-based development. An argument frequently put forward by researchers is that market-based development partnerships can be considered a holistic solution to the growing complex societal challenges we are facing (van Tulder & Keen, 2018). Such partnerships have the potential to deliver transformational change, if they succeed in aligning their objectives in the short-term and long-term. This argument about co-creating value rests on the premise of aligning objectives which is why this finding is pivotal and essential for future market-based development.

Based on the discussion of the previous findings, it is relevant to consider how these learnings can be considered interrelated and interconnected. Integrating the local context and utilizing local capacities can be a way to ensure local ownership, and local ownership is a way to

ensure long-term results. Partnership building can be a way to ensure an equal power balance, which also lays the foundation for local ownership and vice versa. In continuation of this, can objective alignment be considered a method to partnership building that can ensure local ownership? This will include seeing alignment of objectives as an activity that forces the partners to identify their motives and goals and serve as the basis for agreeing on a shared objective and the road towards it. By defining it as a partnership building activity it differs from the process of developing the project and activities and is more reflective in nature. This reflection is motivated by the findings in the investigation, but not backed up by any results, and is therefore relevant to investigate. It should be seen as a reflection on a possible solution to a challenge in market-based development that has been identified in this investigation. It is based on an acknowledgment of the interconnectedness and interrelatedness between many of the points and topics analyzed and discussed.

5.5. Market-based development approaches in practice

A last category to be discussed, is the findings on how market-based development is carried out in practice. As stated in the beginning of this thesis, this investigation aims to increase the understanding of market-based development and this last point comprises the more tangible findings of this investigation.

First of all, the findings show that the project scope is a crucial part of project development and activity implementation. Several projects are challenged by having planned a project too broad in scope and find it easier to narrow down the approaches or actors included. Having a more streamlined approach is easier to manage and prevents fragmentation. Another finding, which is crucial to have in mind, is that the opposite, too narrow a scope, can also be a challenge. If the scope is too narrow, the projects are not able to reach scale and it prevents them from being successful on the market, which is otherwise essential for market-based development.

Another finding in line with this, is that not having a clearly defined business case before project implementation, can lead to significant challenges and hence can be considered a negative contributor. The goal of market-based development projects is that they turn into viable business cases that are able to uphold themselves after the funding period. The findings show that having established a clear business case to build on, is essential to utilize the years of funding, kickstart the activities, and reach targets within the funding period.

As previously discussed in the local capacity section, it can be considered a dilemma to choose which companies, big or small, local or international, to include in market-based development partnerships with many different tradeoffs to include and consider. This investigation shows that projects with a SME as KCP generally show a high level of flexibility, in terms of being able to adjust activities or redirect their efforts during the project implementation. The smaller size of the SME, compared to the big international companies, can be considered an advantage due to its ability to respond to unforeseen challenges or unexpected contexts in a timely manner. It requires more investigation to affirm this, but this investigation shows that having a SME as a commercial lead can indicate a higher level of flexibility compared to a big international company.

Lastly, and as already discussed, the findings show that using local distribution networks results in faster recruitment of beneficiaries, and furthermore are more effective in mobilizing these beneficiaries. This ties back to the point about utilizing local capacities and leveraging on their contextual knowledge.

All these findings contribute to tangible learnings about market-based development. Some of them require further investigation in order to be affirmed and specified, but nonetheless they offer a foundation and starting point from which market-based development projects can be improved. Many of the points can be backed up by research. The project scope is a frequently researched topic, and Ashwell & Barclay (2010) argue that overly ambitious project goals are a frequent challenge to achieving sustainable results, and that projects should rather be smaller in scope in order to sustain change (Ashwell & Barclay, 2010, p. 320). However, this argument is challenged by Holmes & Moir (2007) who argue that open ended projects with multifaceted initiatives have the potential to result in more innovative and radical results, whereas projects that have a narrower scope are more likely to result in incremental change (Holmes and Moir 2007, p. 417). This challenges the results of this investigation and brings to question if smaller and easier manageable projects really are more successful, when it comes to bringing about change. Another point, that is backed up by research, is having a viable business case which is suitable for scale up. Hagelsteen, Becker, & Abrahamsson (2021) point out that development projects often suffer from carrying out pilot projects without an expected scale up, which ultimately leads to no long-term results (Hagelsteen et al., 2021, p. 8). This tendency leads to projects not achieving sustainable results, a fundamental challenge in development. The focus on ensuring a viable business case in market-based developments, a long-term focus, can be seen as a possible effort

to prevent this. Lastly, the argument of how projects with SMEs as KCP are more flexible concurs with research, as the general perception is that SMEs tend to be more flexible (Smallbone & Welter, 2001; Di Bella et al., 2013). Flexibility is furthermore frequently highlighted as essential and important in development projects (Di Bella et al., 2013; Hagelsteen et al., 2022). This finding is therefore relevant and presents itself as a tangible approach on how to achieve flexibility.

5.6. Quality of research

This thesis investigates the concept of market-based development by analyzing a specific market-based development approach and subsequently draws conclusions on the concept. This requires reflections on validity, reliability and generalizability. The selection of data is rather small and, as previously mentioned, does not include finished projects, which is important to remember as it is a limitation of the results. This has been considered in the choice of method, since coding allows me to utilize the data as thoroughly and rigourously as possible and with the highest level of detail. This delivers a basis for validity.

The results include a selection of topics, and hence some decisions have been made in terms of narrowing down the data and analysis. With this follows a focus on selected areas and a deselection of others in order to stay within the scope of the thesis. However since the topic is market-based development, the focus on this area in my selection of topics is valid.

In terms of reliability and biases, the access to the data is obtained through my previous employment with the DMDP and, hence, I possess background knowledge of the different projects. During my employment I assisted in the daily communication between the DMDP secretariat and the projects, regarding setbacks, conflicts, and other urgent issues. It also means that I am influenced by opinions and insights of the projects before approaching and reading the data. Due to my epistemological assumptions, I believe it is impossible to be completely unbiased by preconceived assumptions, and hence it depends on how I include and are aware of those assumptions, rather than trying to get rid of them. During my coding process, I strive to keep an open mind and read the data while being aware of the perception that I have. That being said, I believe my background knowledge offers me an advantage in terms of understanding the context of the data, which is relevant when coding extant texts (Charmaz, 2006, p. 37). Charmaz (2006) argues that when coding extant texts, texts that the researcher has not participated in constructing, it is crucial to know the context of the data to get a deeper understanding of the data (Charmaz,

2006, p. 37). I am aware of the circumstances that the reports have been developed under, in terms of formal requirements of the reports, what the intention is, who wrote it, common terminology and cultural differences between the different authors. This makes me able to read the data while situating it in its context. However, it is still a bias that has influenced my thesis, but I have been aware of it throughout the process and have aimed to analyze the data with as much accuracy and consistency as possible.

This investigation has a low level of generalizability as the method is very contextually dependent. However, as the object of the investigation is one specifically defined market-based development approach, the findings are highly relevant for market-based development as a concept and can be used to compare and support similar studies, as long as the contextual conditions are considered and reflected on.

6. Conclusion

Market-based development is a new development approach that is quickly gaining popularity within development cooperation organizations. It claims to be a win-win concept that aligns development objectives with business objectives, and hence positions itself as a solution that is able to leverage the available capacities, finances and organizations in society. This is highly relevant as the development world is challenged by not being able to obtain sustainable results. The inclusion of market actors in development presents a new situation, and the purpose of the investigation is to shed light on the concept by identifying patterns and learnings of market-based development through an investigation of the Danida Market Development Partnerships portfolio of market-based development projects. Through a qualitative coding approach this investigation analyzes 18 market-based development partnerships from the DMDP portfolio where several patterns and results are identified and communicated through five overall themes.

First of all, being firmly connected to the local context is crucial for project success. Based on this, market-based development can be seen as an approach that offers new opportunities to secure long-term results, by introducing new actors and methods that can be utilized as a way to ensure local inclusion and create local ownership.

Secondly, lack of local capacity is a challenge, and it is important to recognize the issue of capacity asymmetry between partners within development projects, since it can create conflicts, power imbalances and lack of local ownership.

Thirdly, partnership building is difficult and tends to be underestimated in the planning phase. Furthermore, it seems that alignment of goals and objectives is crucial for partnership building and can cause conflicts if not achieved. Based on this, it is relevant to further investigate whether market-based development projects are more prone to conflicts within the partnerships, since commercial partners have objectives which can be difficult to align with development objectives and by default have different conditions for operating and existing.

Fourthly, alignment of objectives and goals, the premise for market-based development, can be difficult to obtain and can cause conflicts if not achieved. Based on this, it is obvious to further investigate how this alignment can be better achieved, as it is a crucial and pivotal aspect of market-based development.

Finally, several practical learnings of market-based development projects are identified. Having a more streamlined approach makes projects easier to manage and prevents fragmentation of activities. Not having a clearly defined business case before project implementation can lead to

significant challenges. Having a SME as a commercial lead can result in a higher level of flexibility, compared to a big international company. Utilizing local distribution networks results in faster and more effective recruitment and mobilization of beneficiaries.

Based on these findings it can be concluded that this thesis contributes to an increased understanding of market-based development and paves the way for future research to further investigate the concept and its potentials and implications. As market-based development is an emerging concept that is not investigated in that many contexts yet, it is highly relevant for research going forward, to investigate market-based development within different contexts and aiming at different development objectives. It will be beneficial to direct future research efforts towards which context market-based development is best suited for. Since aligning objectives is a key aspect of market-based development, it is very relevant to investigate whether some development objectives are more complementary to business goals than others. The DMDP focuses on job creation as the key development objective, which generally complements business objectives very well, but perhaps the situation would look different if the development objective was less tangible and less business oriented? Development objectives such as improved human rights and gender equality might be more difficult to align with business objectives, and hence more difficult to achieve using a market-based development approach. This would mean that some objectives are better suited, and market-based development would be an approach that works better in some contexts than others, and thereby not a universal win-win development approach. This would make it a development method that can supplement, rather than substitute the development efforts carried out in the development sector today. To sum up, market-based development is a concept that requires further inquiry and research, but this thesis contributes to an increased understanding, which paves the way for future research on market-based development.

7. Sources

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