Donor Partnerships with Business for Private Sector Development:

What can we Learn from Experience?

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The Donor Committee for Enterprise Development

Preface

*The **Donor Committee for Enterprise Development (DCED)** is the long-standing forum for donors, foundations and UN agencies working in private sector development, who share their practical experience and identify innovations and formulate guidance on effective practice.*

***The Committee has been actively working on the theme of donor partnerships** with the private sector since 2010. The DCED website offers access to a mapping and directory for businesses of donor mechanisms and instruments for working with the private sector, a structured list of practical tools for partnership practitioners, and numerous publications relating to current practice and results in this field to date, starting at www.Enterprise-Development.org/Partnerships.*

***This publication seeks to make an informed and focused contribution** to structure the vast and sometimes vaguely defined field of partnerships, and point what we currently know about their results and 'what works' in practice. It also shows ways in which donors and companies together can address the need to demonstrate development results.*

***The DCED will continue to research and document this topic**, and to develop a programme of work that supports members and others in addressing the issues raised in this Paper – in order to make partnerships more effective in the future.*

***Comments and suggested additions to this review** from any of the agencies/ projects mentioned, as well as other agencies and interested parties are actively invited. Please contact Melina Heinrich at Heinrich@Enterprise-Development.org.*

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Executive Summary

There is growing interest by donors in leveraging companies' resources to achieve development results, including in private sector and economic development. At the same time, companies increasingly see the potential of donor's expertise and funds to support them in exploring new markets and products, or to strengthen the sustainability of their business. This review **gives structure to the theme of donor partnerships with business aimed at private sector development**. It also proposes a focus **on key issues that have received little attention so far**: **assessing additionality, measuring partnership results, and achieving better outcomes based on learning from experience**.

What do we mean by 'partnership'? While there is a broad spectrum of options, one central element is the **sharing of costs, risks, and other resources** in ventures with both commercial and developmental benefits. In rough order of their current prevalence and relevance for this review, models for partnerships can be categorised as follows:

- **structured donor mechanisms providing grant support to specific business investments** (essentially matching grant programmes) and various sub-types including centrally-funded and country-/ programme-level mechanisms: These have **clearly defined, detailed guidelines and procedures for awarding financial support to a specific business or joint venture**, including aspects such as eligibility criteria for applicant businesses, the minimum and maximum amount of support, target countries and sectors, and activities that can be funded;
- **public-private or multi-stakeholder coalitions**: multi-stakeholder coalitions consist of a larger number of public and private actors that co-fund, co-implement and often co-design an initiative aimed at the development of whole sectors or value chains;
- **semi- or non-structured donor-led models: semi-structured models** provide only broader guidelines and frameworks for donor partnerships with individual companies, but tend to be more flexible and opportunistic in nature. Partnerships may consist in businesses' cost-sharing of donor projects or donor co-funding of business projects that contribute to a donor's country strategy. **Non-structured partnerships** initiated by donors take place on an ad-hoc basis outside broader frameworks, based on an overlap of public and private interests; and
- **other non-structured models** including **company-led ones**, and **business collaboration with non-profit organisations**: again, these models are initiated on an ad-hoc basis, but driven by companies, or NGOs. Donor involvement is flexible and driven by specific demands.

Some key distinctions can be made that are of particular relevance for partnerships' efficiency and development outcomes, e.g. which type of private sector to target, whether to favour centrally-funded or regional-/national-level mechanisms, and implications of a more 'hands-off' versus a 'more engaged' management approach.

One of the core quests of donors partnering with business is to ensure and demonstrate that the public money is 'additional' to what the business would have done anyway – particularly in the context of structured mechanisms for grant support. There are different ways to think about additionality; where donors **assess additionality *before* support is granted**, they consider **input / financial additionality** and/or **development additionality**: **input additionality assessments *ex-ante*** seek to clarify whether a company's investment would not go ahead without donor support, or more broadly speaking, if donor support does not merely replace what would have been invested by a company or other possible funders. **Development additionality assessments *ex-ante*** aim to determine which developmentally beneficial aspects of business behaviour and impacts could only be achieved with donor support. However, the

approaches and rigour donors apply in such assessments **vary significantly** and could probably be enhanced in several dimensions.

For ongoing or completed partnerships, **we know relatively little about the results achieved, and in particular their development impacts**. Most of the available information on project-level results is on anticipated impacts, or anecdotes of mainly qualitative results, without clarity on how these are measured or how they can be attributed to donor support. **Reasons behind this evidence gap are manifold, but all of them are avoidable**: 'Doing partnerships' and 'honest inquiry' often appear as opposing cultures; donors rely on businesses' self-reported data, or even create adverse incentives by publicising the launch of partnerships. In addition, the justification of partnerships as "light touch" generally means that little funding is made available for results measurement. Respective responsibilities of the public and private partners may be ill-defined, and few partnerships seem to have articulated a clear logic of expected results, as a basis for regular monitoring.

There is a **clear opportunity for donors and companies to improve results measurement** in ways that are **manageable and relevant for all partners**, help donors to **aggregate and compare results** across partnerships and tell a **clear story about the additionality** of their support. Three specific examples are explored which demonstrate progress towards achieving this: Two challenge funds applying the DCED Standard for results measurement and one multi-stakeholder initiative. Further progress will depend on **changes in incentives** for implementing organisations and companies as well as **funding for results measurement**. In addition, **no material exists to help practitioners improve results measurement in the specific context of partnerships**. Such material can be developed, building on the good practice specified in the DCED Standard.

Despite the lack of a broad evidence base, some insights into results achieved and growing experience across different partnership models can be used to identify **lessons on how to maximise partnership impacts.** These include **basic factors influencing partnership success**, such as management support to businesses where capacities are low and enhanced efforts to carefully think through the sequencing partnership activities to address both business and donor needs. Of particular interest are **partnership models and approaches to achieve larger scale and more systemic development results**:

Models that benefit the poor as consumers have a larger number of beneficiaries than those that benefit the poor as producers, although the number of examples is limited. Producers benefit the most in partnerships in the **agricultural sector, in particular through out-grower schemes**; such partnerships may however require technical support from other development partners, too. **Multi-stakeholder coalitions tend to have larger-scale results** than **matching grants** to an individual company or joint venture; however, matching grant projects **can in principle be more easily replicated elsewhere.** A few examples exist where either internal or external replication has happened, but they are rare. Development partners can also use individual partnership projects to **promote the development of whole sectors or clusters,** for example by supporting a critical mass of projects in the same sector or geographical area.

Several examples show that partner companies, with the facilitation of donors, can **exert leverage on governments to address business environment constraints.** This points to the **need for pro-active coordination**, for example by challenge fund managers and embassy staff. A related question is how partnership projects can be better designed or managed to **complement donors' other PSD programmes**. Partnership models also differ in their potential to **create forward and backward linkages with SMEs**; for example, it seems that these are more limited where foreign companies create a production facility in a developing country which exports its products back to the donor country. Beyond global mechanisms, there is also potential for **local matching grant funds to play a targeted role in advancing specific sectors with growth potential.** Where successful, partnership models themselves may be adopted and institutionalised by developing country governments, although only one such example has been encountered during this research.

Based on the experience documented in this paper various **options for future work by the DCED** are identified which would help increase the effectiveness of partnerships. In particular, the DCED could:

- **develop donor guidance on good practice principles in the design, implementation and results measurement of partnerships,** based on the lessons included across this paper and further inputs by donors
- **develop guidelines for donors and implementers on *ex-ante* additionality assessments**
- **develop practical guidelines for results measurement, aimed at implementers and partner companies on the ground,** based on the DCED Standard and other emerging experience

In addition, the **DCED could consider further areas of work** including

- raising awareness among companies about existing partnership mechanisms, building on existing initiatives such as the DCED's directory for business;
- assisting companies in linking more strategically with donors' country-level PSD programmes; and
- publicising relevant cases of experience with partnerships.

1. The Rationale for Partnership Approaches and Structure of this Review

Donor partnerships with business are a key trend in development cooperation, including in private sector and economic development. Many new **international commitments**, such as a the Busan High Level Forum on Aid Effectiveness, G20, and the European Union's Agenda for Change refer to 'leveraging' private sector activity and finance for development.[1] Similarly, recent **donor strategies emphasise direct assistance to business where public and private interests overlap and often commit an increasing proportion of the development budget to such approaches**.[2] The Netherlands, Germany, Sweden, Denmark, CIDA and the UK are among the countries that are stepping up their work in this area.

The terminology for mechanisms and models for partnering with the private sector, as defined in this review, varies among donor and development agencies. It includes matching grant (funds), challenge funds, development partnerships with the private sector, public-private partnerships, business instruments, as well as other facilities, initiatives or coalitions.

What unifies the mechanisms and models that form part of this review is their basic rationale:

> *Cost (and risk) sharing including so called co-investment in various sectors[3] to achieve both commercial and developmental benefits.*

The **focus of this review is will be on partnerships that are broadly aimed at economic or private sector development (PSD)**; ***not included*** are partnerships exclusively aimed at social development aspects such as health or infrastructure. Similarly ***not included*** are public-private initiatives that are dedicated to wider knowledge sharing, policy dialogue or advocacy in specific sectors. Further ***not part of this review***, is the largely distinct field of development bank finance. Development finance differs from partnerships both in its rationale as well as the forms and amounts of finance offered.

Box 1: Partnerships for PSD
The focus of this paper – partnerships for private sector and economic development – comprises partnership models and mechanisms that aim to promote the twin goals of promoting the partner companies' core business activities while creating economic opportunities for the poor. A further outlined in Chapter 2, partner businesses can be both smaller businesses, for example in joint venture projects in developing countries, or larger companies, for example in projects that promote the participation of developing countries in global value chains.

From the perspective of donors, the appeal of partnerships seems to be threefold:

- the political appeal of coupling development cooperation objectives with economic benefits for the business community at home, which is often explicitly referred to by donor agencies[4];

[1] Byiers, Bruce and Anna Rosengren (2012): Common or Conflicting Interests? Reflecting on the private sector (for) development agenda, p.9; URL: http://www.enterprise-development.org/page/download?id=2031

[2] For examples see Byiers, Rosengren (2012), p.14.

[3] See for example Davies, Penny (2011): The role of the private sector in the context of aid effectiveness, OECD; URL: http://www.oecd.org/development/effectiveness/47088121.pdf

[4] Kindornay, Shannon and Fraser Reilly-King (2012): Investing in the Business of Development: Bilateral Donor approaches to engaging the private sector, North-South Institute and Canadian Council for International Cooperation, p.30; URL: http://www.ccic.ca/_files/en/what_we_do/2013-01-11_The%20Business_of_Development.pdf

- the appeal of achieving 'value for money' by combining donor money with private resources, capacities and outreach to achieve more impact, while keeping overhead costs relatively low
- and the expectation – more purely from an aid effectiveness point of view - of achieving sustainable and scalable results through businesses that continue their work after completion of donor support, or other companies that may copy supported business models.

Companies, on the other hand, are **typically interested in one or several of the following aspects**:

- accessing initial funding for activities that do not have an adequate business case upfront or that they cannot normally afford but can be of strategic relevance in the exploration of new markets and products
- benefitting from the knowledge or technology used by more advanced partners businesses in donor countries
- harnessing the development expertise of donors in specific sectors (e.g. increasing farmer productivity, models for training provision etc)
- and/ or using existing structures and networks of aid agencies in the field to help them operate more efficiently in new markets (e.g. through introductions to Government etc.).

Despite the high expectations on development outcomes usually associated with such approaches, the evidence on their effectiveness remains elusive, and little has been documented on lessons learnt from experience so far. A recent informal survey across DCED member agencies confirmed the theme as a key priority for their work, but also the need for more information and clarity around several issues. These include (but are not limited to) the various types of partnerships in current use, approaches used in partnerships to measure results, impact assessments of different types of partnerships, as well as good practice principles for donor engagement and results measurement.

This review structures the field of partnerships, and, in particular, points out both key issues for concern and emerging lessons that will help DCED member agencies and others to identify priority areas for future action or research. It is based on previous DCED work in the area of partnerships, in particular its mapping of partnership mechanisms[5]; a desk review of partnership-related research, evaluations and project documents; interviews with donor and implementing agency staff, consultants and business partners in the field; as well as other exchanges with DCED member agency staff.

Chapter 2 provides some **classification of different partnership mechanisms**, their goals, and the forms of support or collaboration that characterise them. Some open questions regarding the forms of engagement with the private sector are highlighted; ways in which any gaps could be filled through inter-agency efforts are also proposed.

Assessing and demonstrating the 'added value' of public support to business has repeatedly emerged as one of the key concerns of donor agencies. **Chapter 3** is therefore dedicated to different approaches to **conceptualise and measure additionality *ex-ante***, i.e. before support is granted. Current practice is reviewed in terms of rigour, persuasiveness and practicality.

Chapter 4 focuses on **what we actually know about the results achieved by partnerships, including assessments of additionality *ex-post***. It gives an overview of the evaluations and other reports on results

[5] http://www.Enterprise-Development.org/page/partnershipsdirectory and http://www.Enterprise-Development.org/page/partnershipmechanisms#DCEDPartnershipMechanisms

identified so far (tabulated in Annex 2), and provides possible explanations for the widespread lack of (credible) data on results. A few **examples of initiatives that are working towards improving monitoring and measurement** of results are outlined and options for future directions highlighted.

While broad-based evidence is still missing, some interesting, though tentative lessons are emerging from the available data on results, various studies as well as the experience of project staff and partner companies. **Chapter 5** tries to compile those insights, with a focus on **basic success factors as well as approaches to achieving higher scale and more systemic results** through partnerships. Examples are used throughout to illustrate these lessons.

2. Models and Mechanisms for Partnering with the Private Sector: An overview

2.1 A typology of models and mechanisms for partnering with the private sector

This section gives a structured overview of existing models and mechanisms for donor partnerships with business broadly aimed at private sector development. A list of partnership mechanisms and models identified can be found in Annex 1. They can be **broadly distinguished** by

- different strategies and processes for awarding support (structured, unstructured/demand-driven)
- the driving force behind the partnership (donor-led, company-led, NGO-led)
- the level of operation (global mechanisms for investments in multiple countries, country (or regional-level) mechanisms)
- the number and types of partners involved (e.g. donor-business, donor-donor country business-developing country business, multi-stakeholder partnerships)
- and the scope or focus of the partnerships (collaboration around a specific private investment or business operation, a specific donor project, or sectoral initiatives)

2.1.1 Structured partnership mechanisms

Structured donor-led mechanisms providing grant support for private investments at the global level

Most bilateral donor agencies have one or several **structured mechanisms** whose essential purpose is to **provide a matching grant or subsidy** to companies' risky, but developmentally beneficial, investments in developing countries, and that have defined **clear strategies for providing such support**. At least 15 such **centrally-funded** partnership mechanisms have been identified, which are available for investments in multiple developing countries. Kindornay, Higgins and Olender (2012) broadly refer to this category as **donor-led models** which are "specific program(mes) or fund(s) directed at leveraging private sector funds and/or innovations in development interventions. (…) The projects are generally carried out by private sector and other implementing partners; the donor essentially provides partial funding for the initiative"[6], matched by the private partner.

One specific sub-category of matching grant programmes, which are generally open to business applications from various sectors and for a variety of possible projects, are **challenge funds:** Such funds competitively award grants to business models or projects that are able to address a particular, defined development problem.

[6] Kindornay, Shannon and Kate Higgins with Michael Olender (2012): Models for Trade Related Private Sector Partnerships for Development. Preliminary Report, North-South Institute; URL: http://www.nsi-ins.ca/wp-content/uploads/2012/11/2012-Models-for-Trade-Related-Private-Sector-Partnerships-for-Development.pdf

There are many variations among structured global partnership mechanisms, including the following aspects:

- **Centrally-funded** schemes can be further distinguished between **business-to-business (B2B) programmes and programmes that involve only one partner company**. The majority of mechanisms seem to include a B2B element, involving joint venture or cooperation between a foreign company that assumes the role of the co-funder and typically also buyer of a product, and a local company, which typically sells the product to the partner company. This is seen as a viable approach to establish long-term commercial relationships between the partner companies and integrate domestic firms into global value chains.
- A further distinction exists among **centrally-funded programmes that are open only to domestic companies** ('tied mechanisms'; e.g. Finnpartnership, Danida Business Partnerships) and those that are **open for applications from domestic as well as European or even developing country companies** ('untied mechanisms; e.g., Sida Innovations against Poverty, Germany's DeveloPPP programme). The Netherlands PSI programme is tied for some target countries and untied for others.
- There are variations in the **size of the companies** targeted by different mechanisms. B2B mechanisms often seem to be geared towards at larger companies, but involve a typically smaller business partner in the target country. A few specifically offer **different support windows** for SMEs and larger applicant companies, such as Finnpartnership.
- For the centrally funded mechanisms, **total maximum donor support** varies from about \$20,000 to up to \$1.5 mio, but is in most cases higher than \$250,000. The **share of grant support in the overall investment typically ranges from up to 50% to 75%**. In some cases the amount or share of support depends on
  - **the phase of the investment project supported:** e.g. DANIDA's Business Partnership Programme provides matching grants of up to 75% in the start-up phase, but only of up to 50% during the implementation phase; Sida's Innovations Against Poverty fund has a window of up to \$25,700 (EUR 20,000) for feasibility studies and other explorative activities, and a window of up to \$257,000 (EUR 200,000) to co-finance the actual project implementation, each with a maximum share of the project costs of 50%;
  - or **the target country of the investment:** e.g. the Netherlands PSI programme contributes 60% to business projects in selected fragile states, and 50% in other countries; Finnpartnership covers a higher share of the project costs in low-income countries (70% for Finnish SMEs, 50% for large companies) compared to upper-middle income countries (50% for SMEs, 30% for large companies).
- A few mechanisms provide **combinations of grant support and other forms of financial support, or offer different forms of financial support for different types of business projects**. Examples include the Africa Enterprise Challenge Fund, which offers a mix of grants and loans, or Sida's Innovations against Poverty programme, which offers grants to off-set the risk of companies piloting a new business model, and guarantees to banks which are willing to give loans to companies that aim to scale up an already proven business model.
- Structured partnership mechanisms also vary in the **kind of activities or 'items' that are co-funded and the services they may themselves provide** to help increase the effectiveness of the business project. Possibilities include:
  - Support to the preparatory stages of an investment may include direct facilitation and/or financial support to **partner identification and visits, as well as other aspects such as**

feasibility studies, market analysis etc. It is noteworthy that some agencies do not include partner identification as part of their matching grant mechanisms, but have **separate match-making mechanisms** for such purposes. For example, the Netherlands' Matchmaking Facility is exclusively dedicated to linking up companies from developed countries with potential partner companies in developing countries. Other initiatives help companies find implementing partners for development projects (e.g. the multi-donor funded Business Call to Action, or AusAID's Business for Millennium Development Initiative).

- A focus on **co-funding 'hardware'**, i.e. facilities, machinery or similar that the company would otherwise have been unable to access, that are typically new to the local market, and that are critical to implement or test the proposed business model
- A focus on **co-funding technical advice and assistance** across a range of possible areas, such as on the design and/or implementation of a company's business model, staff or out-grower training, improving financial management, the provision of sector-specific processing and marketing advice, advisory support on achieving industry standards, or similar. Depending on the implementation format of partnership mechanisms, such advice can be given by the fund/facility management or donor/ implementing agency staff themselves, and/or be provided through external support agencies or consultancy firms.
- **Any combination of the forms listed above**.

Structured donor-led mechanisms providing grant support for business operations at the country level

In addition to centrally-funded mechanisms, there are various **national-level** (or regional-level) **challenge funds and other matching grant programmes**. In fact many PSD programmes now integrate challenge funds as one of the programme components. For example, 40% of recent World Bank PSD projects have included a matching grant scheme targeted at indigenous companies. Other country-level mechanisms operate on a standalone basis. They are typically focused on increasing indigenous' firms competitiveness and growth[7], but, as opposed to B2B programmes, don't have an international component to support foreign companies' risky investments in developing countries.

2.1.2 Semi- or non-structured partnership approaches at the regional and country-level

Semi- or non-structured donor-led models at the regional or country-level

A **few donor agencies have business-partnership mechanisms that are less structured than the above-outlined mechanisms**. **SDC**, for example, while providing global cooperation guidelines, implements partnerships (grant support and/or technical advice) through decentralised operational units at country level. Some mechanisms also pursue a **different logic** by inviting companies to **cooperate on projects that directly help to achieve the objectives of bilateral development programmes** by sharing costs and risks. One example for this approach is **GIZ'**s Cooperation Arrangements or 'integrated partnerships'; such cooperation are also initiated at the country-level. **USAID**'s Global Development Alliance follows some global guidelines (without any minimum or maximum levels support) but mainly embeds partnerships in country- and regional level strategies. Funding decisions are taken by a Regional Alliance Builder[8],

[7] Francisco Campos et. al. (2012): Learning from the experiments that never happened: Lessons from trying to conduct randomized evaluations of matching grant programs in Africa, World Bank Policy Research Working Paper, p.5; URL: http://elibrary.worldbank.org/docserver/download/6296.pdf?expires=1363892328&id=id&accname=guest&checksum=EC1CE729416C216CB38E6EDA42EC71B7

[8] USAID (nd): Partnering with USAID. A guide for companies; URL: http://idea.usaid.gov/sites/default/files/attachments/Partnering_Guide_Updated2012.pdf

following proposals by partners. Companies can either enter cost-sharing arrangements with already existing USAID programmes (similar to GIZ's cooperation arrangements) or seek to access funding for a joint project subject to the USAID's current funding strategy in a given country or region. Other partners such as non-profit organisations may be involved in such alliances. Finally, in other cases, and often alongside more structured mechanisms, donor agencies also initiate more **opportunistic cost-shared projects with a company** in a specific country, where interests seem to overlap.

Company-led models

A further approach of how donors can partner with business is through company-led models. This category, as proposed by Kindornay, Higgins and Olender (2012) essentially includes **initiatives that are set-up and driven by companies to enhance both the commercial viability of their business and create benefits for poor communities**. For example this includes models where a company seeks to improve the quality and sustainability of supply of agricultural products by improving the skills, productivity (and incomes) of farmers. **Donor involvement in such initiatives is more flexible and driven by the specific needs of companies** in bringing in outside funding or expertise at different times and for different components of a project. The roles of the company are diverse (e.g. buyer, co-funder, or co-implementer). NGOs can also be involved as implementing partners.[9]

Business collaboration with non-profit development organisations

In some cases, businesses may directly pay non-profit development organisations to partner on development interventions in their supply chain, or provide financial or in-kind support to joint or NGO-led projects. **Donors can equally be involved as co-funders of such collaborations**. Kindornay, Higgins and Olender (2012) refer to 'business-NGO alliance models' where "NGOs have sought or been sought out by private sector actors to partner on development interventions. (…) NGOs may receive support for various components of the project from a bilateral donor (…) [who] support certain components [of a project] once it has been established or provide core support to the NGOS."[10]

2.1.3 Sectoral public-private or multi-stakeholder coalitions

The mechanisms outlined above focus on supporting a particular private investment (or donor project) in a developing country; other partnerships, however, **involve a larger number of public and private stakeholders wither the broader goal of improving the functioning of defined markets, sectors or value chains**. Similar to other mechanisms, they are based on the idea of matching and leveraging private sector funds, but also in-kind contributions for developmental purposes. Examples for this model include the Dutch Sustainable Trade Initiative (IDH), the Better Cotton Initiative or the African Cashew Initiative. The **driving force(s) behind such initiatives varies**: While some of these coalitions are initiated by donors, others have been initiated by companies; often, they involve both public and private partners at the design stage.

According to Kindornay, Higgins and Olender (2012), the 'coalition model' "refers to multi-stakeholder initiatives developing country governments, donors, private sector actors from developed and developing countries, civil society organizations, research institutions and private sector associations. [They] tend to target improvements along the entire value chain or at key levels (such as producer level) to enhance development outcomes and improve the environmental sustainability of business transactions."[11] This

[9] Kindornay, Higgins and Olender (2012), p.17.
[10] Ibid.
[11] Ibid.

includes initiatives which work to improve industry standards or certification schemes. Coalitions are often characterised by governance structures such as steering committees, in which both public and private partners are represented and that provide overall coordination and strategic direction. They may also use different means to attracting private sector funds; the Better Cotton Initiative, for example, uses a system based on membership fees.[12]

2.2 Open questions regarding forms of support and implementation formats

As shown in the previous section, a variety of broader partnership models and mechanisms exist. However, there is often **little clarity** for donor staff designing partnership mechanisms on the most appropriate forms and specific formats of supporting business – ***both* in terms of efficient collaboration and management, and effectiveness in achieving development objectives**. No guidelines are available on this. Similarly, from companies' perspective, little attention has yet been paid to what might be the most useful approaches to address the needs and interests of businesses. **Selected key aspects of particular relevance to partnership efficiency and effectiveness** are listed below for consideration, although this is not a definitive list. Many of them will be referred to again across the following chapters of this review, where meaningful insights could be gained. Others are merely flagged as key issues for further discussion, also to solicit further input from practitioners.

Choice of business partners

Which companies to target in terms of size is one of the key questions faced by donors. The size of the target business is closely linked to its absorptive capacity and hence the size of the donor grant. While **smaller businesses** may be in greater need of grants to progress,

- smaller grants tend to be as expensive to manage as larger grants[13],
- smaller businesses may require stronger involvement of project staff to provide technical advice and management support to succeed (see section 5.1),
- and larger businesses may be more capable of effective project implementation and achieving large-scale or systemic development impacts.

Two recent evaluations of matching grant funds concluded that the grant funding level should be raised: A progress report on AusAID's Enterprise Challenge Fund notes that funding of less than around $26,000 may be difficult to justify in terms of fund management costs and these "may climb to unacceptable levels if sectoral focusing to reduce costs is not undertaken". Otherwise it remained unclear how to balance a reduction in management costs while keeping the fund open to smaller indigenous partner businesses.[14] A Finnpartnership evaluation finds that small average support sums reduced the administrative effectiveness of the programme and also made it more difficult measure their effectiveness in achieving development impacts.[15] Further, Sida's Innovations Against Poverty programme plans to focus increasingly on large grants.[16]

[12] Ibid.

[13] See for example Kindornay, Higgins and Olender (2012), p. 33.

[14] Triple Line Consulting (2011): Enterprise Challenge Fund for the Pacific and South-East Asia. Independent Progress Report, for AusAID; URL: http://www.ausaid.gov.au/countries/pacific/fiji/Documents/enterprise-challenge-independent-progress.pdf

[15] KPMG (2012): Evaluation of the Finnpartnership Programme, 2006-2011, p.5; URL: http://www.enterprise-development.org/page/download?id=2141

[16] See for example Kindornay, Higgins and Olender (2012), p. 33.

There is also a trade-off for global level funds between a focus on supporting **international or donor-country companies (**and their partner businesses) or opening up funds to applications from **developing country companies as lead partners**.

- International companies tend to be more experienced and their background can be more easily checked before partnerships are being established.
- Developing country companies, may have greater knowledge of the local context and market but involve more risks in terms of due diligence, financial robustness and ability to achieve results at scale.

Comparative value of global and country-level mechanisms

Another 'fault-line' consists in the effectiveness and efficiency of **country- (and regional-level**) **versus centrally-funded mechanisms.** As highlighted in a paper by the Manchester University School of Environment and Development on DFID's Financial Deepening Challenge Fund, country and regional level mechanisms have several advantages including:

- a shorter management chain, probably resulting in a more cost effective vehicle
- closer proximity to bidders resulting in better evaluation of applicants' capacity and financial condition (this implies also for ex-ante additionality assessments)
- easier problem-solving assistance for implementation difficulties
- greater context-specific knowledge
- facilitation of closer integration with other donor projects and initiatives[17]

On the other hand, advantages of centrally-managed funding mechanisms may consist in:

- greater knowledge sharing and world-wide cross-learning among bidders, donor staff, and other donors[18] based on the compilation of results and emerging lessons from the funded projects
- possibly a better ability to attract a wider range of potential business partners
- as well as a better ability to create linkages between companies from donor countries with developing country businesses

Trade-offs regarding the degree of donor involvement in project management

During project implementation, it is unclear whether a **high degree of involvement by donor/ project staff on the ground or the challenge fund management** is more or less desirable than a **'hands-off' approach** where contact with businesses is kept to the necessary minimum. While attractive in terms of time and cost involved for the donor, it may have disadvantages in terms of the ability to assess businesses' capacities, to provide support to business where possibly essential for the project to succeed, and the ability to monitor results.

Further considerations

In terms of the **types of financial support,** donor agencies seem to increasingly consider combining or complementing grant support with other forms of finance, such as loans, loan guarantees or equity, rather than providing grant support alone**.** An advantage could be to address private sector needs in more flexible and intelligent ways. However, the implications for the design, management, results, as well as risks involved in such approaches are less clear. Other forms of finance certainly imply quite different

[17] Ebony Consulting International (2003): Mid-term review of the Financial Deepening Challenge Fund, Section 4, p.3; URL: http://www.sed.manchester.ac.uk/research/iarc/ediais/word-files/FinancialDeepeningChallengeFund-Section4Conclusion.doc

[18] Ibid.

accountability and working relationships between donors and partners businesses than grants. These will not be considered in more detail in this review.

The **set up of multi-stakeholder coalitions** holds many complex challenges of its own, including how to bring various public and private actors into an organisational format that is manageable and maximises the strengths of the various partners. Again, these will not be addressed here in much detail.[19]

Broader types of models for partnering (e.g. structured donor-funded mechanisms versus multi-stakeholder coalitions) may differ in the kinds of **developmental impacts** that can be achieved. This will be touched upon in section 5.2. Overall, there is likely to be a place for different types of models, including those that are donor-led and flexible approaches where companies drive the agenda; however, greater knowledge about their respective advantages and disadvantages and ways to improve them would provide useful orientation to donors.

Options for meta-mechanisms supporting partnership effectiveness

In relation to the previous point, and cutting across different models and mechanisms, there might be a **need to establish different kinds of 'meta-mechanisms'** that can support their effectiveness, and that are currently not available or used at a large scale. Such mechanisms would ideally represent some form of inter-agency initiative, and could comprise:

- **Ways of helping to connect companies with the various structured partnership mechanisms offered by donors**. The DCED already has a directory for businesses on its website signposting them to different forms of support offered by donor agencies in different target countries. However, to enhance the utility of this tool, more efforts are needed to raise awareness about this offer among business communities, including with the support of donor agencies.
- **Ways of connecting companies with country-level PSD programmes for strategic collaborations.** Interests and activities of donors and companies in developing countries may overlap (e.g. in areas such as value chain upgrading, business training, or regulatory reforms) but collaborations don't happen because the two communities are often divided in practice. Various platforms are being established at the country level to help bring about collaborations; however a global service or 'helpline' for companies seeking information about donors' activities in specific countries seems to be missing. The DCED has already received a few requests from companies of this kind and could in principle begin providing – and publicising together with donors and business membership organisations – such a service on a larger scale – similar to the way it is already doing this among donor agencies.
- **Ways of helping donors to better coordinate their partnership initiatives.** Given the growing number of partnerships with business, donors might need to step up their efforts to avoid duplicating the same kind of support to the same companies and create 'institutionalised grantees'[20] – which would undermine donors' intentions of fostering innovation and avoiding market distortions.

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[19] The experience of one particular multi-stakeholder coalition, the African Cashew Initiative, has been documented in a DCED case study available at www.Value-Chains.org/dyn/bds/bds2search.details2?p_phase_id=824&p_lang=en&p_phase_type_id=3

[20] Elliott, David (2013): Exploding the myth of challenge funds – a start at least; URL: http://www.springfieldcentre.com/resources/soap-box/

3. Assessing Additionality of Donor Support *Ex-Ante*: Concepts and Approaches

As noted by Sida, "the idea [behind partnerships] is to make things happen that would not otherwise occur by sharing costs and lowering risks." [21] While donors might need to accept that a small share of their funds are not additional, or not to the extent desired, finding appropriate ways to assess additionality at the application or design stage is critical to maximise value for money of donor-funded partnerships. It is noteworthy that *ex-ante* assessments of additionality currently seem to be mainly applied in structured donor-led mechanisms for partnering.

3.1 An overview of the challenge and concepts of additionality

The challenge of measuring additionality

Donors feel under increasing pressure to prove that public funds given to private business are actually making a difference and are not paying for something companies would have done or achieved anyway.. In reality, however, deciding on what constitutes additionality is not straightforward, and is arguably among the most challenging questions faced by funders of partnerships. Assessments of the flagship example of partnerships, the Kenyan mobile banking scheme M-PESA, for example, are divided; some authors place it in "the 'would have gone ahead anyway' category", while others "hail it as a clear case of additionality."[22] The issue is also illustrated by some quotes from development partners as well as businesses involved in partnerships:[23]

- *"Donor support was nice to have, but in the end we would have gone ahead with the project anyway."*
- *"Some things are paid for under the partnership that would have been paid for by the company anyway."*
- *"Sometimes it is just impossible to tell whether the results have been achieved because of the donor support, or would have happened anyway."*
- *"How to 'measure' additionality is an ongoing discussion within our organisation."*

Donor efforts to maximise the additionality of their support to business is not made easier by the fact that proving additionality may at times **imply important trade-offs with other goals of partnerships**. For example, bigger, more experienced and better organised companies may offer clear advantages when it comes to delivering larger-scale development results, showcasing a model of success, or minimising the time and money needed to provide supervisory support. At the minimum, the existence of sufficient financial resources and capacities to implement the proposed project is typically stipulated as a partnership condition. But bigger companies are also more likely to be able to afford to take new initiatives whether or not the partnership existed. Donors therefore often tread a fine line between ensuring partnership success and maximising the added value of their support.

Concepts of additionality

The most basic definition of additionality is that the partnership triggers an activity that would not otherwise have happened at all. A more nuanced definition is:

[21] Sida Business for Development webpage: URL: http://www.sida.se/English/Partners/Private-sector/About-Business-for-Development/

[22] Cited from Poulton, Colin and Jon Macartney (2012): Can public-private partnerships leverage private investments in agricultural value chains in Africa?, in World Development, Vol.40 No. 1, p.103.

[23] Interviews by the author with development partners and businesses in Ethiopia/ and HQ-level, November 2012/ January 2013.

the "***net positive difference that results from (…) [a partnership]****. The extent to which an activity (and associated outputs, outcomes and impacts) is larger in scale, at a higher quality, takes place quicker, takes place at a different location, or takes place at all as a result of intervention.*"[24]

The concept of additionality is therefore closely related to the concept of the counterfactual, that is the changes brought about as a result of donor support, relative to what might have ordinarily happened; it seeks something more specific than the overall effect of a project or investment.[25]

This definition implicitly comprises three different types of potential 'added value' of donor support to private investments.[26]

- **Input additionality or financial additionality**: Would the business investment not go ahead without public support? Or, more broadly speaking, is the donor subsidy additional to what would have been invested by the business partner, or possible other funders, and does not merely replace their resources?
- **Behavioural additionality**: Has donor support enhanced the scale, scope, speed of the project, or brought about any long-term changes in strategic business behaviour or competencies?
- **Output/outcome additionality**: What results (outputs, outcomes, impacts) achieved by the partnership have only been achieved because of donor support/ would not have been achieved by the business alone?
- For the purpose of simplicity, aspects of behavioural additionality and output/outcome additionality that explicitly relate to developmental results of partnerships will be **summarised** here under the term **development additionality**.

It is noteworthy that, in principle, additionality can be split up into many other categories, where a donor expects to bring about results that would otherwise not happened as part of a business project. In the field of direct innovation support to businesses in developed countries, for example, Cunningham et.al. (2012) refer to aspects such as '**acceleration additionality'**, '**scale and scope additionality'**, '**follow-up additionality**' or '**management additionality**'.

While such a more detailed typology could be usefully defined for partnerships in particular, the following section will focus on current practice by donors in assessing the additionality of potential support *ex-ante* – divided in the categories of input and development additionality.

3.2 Assessing input additionality at the application stage

Insights into current practice

With the view to help establish a stronger link between business activities and their support, many partnership mechanisms clearly formulate input additionality as one of the eligibility criteria for support. In the words of the German government's DeveloPPP programme, for example, it is a "mandatory

[24] Scottish Enterprise (2008):Additionality & Economic Impact Assessment Guidance Note: A Summary Guide to Assessing the Additional Benefit, or Additionality, of an Economic Development Project or Programme; URL: http://www.scottish-enterprise.com/~/media/SE/Resources/Documents/ABC/additionality-and-economic-impact-assessment-guidance.ashx

[25] Hind, Julie (2010): Additionality: a useful way to construct the counterfactual qualitatively?,Evaluation Journal of Australia, Vol 10, No.1, p.31; URL: http://www.fsnnetwork.org/sites/default/files/qualitative_approach_to_impact_evaluation.pdf

[26] Hind (2010), p.31; For the concept of development additionality see Kindornay and Reilly-King (2013), p. 33.

condition" that the "proposal would not be implemented without a public contribution".[27] How **funders assess and demonstrate this is in practice is not always clear from publicly available documentation**, including whether the assessment may on occasions be merely based on the declarations of the company or to what extent these need to be proven by supplementary documentation and are checked by the funder.

The Netherlands' PSI programme for example, essentially checks whether a **project could be financed by commercial or other Dutch/international funding at the time of application**, and whether it is **innovative** and **risky**. Agentschap NL, the agency in charge of implementing the PSI programme, explained in more detail the procedure currently being followed to assess this.

- During the assessment of the project proposals, it is checked whether *"The proposed activity cannot obtain funding from sources other than PSI. Banks, other financial institutions and private sources are not prepared to finance the project due to the high risks. The project is not eligible for funding through other Dutch or international instruments."*
- The first phase of the assessment is essentially a desk study of the proposal looking at the following aspects:
    - The project must be **significantly innovative** for the country in question, in terms of the type of product or service concerned, the production method or the way in which service is provided.
    - The **risk analysis should contain specific risks**. PSI finances risky investments in emerging markets.
    - Internal Rate of Return
    - Financial strength of company (equity and cash)
    - Whether there are other instruments to finance the project (for example a loan from FMO; FMO is the Dutch development bank that invest in companies, projects and financial institutions in developing countries)
- During the **second stage of the assessment** (verification phase) the implementing agency **visits as much as possible the applicant and local partner**. During these visits discussions address **what will happen if the grant is not provided** and **whether they discussed the project proposal with a commercial bank,** either in the home country of the applicant or in the country of implementation.[28]

Suggestions for improving input additionality assessments ex-ante

An evaluation of the PSOM/PSI programme 1999-2009 notes though that this concept of additionality might still be **too limited**, and **require further definition**. It notes specifically that

- the above-mentioned features nearly always apply in developing countries, where risk is high and bank finance usually difficult to obtain
- most products can be seen as innovative, depending on the definition
- apart from bank finance, the availability of other sources of finance (including the applicants themselves) should also be considered more thoroughly when assessing applications.[29]

[27] DeveloPPP Criteria for the Assessment of Proposals; URL: http://www.developpp.de/download.php?d=14 .
[28] Personal communication with Agentschap NL
[29] Triodos Facet (2010): Evaluation of PSOM/PSI 1999-2009 and the MMF, For the Netherlands Ministry of Foreign Affairs Department of Sustainable Economic Development (DDE), p.38; URL: http://www.government.nl/files/documents-and-publications/reports/2010/07/14/evaluation-psom-psi-1999-2009-and-mmf/evaluation-psom-programma-samenwerking-opkomende-markten-psi-private-sector-investment-programme-and-mmf-mmf-matchmaking-facility.pdf

- As regards the financial resources held by the partners companies themselves, *ex-ante* assessments of input additionality may also have to consider more explicitly not only if a company *could* fund a project, but if it actually *would* do so. This is particularly the case when justifying support to larger companies who – while not financially constrained per se - may still face internal competition for funds to undertake innovative projects that do not have a business case upfront.
- Similarly, Kindornay and Reilly-King (2013) suggest that donors need to establish a clear set of indicators to assess the financial need of companies. Among other things, they also suggest eligibility criteria that favour the domestic private sector in developing countries, which may have greater financial needs.[30]

In addition to a strengthened definition of the criteria for accessing financial support, improved assessments may depend on **increased time and capacities of the entities involved in programme implementation**. In this context, the PSI evaluation recommends an enhanced capacity and role of Dutch embassies in partner countries: "*For a proper assessment of (…) innovation and additionality of PSI applications, sufficient time and expertise needs to be made available at the country level. We therefore suggest that PSI only operates in countries where embassies can commit the required time and capacity to the programme and where the embassy involvement is not voluntary. This may reduce the number of countries where PSI is active, but it will enhance the number of eligible applications per country*."

In terms of the importance of personal interaction with partners companies (in the case of challenge funds), Poulton (2009) similarly notes that "concept notes typically provide little real insight into the additionality question" and that "there is a case for personal interaction between bidders and [fund] managers [even] during the period of preparation of full proposals by promising projects. Interaction during this (…) stage can provide managers with useful insights into how the project is seen within the firm, which in turn they can feed into the decision-making process."[31]

It is revealing that all but one of the **reasons cited by the PSI evaluation as to why projects had limited additionality could have most likely been addressed through stronger scrutiny at the application stage**. The reasons mentioned are that

- similar companies already existed so that the planned activity posed only limited risks to the company
- existing government policies meant that other companies were investing in similar ventures at the time without being subsidised
- the applicant firm and/ or recipient firm had enough experience and/or funds to be able to take the (limited)risk. (Firms indicated themselves that they would have started the project without PSOM subsidy).[32]

The other reason given was that the risky part of the proposal was not actually implemented in practice, but the subsidy was not withdrawn.

[30] Kindornay and Reilly-King (2013), p.51.
[31] Poulton, Colin (2009): An Assessment of Alternative Mechanisms for Leveraging Private Sector Involvement in Poorly Functioning Value Chains, FAO; URL: http://www.fao.org/fileadmin/templates/est/AAACP/eastafrica/FAO_AAACP_Paper_Series_No_8_1_.pdf
[32] Triodos Facet (2010), p.41.

3.3 Assessing development additionality at the application stage

Insights into current practice

Many business partnership instruments **do not apply any criteria of input additionality**, but look primarily at the **commercial viability of the business plan and expected development impacts** as described in the business application. This often applies to challenge funds which award grants to the best proposals in terms of commercial viability and expected development impact. An example of a matching grant fund that seems to focus on behavioural and output additionality is Danida's Business Partnership programme. Its webpage notes that "additionality is a precondition for support. Danida Business Partnerships only provides funding for impact and effects that the partnerships have on the development in partner countries and that would not have occurred without Danida's assistance and support."[33] Similarly, Sida's Innovations against Poverty programme requires that "project[s] would not take place at the same scale or have the same development impact without IAP funding."[34] Others, such as the PSI programme include in theory both some form assessment of input additionality, the business plan and expected development results.

Areas for improving development additionality assessments ex-ante

However, there **is significant variation in how well defined the expected development outcomes** are, both among the assessment criteria of individual partnership mechanisms, and across different programmes. As noted by Kindornay and Reilly-King (2013) though, "by and large … donors have described their development additionality in vague terms" and "linking the use of public funds to nebulous goals [rather than clearly specified objectives] is not helpful"[35] or the best way to maximise value for money. They add that "such connections would not be tolerated in the context of partnerships and development actors that have to report against comprehensive results-based frameworks."[36] The table below gives some examples illustrating the varying degree of clarity that different partnership mechanisms provide on expected development results.

Box 2: Varying clarity of assessment criteria for development additionality

Examples of more clearly formulated criteria from Finnpartnership[37] and Danida's Business Partnership Programme[38]	**Example quotes of more vaguely formulated or output-focused requirements from a cross-section of partnership mechanisms**
• contribution to national income (wages, interest, rents and profits) • employment creation • specific market and structural effects (e.g. diversification of the production structures; chain effects through improved linkages with local enterprises) • strengthened competitiveness of the local partner	• Contribution of project to the goals of the development agency or the challenge fund's/ facility's overall portfolio • Long-term results • Time-intensity and type of staff training • Regional effects in the partner country • Project meets target country's needs • Potential for achieving large scale

[33] Introduction to Danida Business Partnerships; URL: http://um.dk/en/danida-en/activities/business/partnerships/introduction-to-danida-business-parrnerships/

[34] Sida(nd) : Innovations against poverty. Guide for applicants, URL: http://www.sida.se/Global/Innovations%20Against%20Poverty/New%20upload%20of%20documents%20Sept%202012/Application%20guide_IAP%20edition%203.pdf

[35] Kindornay and Reilly-King (2013), p.34

[36] Ibid.

[37] Finnpartnership Project Assessment Criteria; URL: http://www.finnpartnership.fi/www/en/business_partnership_support/project_assessment_criteria/index.php

[38] Danida Business Partnerships Programme Eligibility Criteria; URL: http://um.dk/en/danida-en/activities/business/partnerships/eligibilty-criteria/

• technology and know-how transfer • specific social effects/social benefits (compliance with ILO regulations; work safety; wage level etc.) • integration of environmentally sustainable business practices • improved gender equality • improvements in the physical and social infrastructure benefiting the population in the vicinity of the project	development results through benefits to poor people • Disadvantaged groups are among the target groups • Improvements in the local social, ecological or economic environment • Model function of the project

Also, to demonstrate development additionality *ex-ante*, a brief explanation of expected results, as often demanded by donors, may not be sufficient. **For any of the criteria to be considered as measures of *ex-ante* additionality, applicants would have to convincingly explain why they expect to have more significant developmental effects when receiving donor support - based on the logic of the project**. Danida seems to go in this direction by requesting business model descriptions to include a "work plan with activities and milestones related to the selected development impact indicators". In general though, it is not very clear to what extent donors demand this from companies and how much scrutiny they give to the developmental aspects of business proposals.

It also seems **uncommon among programmes to define minimum levels or threshold criteria for the eligibility of businesses based on the expected development impacts**, giving a lot of room for interpretation in the assessment of proposals. A **disincentive for strong scrutiny of output additionality *ex-ante*** might also be created in cases where partnership mechanisms do not receive a large number of applications compared to the available budget. The PSI evaluation seems to point to this: It notes that a ranking of development relevance of projects never had to be applied since there had always been fewer applications than the maximum budget available; it also notes that in practice aspects concerning the business model and its commercial viability seem to have received more attention than aspects of development additionality.[39]

In addition to criteria that explicitly refer to positive development impacts of the planned business projects, very few donors (such as Sida) also look at **corporate track records** in this area (e.g. respect of human rights and labour standards, development, economic and environmental impacts). This may be a valuable exercise as donors often "tend to paint a picture of the private sector as a key stakeholder with shared interests, rather than recognising that, in many cases, private sector actors have complicated development challenges".[40] However, implications of more detailed assessments must be carefully weighed against potential disadvantages, as further outlined below.

3.4 Some remarks on trade-offs in ex-ante additionality assessments and the need to prioritise

The pressures to justify direct support to companies and to identify those with the highest potential of developmental impacts pose formidable challenges to donors. As noted earlier, one trade-off consists in **supporting larger companies**, with higher potential for achieving positive impacts for a large number of beneficiaries **versus supporting smaller companies (typically from developing countries), where input additionality is likely to be higher, but beneficiaries tend to be fewer**.

Further, **making eligibility criteria and selection processes more rigorous in some of the ways proposed above, would also make application procedures more cumbersome**. It is questionable whether donors

[39] Triodos Facet (2010), p.38.
[40] Kindornay and Reilly-King (2013), p.31.

can actually attract the best applicants this way, or may instead deter companies from applying. In fact, several donor-funded mechanisms have noted a decrease in applications, with business feedback being that the opportunity cost of the time needed to provide detailed information to donors is too high.

A review of applications for support by the Business Innovation Facility showed a spectrum of areas where support was deemed useful by business.[41] More specifically, **only 4 out of 30 applicants considered support by the Facility as necessary for the project to go ahead (i.e. where input additionality would be the highest)**. The majority of business (25) considered forthcoming support as essential to running the project at a larger scale, and almost half as critical to develop the project faster than they would be able to alone. Aspects of capacity development were noted by 4 applicants. A similar picture is drawn by feedback from business on other partnership mechanisms *during support or after its completion* (see chapter 4.1).

These aspects raise at least the **question if and to what extent attention in ex-ante assessments should be shifted from strict criteria of input additionality to more in-depth assessments of development additionality**, i.e. aspects relating to the behaviour and likely achievements of the partner company that have a clear developmental relevance. Based on the different approaches taken by different donors to assessing additionality *ex-ante* (and indeed the varying definitions of additionality by the funding and implementing agencies of a partnership programme), there certainly seems to be scope for greater inter-agency harmonisation and guidelines in this area.

4. Results Measurement in Partnerships with Business: Current Practice and Future Directions

The different types and models of partnerships with the private sector can differ in their desired results, but they often face common issues and challenges in measuring and demonstrating their achievements. These issues need to be addressed openly, if donors wish to prove or improve the effectiveness of partnerships as a development tool. This chapter aims to contribute to the discussion, by taking stock of what we currently know about partnership results and how they are measured; exploring why measuring partnership results has appeared difficult to date; and identifying possible ways forward.

4.1 A brief stock-take of the available evidence on results and existing gaps

The **table on the available evidence on results in <u>Annex 2</u>** provides an overview of the results of partnership projects identified in the context of this review.

Overview of the available evidence identified

Only very few structured mechanisms for partnering with business have published **actual evaluations or some form of review of their whole portfolios.**[42] The key documents include:

- An external evaluation of the Netherlands' PSOM/PSI programme 1999-2009 and Matchmaking Facility (2010)
- An external evaluation of the Finnpartnership programme 2006-2011 (2012)

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[41] Business Innovation Facility (2012): Review of the Business Innovation Facility Project Portfolio 2012. Year two of the three year pilot, p.60; URL: http://api.ning.com/files/tgmu1v00IQjRbofbV6y2sk75yhzD1FTAI1pN4aVmVxOjX46gjoyyEO2OR6WofBAvCEZDdnMPuDPxyZH7HC31NA__/BIFPortfolioReview2012FullReport.pdf

[42] The key documents are downloadable from the DCED Website at http://www.Enterprise-Development.org/page/partnershipsresources#RM-Evaluations

- An independent mid-term review (2009) and progress report (2011) of AusAID's Enterprise Challenge Fund (ECF); ECF's own Annual Portfolio Review (2012)
- A two-year review of the Business Innovation Facility Portfolio (2012)
- An academic desk-analysis of the results achieved (nd) and discussion document assessing the achievements of the DFID-funded Business Linkages Challenge Fund 2001-2004 (2004)
- Further, some portfolio results of DFID's Financial Deepening Challenge Fund (2000-2008) are reported in a in various publicly available documents

In addition, **results of more than 20 individual partnership projects** have been included in the table in Annex 2. Most are linked to donor-financed challenge fund or matching grant mechanisms. Several others relate to multi-stakeholder partnerships or public-private coalitions, involving various partners that share financial or in-kind contributions in a larger scale initiative. Further existing examples have not been included in the annex, mainly given their lack of any quantitative information.

The box in Annex 3 provides a (non-exhaustive) summary of some of the **indicators of success in use,** based on a cross-section of partnership programmes included in the table on results reported.

Reporting on additionality ex-post

A few reports and research papers on partnership programmes refer to the additionality of donor funding. The Business Innovation Facility for example has begun to report on **different degrees of additionality** achieved in their partnerships based on the **qualitative feedback** from companies at completion of support; it proposed three levels (the last bullet point has been added to the BIF's ranking):[43]

- **Fundamental role** of donor support: " (…) would not have happened without donor support" [i.e. input/ financial additionality] *(1 company)*
- Donor support was **core to business**: "(…) would be less commercially sustainable, more risky, and/or less able to scale, due to lower quality design and implementation" *(9 companies/ service providers)*
- Donor support was **useful**: "(…) would still be on track, but just not so good, so comprehensive" *(1 company)*
- Donor support **did not make any difference** to what the business would have done anyway.

A similar qualitative distinction has been proposed by Irwin and Porteous (2005)[44] in relation to DFID's Financial Deepening Challenge Fund: The fund's role varied between being a **catalyst** (i.e. essential to it going ahead), an **accelerator** (i.e. it probably would have gone ahead anyway, but later and/or more slowly), or the fund **made little difference** to the process and speed of the investment.

The evaluation of the Netherlands PSI programme indicates that 54% of projects are '**fully additional'** (i.e. would not have gone ahead at all without the support), 41% were '**additional in specific aspects'** relating to behavioural and outcome additionality (timeframe, scale, different way, development effects), and 5% were '**not additional'.**

[43] Business Innovation Facility (2012), p.60.
[44] Irwin, D. and Porteous, D. (2005) Financial Deepening Challenge Fund Strategic Project Review. Report funded by DFID and BMGF, Irwin Grayson Associates, Northumberland, quoted in Poulton and Macartney (2012)

One (internal) evaluation of a matching grant fund encountered reported **quantitatively** on **input/financial additionality** across the portfolio of projects, by asking the respondents whether they could have obtained similar funding elsewhere. The percentage of firms indicating that they could have accessed such funding elsewhere represents the '**deadweight**', or the proportion of funds that were non-additional. This proportion was then deducted from the gross turnover and GDP impact achieved by the partner companies during the time of support

The following insights on the added value of public support are based on direct communication with donor staff and businesses only, and can be broadly categorised as **aspects of behavioural and output or development additionality.** While these are only indicative, they do **point to the potential for both donors and companies to tell a clear and credible story on such partnership results**.

Behavioural additionality	Output additionality	Development additionality
Most commonly, businesses stressed that grant support helped them to **implement the project at greater speed**. Where similar companies seem to have needed five years to set up a business project, the ones that received support only took 1-2 years. Many businesses would have implemented the project anyway, but were able to implement it at a **larger scale** due to grant support and advice. Donor support has required companies to comply with **good practice principles in the context of labour rights, the environment** or similar.	Businesses may invest in **better quality equipment** as a result of donor support, which may help them to produce in environmentally more sustainable ways or to become more competitive. Businesses were **able to pay for better-quality advisory services**, such as in market research or product development, or on ways to scale up their business model in the future.	The involvement of the donor **increased the focus on achieving wider changes in the sector or market** (examples of how this is being encourage by donors are given in section 5.3) Donor requirements, advice and larger project size meant that **higher impacts on local populations/ smallholder farmers** could be achieved.

Shortcomings and gaps in results measurement of partnerships

It is striking that **none of the evaluations listed above or other reports on results of individual partnerships are based on rigorous evaluations of counterfactuals** by comparing the performance of supported companies with that of matching control firms (e.g. randomly selected from the pool of eligible applications) that did not receive support.[45] Even **before-after comparisons seem to be rare**; where they have been made, they were based on the self-assessment of companies.

More broadly, and to sum up some of the points mentioned above, **the available information on project-level results can be characterised by the following shortcomings:**

- **Many projects do not seem to report any results**, **at least publicly, and data are difficult to access**. Most information available online focuses on the number of partnerships by a specific

[45] Francisco Campos et. al. (2012) provides possible explanations for this in the context of World Bank matching grant funds.

agency and/ or the *expected* results of partnership projects, and it seems that relatively little has been done to date to monitor and evaluate the actual results achieved.

- It is noteworthy that several of the results in Annex 2 have not been reported by the projects themselves, but **documented through personal communication with project staff by researchers**.[46] Even for project staff it often appears to be challenging to access relevant information.
- Any development programme should ideally report both quantitative and qualitative information. Numbers need a story to allow interpretation and understanding of the context; and a story needs numbers for clarity and credibility. However, as stated by *Kindornay, Higgins and Olender (2012)*, most of the **developmental results reported by partnerships are qualitative in nature** and focus on living conditions, job creation (without indicating the exact number of jobs created), capacity development, environmental outcomes, pilot phase completion, and similar aspects.[47] The authors state this in the context of trade-related partnerships with the private sector, but it is typical for partnerships more generally. Likewise, **commercial results are often not quantified** and generic, such as references to increased sales.
- **Development results reported quantitatively often stop at the output level**, such as the number of out-growers supplying a partner company, or the number of people trained by a project;[48] **outcomes and impacts are rarely reported**.
- Most publicly available documents report **only positive results**, i.e. **"**success stories which include simple indicators".[49]
- **Very little information exists on longer-term results** arising from donor support to business**.**
- Many reports are vague and are not able to convey a clear story of the results achieved; it often remains questionable **if or to what extent the results reported can be reasonably attributed to the project**.
- Most reports on results do not include any information **on how the results have been measured**; where they do, the results seem to be mainly based on companies' self-assessment; this, coupled with the lack of evaluations of whole partnership portfolios, **prevents comparison** of the results of individual projects as well as of different models and mechanisms
- **Few reports on results capture any element of additionality of public support (or attribution of results).** Results are typically given in absolute terms, without an indication of the differences compared to what the company might have been able to achieve anyway.

4.2 Reasons behind the 'Evidence Gap' in Partnerships and the Need for a Practical Framework

While highlighting some of the available results, the section above found that there are virtually no widely available, credibly reported results of donor partnerships with businesses. What are the reasons for this? While this problem is surely not confined to the field of partnerships (e.g. the difficulty of econometric evaluations), there seem to at least some **partnership-specific factors contributing to the situation**. These are listed below. However, **all of these factors are either avoidable or can be dealt with using a suitable results measurement system**; hence sections 4.3 and 4.4 will look into practical solutions and examples on how results measurement in partnerships can be improved.

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[46] Such as by Kindornay, Higgins and Olender (2012), as well as the author of this review
[47] Kindornay, Higgins and Olender (2012), p.29.
[48] See also ibid.
[49] Kindornay and Reilly-King (2013), p. 47.

Reasons for companies

- In may partnerships**, the reliance on self-reporting by companies on key indicators without checks on the measurement process may not incentivise honest reporting by companies,** but may encourage the over-stating of results, and 'ticking boxes' of donor requirements with the view to maintain or extend their support.
- Especially **smaller companies may have only limited capacity** to report on results beyond their immediate commercial benefit and aspects such as direct employment effects
- Reporting to donors is **frequently perceived as a burden on businesses' time**, partly as they may **not be interested in the same data** and information as donors and hence have not incentives to collect them.
- **Data-sensitivity** seems to be an issue for many companies entering a partnership with a donor. Some agencies therefore agree with companies not to publicly share data on results, especially at the commercial level
- Most of the published **results measurement frameworks for companies** are suitable for larger companies only, focus on socio-economic indicators rather than the measurement process, and are not designed for the specific contexts of partnerships with donors.

Reasons for donors/ development partners

- **Objectives** of partnership mechanisms and individual projects are **often not clearly defined.** As for example noted by *Kindornay, Higgins and Olender (2012)*, "Donors should be clearer on what they seek to achieve through private sector partnerships. Most of the projects do not focus solely on poverty reduction but include elements of the broader sustainable development agenda." At the same time, the expected development impacts formulated as part of the assessment criteria for companies often stop at the output-level (if specified at all). Hence, there also seems to be a mismatch between broader partnership objectives, and what is being reported against.
- In connection to the previous point, **few projects seem to have articulated a clear logic of expected results**, and defined indicators based on that logic, for both continuous monitoring and evaluation. The implication for partnership mechanisms is in line with the conclusion of recent internal evaluation of a country-level challenge fund; it notes that "a more rigorous monitoring framework [is required] … that will articulate the logic of the [fund's] activities to its ultimate objectives and allows [the donor agency] to better track the results". In the same vein, the evaluation of Finnpartnership notes that is difficult to link key performance indicators on a standalone basis to Finnpartnership impacts.[50]
- **Responsibilities for results measurement are often not clearly defined** between the funder, partner companies, implementing organisations and independent actors, or may be misaligned with the incentives and competencies of the parties.
- Also, at least more traditionally, the partnerships approach meant for many donors '**to get things done' with business in relatively quick, cost-effective ways** – without requiring too much thinking about result measurement systems. The justification of partnerships as "light touch" also means that **very little funding is made available for results measurement.** As noted in a recent report of the Overseas Development Institute **"**it is surprising that the recently set up challenge funds don't have the budget built in to do proper monitoring and evaluation. Surely that would be built in from the start of the design of the challenge fund."[51]

[50] KPMG (2012), p. 7.
[51] http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/events-documents/4972.pdf

- Going beyond this, challenge funds and other partnership mechanisms have often **tended to openly create adverse incentives for a culture of regular monitoring and transparent reporting of results**. One part of this is the publicity often given to the award of grants to companies, which "mean impact promises are 'sold' up front; those implicated in selling this have little incentive to come clean and backtrack when reality doesn't quite match anticipation."[52]
- In some donor-funded mechanisms, regular monitoring of results might **require more on-the-ground donor staff or capacities of (challenge) fund management**.

The need for a practical and common framework for results measurement

Beyond some of the larger challenges mentioned above, it appears that donors and partner companies **lack an effective tool for results measurement in partnerships**.[53] Donors and businesses alike would benefit from a common framework that

- is **manageable** and enables partners to report credible results with limited resources
- is **relevant** for both the donor and the partner company at the project level
- allows donors, in the case of structured donor-led mechanisms, to **aggregate** results across the portfolio and **compare** results to those of other mechanisms
- allows donors to tell a **clear story** about **results and additionality** of support

Such a framework has already been developed based on inter-agency experience of good practice, but has not yet been broadly applied in partnerships. A brief overview of the DCED Standard for results measurement is provided in the box below.

[52] David Elliott (2013)
[53] See also for example Triodos Facet (2010), p. 23

Box 3: The DCED Standard for results measurement[1]

The DCED Standard for results measurement provides a practical framework, whereby programmes can monitor their progress towards their objectives. This enables programmes to better measure, manage, and demonstrate results. It turns results measurement from an event into a process; credibility is assured through external certification of the measurement process used by the programme – instead of asking a consultant to duplicate that process. The DCED Standard specifies **eight elements of a successful results measurement system, based on an inter-agency understanding of good practice**. Programmes using the DCED Standard begin by clarifying what exactly they are doing, and what results they expect to achieve. This is represented in a 'results chain', and indicators are set to measure each key change expected.

Conceived as a Standard for private sector development initiatives, it doesn't preclude application to other types of programmes or new approaches to PSD, including partnerships. While a recent paper by Kindornay and Reilly-King (2013) notes (in the context of the DCED Standard) that partnerships require "different results metrics" than PSD, the Standard is precisely about the idea of rooting results metrics and indicators in the logic of individual projects.

Some of the **benefits of the Standard for donors, fund managers or project advisors and businesses** include:

- the opportunity to think through the logic or results chains, leading to greater clarity around priorities
- a management tool to orient all staff efforts around those priorities, and to encourage understanding of how their work contributes to the ultimate goals
- the means to generate approximate numbers for impact (where appropriate) that have credibility; also the means to capture wider market change
- a monitoring approach that can be linked to businesses' needs for timely information and flexibility in approaches
- a means to generate comparable results across projects or even partnership portfolios
- interaction with other programmes, for exchange and learning in key skills areas required for results measurement
- recognition in the field, as being seriously engaged in the results measurement agenda.

4.3 Case studies of promising practice in results measurement

Two of the three cases presented below are donor-led partnership mechanisms that are implementing the DCED Standard for results measurement. The third case illustrates the evolving results measurement approach of a multi-stakeholder initiative which resonates with some of the key messages of the DCED Standard. This will be followed by further thoughts on how to improve results measurement practices and effectiveness of partnerships.

Case study 1: AusAID's Enterprise Challenge Fund[54]

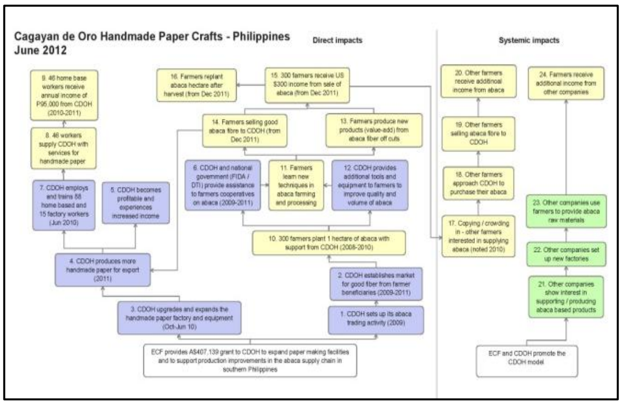
AusAID's Enterprise Challenge Fund (ECF) provides grants valued A$100,000 to A$1.5million to companies in nine South East Asian and Pacific countries on a competitive basis. Its aim is to reduce poverty by creating income opportunities and access to goods and services for poor people. A mid-term review of the ECF in 2009 noted that

[54] **This section is based on information provided by Amanda Jupp, ECF Project Manager, Coffey International and her following presentations**: "Using the DCED Standard for results measurement in the Enterprise Challenge Fund"; "Achieving and Measuring Results in Challenge Funds"; and "Designing a results-based management approach with the private sector" (January 2012; June 2012, and August 2012)

> *"in line with the DCED (…) guidelines for (…) results measurement, the ECF can benefit considerably by using impact logic chains as a central tool in its [results measurement] work. These will help to tell the 'story' behind the number that the ECF generates. This 'story' improves transparency and underpins claims of impact additionality and attribution*."

As one of the first challenge funds to use the DCED Standard, the ECF has started work actively towards applying the good measurement practices described in the DCED Standard in early 2011 across its 21 projects. The main reasons were ECF's desire to use a more structured results measurement system, to be able to compare the results achieved with those of other PSD programmes, and to achieve a greater focus on projects' likely impacts to make the best use of limited resources.

Results measurement was not considered strongly enough as part of the design of the ECF which – as many partnership mechanisms – originally had only a light-touch approach to monitoring. Hence, the shift to adopting the DCED Standard implied some reallocation and addition of resources, new staff as well as training of country managers. An estimated 20% of management costs are now dedicated to results measurement, mainly through the active roles played by country managers in project support and monitoring.



Key elements of the monitoring system were elaborated together with private sector partners, to ensure its relevance to both partners' needs for information. **Results chains** have been articulated for each of the projects, clearly linking the matching funds of ECF and the private partner to direct outputs, outcomes, and ultimately increased incomes of poor people. In some cases this has been done together with the grantee, but most grantees have at least seen the results chains. Where appropriate, more systemic impacts expected by the interventions are equally represented in the results chains, such as the replication of the business model by other companies. For each link in the results chain, indicators are defined and monitoring plans prepared. Two example results chains and can be found in Annex 3 – for the rural expansion of a mobile payment service in Cambodia (WING), and the expansion of handmade paper production and improvement of the supply chain in the Philippines (Cagayan de Oro). Most companies have considered them as a very useful tool, as one quote in particular illustrates:

> *"It turned out to be very helpful for us especially in learning the Logic Model. To be honest, we are not looking at many aspects of the project the way you do. We are head on, one track pursuing to accomplish the project. It was indeed an eye-opener in terms of expanding our vision and understanding of the other facets of the project which we have not really given some thought."* (CDOH managing director)

One lesson from the ECF is that **companies' interests have to be well aligned with their responsibilities for monitoring**. Knowing the limitations of commercial interest, the ECF only requests information on direct commercial impacts from its partners drawing on available business information, such as on sales, customer numbers etc. This is regularly reviewed by the Country Managers through interviews with key stakeholders, surveys with communities and other beneficiaries. Collecting information on beneficiary and wider system impacts is entirely the responsibility of the ECF's management team. ECF staff conducts six-monthly field visits to collect data. This includes surveys with beneficiaries (employees, customers, suppliers) and key stakeholders in the business environment such as private sector companies, competitors and government agencies. They also actively consider the question of additionality using the results chains and field interviews to question ECF's contribution to the results achieved.

While ECF's **reporting anyway focuses on development results,** it also takes a lot of care to ensure that **commercially sensitive information** is not being published. Where necessary, EFC reports commercial data at an aggregate level and uses assessments of progress such as degree to which the business has achieved commercial sustainability rather than profit numbers etc. Specific case examples are always reviewed by the companies before publication. ECF's primary reporting focuses the beneficiary numbers, increased incomes.

The ECF demonstrates that a **good monitoring system can be beneficial for both the private partners and donors:** In the **ECF's 2012 grantee perception survey**, 90% of the companies surveyed found monitoring visits useful, and 70% indicated that the timely and high quality information generated through results monitoring was actually useful in improving their business. Similarly, the ECF saw the benefits of linking monitoring to programme management. It has also been able to report approximate results on the impact of individual projects as well as its whole portfolio. Its **Annual Portfolio Report in 2012** notes that

> *"(a)s at July 2012, 348,460 poor people (49% female) had increased access to goods and services directly and indirectly from the ECF. 50,053 (49% female) poor people [and 1,113 small businesses] had increased net income through supply, use of services and employment or contracts and an annual net additional income benefit to the poor was A$1.5 million.(…) Over half of the funded projects have invested additional funds to scale up their operations beyond original expectations. 43 other businesses have entered the market as suppliers and competitors to the ECF projects, with additional benefits for poor people."*[55]

Contributions by other public or private stakeholders to these results are recognised in the report. So far very few other partnership mechanisms have been able to report results in a similar manner. Various **brief case studies** of projects, often with data on progress towards results, are also published on the ECF website. Wing in Cambodia, one of the most successful projects in the ECF portfolio, has improved mobile payment services access for more than 318,000 rural poor customers, with estimated annual savings for 45,000 active customers amounting to US$19 per year. The paper manufacturer in the Philippines increased production by about 20,000 extra pieces per day, employs and trained 117 workers who each increased their income by about US$16 per year, and sources from 300 farmers. Project staff notes that being able to report results in a credible way can itself help partnership programmes provide solid information on successful business models and encourage their replication.

Case study 2: The African Enterprise Challenge Fund[56]

The African Enterprise Challenge Fund (AECF) provides grants and interest-free loans to businesses who want to implement innovative, commercially viable, high impact projects in Africa. Grants are awarded through regular competitions, with applicants judged on their viability, innovation, and impact. AECF adopted the DCED Standard in order to add credibility to its impact estimates. AECF offices in Tanzania

[55] Coffey International (2012): AusAID Enterprise Challenge Fund for the Pacific and South-East Asia. A report on the outcomes of the ECF Portfolio Investment for 2012, p.1 ; URL: http://www.enterprisechallengefund.org/ecfund/Uploadfile/ECF%20-%20Annual%20Portfolio%20Report%202012%287%29.pdf

[56] **This section is based on a case study of the AECF produced by Adam Kessler, Independent Consultant, and additional information provided by James Carnegie, M&E Manager, AECF.**

and Zimbabwe are pioneering the use of the Standard, with the hope that it will gradually be extended to other locations.

Results measurement begins during the application stage. Companies are required to develop a business plan with clear key performance indicators, which track business performance and development impact. For example, business performance is typically measured by turnover and profit, while development impact is measured by the number of people benefitting from the project, and the increased income that they receive. Each company is asked to **support their development impact with clear assumptions and evidence**, and AECF project manager gives advice on how to achieve this.

A draft results chain is drawn up for each winning applicant, showing the project activities, outputs, and business performance. At the top of the results chain, separate levels show the development impact and systemic change. An example results chain can be found in Annex 3.

In projects using the DCED Standard, a **baseline study** is conducted for each business, to measure the starting point for each indicator and verify the assumptions used to estimate development impact. This takes place after a year, which is typically long enough for companies to have identified their target groups, but not long enough for the businesses to have had a major impact. **Companies then report on their progress against indicators twice a year.**

The **AECF team validate this self-reported information by conducting field visits to the project**, where they can interview target farmers and query the assumptions used. If there is a big disparity (typically more than 20%) between the companies self-reported figures and those obtained during the field visit, then a small follow-up survey is conducted.

AECF has outlined six categories of systemic change, which can be captured in the top level of the results chain. For example, one form of systemic change is 'copying of the business model', where other businesses or investors see the benefits of the AECF-supported business model, and implement it themselves. A more detailed outline of AECF's **systemic change indicators** is provided in Annex 4. Each business specifies three types of systemic change which they expect to occur, and these are measured qualitatively, through reports from the grantee or validation interviews and visits by the AECF project manager. However, measuring systemic changes is still perceived as a challenge within AECF, and a current focus is to further refine, clarify and internalise these indicators.

When working with businesses **to estimate development impact, it is important to establish the 'last hard number'**. This is the final figure that the business can verify from their records. For example, a business that sells seeds would be able to tell you exactly how many tonnes of seeds they sold. A business that purchases cocoa would know how many farmers they bought from, and how much they paid each one. **From this 'last hard number' you can build a logical model, which uses assumptions and secondary data to work out the development impact.** The following explanation illustrates how this approach can constitute a pragmatic way to for partnership projects to report approximate development results:

> *Most of the agribusinesses supported by AECF are not social entrepreneurs and as such their core process is about making money. The development impact is a result of the business's impact on their customers (e.g. users of improved seed varieties) or suppliers (e.g. farmers who sell their produce to a processing plant). As such it is rare that the business is willing, able or interested in collecting the information that the AECF is interested in. The AECF does not provide technical assistance to the business and as such does not expect them to collect development information*

beyond what they would normally collect as part of doing good business. The 'last hard number' is the figure that the business collects and is interested in the course of its business - i.e. a figure we are sure they will collect, and then along with the business and series of assumptions are made based on primary and secondary data and usually averaged so as to reasonably estimate the development impact on the primary beneficiaries.

In some cases this is likely quite close to the net development impact – e.g. in an out-grower scheme where smallholders produce sugar cane for a mill, the mill is likely to keep records of the registered farmers, the amount of cane they provided and what price they were paid for it. A calculation is then needed to be made using a set of assumptions based on secondary and primary data to get to the average financial benefit per household so that the development impact can be reasonably estimated from the last hard numbers collected by the business."

AECF has grown exceptionally fast, and as the number of grants has increased, the results measurement department has struggled to keep up. There has been an emphasis on contracting new businesses, rather than setting up strong results measurement systems for existing ones. As AECF has tried to become DCED-compliant, it has sometimes been unclear what is expected from staff, when they need to do it, and where the money comes from. This shows the importance of sufficiently **budgeting for results measurement from the beginning, and clarifying roles and responsibilities for all staff.**

***Case Study 3: Lessons from multi-stakeholder coalitions: The African Cashew Initiative and others*[57]**

Results measurement challenges in public-private or multi-stakeholder coalitions may in parts be different from the ones faced by challenge funds and other donor-led mechanisms, due to their oftentimes programmatic character and organisational structures, as well as distinct rationales and objectives. Still, they may also offer some transferable lessons for other partnership models, too.

The **African Cashew initiative** (ACi) is multi-stakeholder programme that has embarked on the effort to promote competitiveness and poverty reduction by developing the cashew sector and increasing global market linkages of five African countries. It is characterised by a formalised co-funding and implementation structure that involves various public and private partners, as well as development organisations among its funders and implementers[58]. The ACi's approach to results measurement has evolved quite significantly in the first three years of its operation, from a time where routine monitoring as well as evaluations were to a great extent outsourced to an external research company, to **increasingly internalised results measurement responsibilities.**

According to ACi staff, **externalised results measurement suffered from the following weaknesses**:

- Visits of external consultants for data collection were not closely timed with the season, limiting their ability to get reliable data
- External consultants were unfamiliar with the regional context and cashew value chain, requiring additional support by ACi staff
- The predominantly quantitative statistical approach applied by the research company missed out on important qualitative information

[57] **This summary of lessons from the African Cashew Initiative is based on a DCED case study in 2012**, URL: http://www.Value-Chains.org/dyn/bds/bds2search.details2?p_phase_id=824&p_lang=en&p_phase_type_id=3

[58] Funds and in-kind contributions by nine international businesses are matched with grants by the German Federal Ministry of Economic Cooperation and Development, the Bill & Melinda Gates Foundation USAID and the Government of Ghana through its Ministry of Food and Agriculture. GIZ is the lead implementer, alongside two NGOs and one business association.

- The management of information flows between the different actors implied a challenging and time-intensive process; the situation also made it difficult to ensure that monitoring of results could inform day-to-day management of the programme and validate the assumptions inherent in the programme logic.

The complementary work by the ACi staff became more and more important over time, leading to a **shift towards internally managed results measurement**, as well as more qualitative assessments through focus group discussions, following joint reflections with the ACi Steering Committee. Two years into the programme the lead funder and implementer (the Gates Foundation and GIZ) agreed to hire dedicated results measurement staff to join GIZ; **monitoring will be handled fully internally starting from the ACi's second phase in 2013**, with only one external evaluation by the end of the programme to check the plausibility of results. This experience of the ACi r**esonates with one of the core ideas behind the DCED Standard** which, as outlined above, describes key elements required for measuring results internally.

A few **other lessons related to results measurement and effectiveness based on the experience of the ACi as well as other multi-stakeholder coalitions** can be drawn:

- **The need for up-front dialogue:** In multi-stakeholder coalitions, as well as other partnerships, it is important that critical decisions such as on the results measurement approach and related budget are made carefully in dialogue between the funder(s) and grantee(s) (i.e. implementing organisations or businesses) at the design stage of a project. Stakeholders of the ACi have become more aware of this following their own experience.
- **Using the DCED Standard to align partners around shared goals**: Multi-stakeholder coalitions may see particular benefits using the DCED Standard as it can help them think through the logic or results chains in participatory ways, and can make it easier to align partners and staff around shared goals, while providing greater clarity around priorities and help them become more effective.
- **Agreeing on a common language in results measurement**: Terminologies used in the world of development practitioners and in the business community can vary quite significantly and lead to difficulties in communication. Agreeing on a common language that all partners can relate to can help encourage mutual understanding and buy-in. In the case of the ACi, for example 'impact chains' are now being referred to as 'road-maps' and 'milestones' as 'key performance indicators'.
- **Advantages of forums for joint decision-making and feedback**: As opposed to challenge funds and other donor-led funding mechanisms, many multi-stakeholder coalitions through their public-private governance structures such as steering committees may use these for joint reflections and flexible decision-making on approaches to results measurement or other strategic issues.

4.4 Further directions for improving results measurement in partnerships with business

Beyond the adoption of improved results measurement systems, it seems that to some degree a 'cultural' shift is needed both in the political sphere and among practitioners of partnership with business – from a point where co-funding business projects in the development world has been perceived as intrinsically valuable, to a **spirit of honest inquiry** into the results of such projects and the extent to which such results have been due to public support. How to strengthen incentives for this is probably one of the key issues to be addressed in the context of results measurement.

In structured partnership mechanisms, this includes the way in which **additionality** of donor support is assessed **ex-ante** (see chapter 3). Selecting companies for support based on more clearly defined expected development outcomes at the application of partnerships, accompanied by a suitable monitoring framework, will form the basis for improved results measurement and more focused use of resources.

Introducing new results measurement systems such as the DCED Standard to a partnership will also require donors to **communicate well to companies the benefits of implementing such systems**. This is particularly important because reporting requirements to donors are often perceived as a burden by companies, often to the extent that some donor-led partnership mechanisms are concerned about decreasing application rates.

Donors might also need to introduce, strengthen or better enforce **exit strategies**, based on results monitoring. To date, several donor-led mechanisms do not specify any exit strategies in case companies do not perform as agreed. Others have the option to cut off funding but have not actually used it in practice when appropriate.[59] A mixed model seems to be implemented by the DFID-funded Food Retail Industry Challenge Fund, which, while basing continued support on the regular monitoring of agreed milestones, also offers the option of re-negotiating those milestones during implementation when new challenges arise.[60]

These and other broader principles could be usefully addressed through **donor guidance** on partnerships under the umbrella of the DCED.

Still, various practical questions and **challenges in results measurement remain for partnership practitioners on the ground,** including for those have started to implement the DCED Standard. No guidelines to support results measurement in the context of partnerships specifically have yet been developed. The DCED could develop such **guidelines based on the DCED Standard.** Among other things, they could help donors and companies by:

- **highlighting challenges and possible solutions** to implementing the requirements and recommendations of the DCED Standard in partnerships
- providing a **common language or at least a 'guide' to the different languages** used by public and private partners in assessing results
- providing **example results chains and related indicators** for different types of partnership mechanisms and models
- illustrating practical **ways in which donors can show additionality of support/ attribution** of results as well as possible **systemic impacts** of a partnership
- proposing ways in which donor **needs for transparent reporting** on results can be reconciled with private sector needs to handle company data sensitively
- providing **recommendations on other practical issues specific to partnerships**: e.g. how much monitoring information should be contributed by the private partners; how information on results can be used in decision-making of companies implementing a project; or how monitoring can be paid for in cost-sharing collaborations, and can be most adequately be timed
- clarifying the **relationship of the DCED Standard for result measurement with various reporting initiatives and guides targeted at companies**, and how they could complement each other: Most available tools for companies are focused on indicators. For example, Impact Reporting and

[59] Triodos Facet (2010), p. 23.
[60] Kindornay, Higgins and Olender (2012), p. 31.

Investment Standards (IRIS)[61] initiative suggests metrics for financial, social and environmental impact of impact investors; similarly, a framework proposed by the Initiative for Global Development for businesses identifies possible areas of business impact and related metrics.[62] A new **socio-economic impact guide** for companies has been published by the **World Business Council for Sustainable Development**[63]. Rather than focusing on indicators and quantitative techniques, it starts instead with the logic of interventions – similar to the DCED Standard; it also provides a bridge between the terminologies of business and development. More could be done to enhance this kind of effort for the context of partnerships.

5. Maximising Partnership Impact: Emerging Lessons from Experience and Results So Far

Experience with partnerships is expanding, even though little has been documented on the results and lessons learnt for maximising impact across a number of different partnership portfolios. This section seeks to explore some of these lessons based on the first-hand accounts of a limited number of project partners as well as a broader literature review. Two sets of insights are explored: basic factors influencing partnership success, and partnership models and approaches for achieving large-scale and/ or more systemic or market-wide effects. Given the lack of broad-based evidence, the lessons are indicative in nature and provide avenues for future research.

5.1 Basic factors influencing partnership success

There is general agreement that, given the intrinsically risky and innovative nature of many partnerships, a certain percentage of projects are likely to fail. How high this percentage should reasonably be has not been established across a number of programmes. To give two examples, a review of DFID's BLCF notes that between 2001 and 2004 9% of its 43 projects were terminated[64], although 3 of them already before start up; Triodos Facet (2010) find that between 1999 and 2003, 31% of Dutch-funded PSOM projects stopped.[65] Below are a few insights gained by programmes in what constitute at least basic factors for partnership success and major reasons for failure.

Management skills of the business partners

Key factors for success repeatedly mentioned by donor staff are the **management skills and 'right mindset' of the business partners**. The latter includes realism, readiness to deal with unexpected delays and the ability to react flexibly and creatively to obstacles. The weaker the management skills of the business partner, in particular if the business is based in a developing country, the more (financial) **management support** and building of a close relationship with the company management are required by the donor/ development partners, to ensure partnership success.

- Some partnerships implemented under the **German Developpp** portfolio showcase a possible way to address this, as a separate budget under the financial support granted to a project is being

[61] Overview of the Impact Reporting and Investment Standards, URL: http://iris.thegiin.org/about-iris
[62] IGD (2012): Measuring Impact. A Business Approach; URL:http://www.igdleaders.org/documents/IGD_MeasuringImpact.pdf
[63] WBCSD (2013): Measuring socio-Economic Impact. A Guide for Business; URL: http://www.wbcsd.org/Pages/Adm/Download.aspx?ID=7934&ObjectTypeId=7. **Note that the guide also includes a useful overview of tools targeted at companies to help them measure their socio-economic impacts. None of the available tools is however geared towards the specific challenges of partnerships.**
[64] Deloitte (2004): Discussion Document. Business Linkages Challenge Fund (BLCF). Assessing Achievements and Future Directions, for DFID, p.6; URL: http://www.enterprise-development.org/page/download?id=2044
[65] Triodos Facet (2010), p. 28.

used to pay for the time of GIZ in-country staff to provide management support, among other things.

Matching business partners

In business-to-business partnerships involving both an international and a local business partners, one of the most common reasons for problems or even project failure seem to be **lack of communication or disagreements between business partners** who have not previously worked together, such as on cost-sharing arrangements. Projects where costs between the companies are shared equally may be particularly problematic, as none of the companies has the ultimate say. To what extent such problems can be anticipated and mitigated in the selection process may deserve further research.

- In the case of the **Netherlands' PSOM/PSI programme**, a survey of stopped projects yielded the following results: Problems between partners and financial constraints of the recipient firm were among the main reasons for project failure. Further reasons include constraints in the business environments (such as bureaucratic obstacles to purchasing land) and the acquisition of one of the project partners by another firm.[66]

Coordination of multi-stakeholder coalitions

In **multi-stakeholder coalitions**, communication and trust-building is equally important, but involves **bridging the cultural differences between the various public and private partner**s involved. This requires time, but can be facilitated by the active efforts by a coordinator/ manager who is familiar with both 'worlds'.

- In the African Cashew Initiative (ACi), a partnership involving various public and private funders as well as implementers, bridging cultural differences between the funders has been a critical element of the programmes' day-to-day management – in particular for ACi's Executive Director. The efforts made by the management team can play a significant role in helping stakeholders reach common ground on various approaches and managing their expectations, and ultimately contribute to the functioning and success of public-private coalitions.[67]

An academic perspective on success factors of partnerships, and perhaps multi-stakeholder initiatives in particular, is provided by Jim Austin in his research on "Collaborative value creation: A review of partnering between non-profits and businesses"[68]: **Partners have a greater vested interest in the partnership and its outcomes** the greater the resource complementarity, the more partners mobilise distinctive competencies, the more partners integrate their key resources conjointly, and the more collaborators perceive their self-interests as linked to the value they create for each other – among other factors. A key conclusion would be that interests and capacities of the partners need to be well represented in partnership activities.

Adequate sequencing of partnership activities

[66] Ibid.

[67] DCED (2012): Case Study of the African Cashew Initiative – Focus: Ghana. Lessons from working with new and multiple partners – Emerging Results; URL: http://www.value-chains.org/dyn/bds/bds2search.details2?p_phase_id=824&p_lang=en&p_phase_type_id=3

[68] Value of Multi-Stakeholder Partnerships. An Audit Framework; URL: **http://networkingaction.net/2012/09/value-of-multi-stakeholder-partnerships-an-audit-framework/**

How to best sequence partnership activities in donor-led mechanisms while addressing both the needs of businesses and donors is one aspect where lessons are emerging. Donors should be alert to the fact that more time may required by some companies until they are able run their basic business operations and more sophisticated undertakings such as the development of out-grower schemes or quality standard certification can be successfully implemented. Companies should also be encouraged to only apply for such projects when the necessary conditions for them are in place. This is especially the case where (potential) partner companies have started to work in a sector that is entirely new to them, or have not previously worked in a country. The risk of unexpected delays however means that donors together with even more experienced companies need to carefully think through the optimal sequencing of their projects.

- A case in point is the introduction of compressed bamboo panel production in Ethiopia by **African Bamboo PLC**, in partnership with both GIZ and the Netherlands PSI programme. This case illustrates both the risks that can go along with inadequate sequencing and a creative way chosen by the company to deal with them. The company successfully formed farmer groups and through them registered 2000 farmers as bamboo suppliers; the formation of farmer groups had been a requirement of support granted through the PSI programme. However, the support was sought and granted before the processing factory had begun to be built, which was delayed by a lengthy process to acquire the land rights. Soon the company was faced with the dilemma of being unable to source from the farmers while needing to build a relationship of trust. As a temporary solution, the company is now working to sell bamboo at no profit to humanitarian agencies that use bamboo for the construction of refugee tents in Eastern Africa.

Appropriate timing of funding

Another aspect for consideration is the most appropriate **timing of funding and related reporting requirements**, partly depending on the type and size of business partner a donor mechanism is targeting. Often, companies have financial difficulties in funding project activities up-front and receiving reimbursement only at a later stage. This may be the case in particular for SMEs in developing countries. In addition, complex reimbursement procedures may imply high demands on the company's time, possibly implying less willingness to partner with donors in the first place. At the same time, donors need instruments to ensure due diligence and maintain incentives for the companies to perform; results-based payments are more suitable to achieve this. Given these trade-offs, it appears that various partnership mechanisms are **still experimenting with different approaches** in this context.

- The **UK's Food Retail Industry Challenge Fund** uses a performance based system, which "allows the fund manager to assess whether projects should continue throughout the project lifecycle and allow private sector partners to re-negotiate milestones should new challenges arise."[69]
- A **country-level challenge fund in Ethiopia**, aimed at increasing the competitiveness of Ethiopian enterprises in selected sectors, has moved from a reimbursement approach to monthly payment, to mitigate firms' financial constraints. The Netherlands' PSI programme has moved from backward payments to payments in advance.
- As a way of reducing the reporting requirements for partner companies, **GIZ** directly buys certain products (e.g. reports/ consultancy services) of use for the project from the service provider, rather than reimbursing the company.

Improved scrutiny of expected development impacts at the application stage

[69] Kindornay, Higgins and Olender (2012), p. 31.

A basic requirement to enhance the likelihood of positive development results seems to be stronger **scrutiny of expected development impact at the application stage.** As noted in chapter 3, it is often not clear how much scrutiny donors currently give to the development dimension of company proposals. Companies with less potential to achieve developmental results may then still be awarded public support.

5.2 Partnership models for achieving large scale and systemic development results

Potentials of consumer versus producer-focused partnership models

The results reported by **partnership models that benefit consumers rather than producers** seem to have a much **larger number of beneficiaries**. This is however mainly based on the two examples of donor-supported mobile payment services, specifically M-Pesa in Kenya (supported by a DFID matching grant) and WING in Cambodia (supported by a matching grant by AusAID's ECF).

However, partnerships can also be instrumental in **overcoming initial constraints to the participation of poor producers in value chains**. Poulton (2009) notes that in the case of the Food Retail Industry Challenge Fund it is "well established that in many export (and other high value) supply chains there are significant fixed costs associated with sourcing from smallholders (e.g. farmer group organisations, quality control etc.) that can prevent smallholder inclusion"; partnerships could help companies overcome such initial hurdles."[70] A preliminary review of Dutch-funded partnerships in 2005[71] noted that positive effects on the poor were particularly observed where **partnerships in the agricultural sector were linked to out-grower schemes**, and in projects **located in remote areas.** The follow-up evaluation in 2010 also notes that a few partnerships in **other labour-intensive sectors** (garment, horticulture) which have achieved high follow-up investments have achieved above-average employment effects.[72]

- By 2010, 70 projects under the **Netherlands PSOM/PSI programme** have reached a total of 122,000 out-growers. Neglecting one outlier (Ethiopian coffee cooperatives with 30,000 members), an average of 1,342 out-growers were involved in each project (although not necessarily all of them throughout the year).[73]
- According to the results reported in the **summary table**, a typical successful project seems to have up to 100 direct employees, and involve a couple of thousands of out-growers, who seem to benefit mainly in terms of income security, higher yields, sometimes premiums paid for certified/better quality products.

Conditions for the success of **out-grower schemes** are well-documented and shall not be addressed here in detail. The 2010 evaluation of the Dutch PSI programme notes though that **high-tech-production methods,** as for example required in the floriculture sector, have proved to be **unsuitable for out-growers** both in Ethiopia and Vietnam.[74] Similarly GIZ Ethiopia has experienced setbacks in a partnership project that attempted to introduce high-tech irrigation methods to out-grower fruit production. More generally, out-grower scheme development **may require additional technical support from others partners**, and

[70] Poulton (2009), p. 38.

[71] ECORYS-NEI (2005): PSOM Evaluation 2005. Final Synthesis Report,p.14; URL: https://zoek.officielebekendmakingen.nl/kst-30300-V-145-b1.pdf

[72] Triodos Facet (2010), p.31,

[73] Ibid., p. 32. The evaluation notes that PSOM's/PSI's definition of out-growers is quite broad: apart from the out-growers contracted by a nucleus farm (traditional definition of an out-grower), the out-grower numbers used by the EVD also include members of (already existing) cooperatives and unions, collectors of products (who work during a limited number of days per year), and smallholders that sell to the PSOM-financed company.

[74] Ibid.

can not necessarily be covered by the budget of a partnership.[75] This is also linked to the broader question of how partnerships with business can interact more strategically with PSD programmes.

Specialised versus general matching grant funds

In terms of the design of partnership mechanisms like challenge funds, a brief analysis for the AusAID's ECF mid-term review of the wider challenge fund experience interestingly notes that more **specialised funds tend to have had higher impact than more general ones**.[76] In a similar way, Poulton (2009) notes that it is important that challenge funds are "neither (...) so narrow and specific that innovative new ideas are excluded (…) nor so broad that the projects collectively fail to trigger any systemic change in their (sub-) sector."[77] Two examples presented in the ECF review are DFID's Financial Deepening Challenge Fund (FDCF) – which specifically aimed to encourage banks to develop innovative approaches to extend sustainable financial services to poor people and to enterprises that employ poor people – and DFID's Business Linkages Challenge Fund (BLCF) – which supported the formation of business linkages that would enhance competitiveness, increase access to markets, transfer technology and generate benefits for the poor. [78]

Replication versus scale – multi-stakeholder initiatives, structured donor-led initiatives and others

As regards the **set-up of partnerships** with business, it seems that, perhaps logically, **multi-stakeholder coalitions**, in which various public and private partners share financial or in-kind contributions, tend to have **larger-scale results than matching grants** by a donor to an individual company or joint venture (see Annex 2).[79] The comparative advantage of **matching grants to an individual business project** possibly consists in the fact that such projects can be **more easily replicated, by the company itself (internal replication) or externally.** Company-led initiatives or company-NGO collaborations may be replicated in other settings by the companies and NGOs involved, but tend to be more ad-hoc in nature [80] and invest perhaps less in publicising successful models and collaborations than donor-led initiatives. So far documented **cases of both internal replication and of other companies copying a successfully piloted innovation supported by donors are quite rare**. For example an independent progress report of AusAID's Enterprise Challenge Fund notes that only two projects in the portfolio were considered to have significant scope for regional replication or scale up.[81] This is may be seen as a key concern, as replication of developmentally beneficial business models is at the very heart of the rationale behind many partnership mechanisms.

- One example of where a partnership has triggered other companies to copy the same business model is **AusAID's Enterprise Challenge Fund's support to WING**, a mobile phone payment service provider in Cambodia. WING used to be focused on urban customers, as the cost of rural expansion was not justifiable on commercial grounds. With the help of ECF's support, as well as advisory services provided by IFC, WING extended affordable payment services to rural Cambodians. By 2011, WING had more than 200,000 rural customers, most of which had been previously unbanked. An ECF project profile (2011) notes that "(a)t least two mobile payment competitors have [since] entered the market and more are expected. WING expects new

[75] Ibid., p.33.
[76] Triple Line Consulting (2011), p. 26
[77] Poulton (2009), p.33.
[78] Triple Line Consulting (2011), p. 26.
[79] See also Kindornay, Higgins and Olender (2012), p.36.
[80] North-South Institute (2012), p.36.
[81] Triple Line Consulting (2011), p.28.

operators will help educate people on mobile banking and other financial services, and increase competition."[82]

- An example of a company that replicated its own business model elsewhere after it had been successfully piloted with the assistance of a grant by **DFID's Food Retail Industry Challenge Fund (FRICH) is Bettys and Taylors of Harrogate Limited**. The business model aimed at incentivising factories, farmers and estates to improve production and processing techniques, resulting in improved quality and a higher value that also protects the environment in Rwanda. After successful completion of the project, which trained more than 10,000 smallholder farmers the company is looking to replicate the model with Rwandan and Ugandan coffee growers, and tea farmers in Burundi.[83]

Generating public knowledge and awareness

As touched on above, development partners can play a key role in **contributing to public knowledge and awareness** based on the specific experience of businesses or in promoting **the adoption of widely applicable technologies** that can be of use for other investors.

- In the case of **African Bamboo PLC**, for example, GIZ has promoted a more methodological approach than the company would have otherwise pursued in the development of supplier-buyer relations. This way, models are being developed that can be copied by other companies in similar sectors. GIZ has also supported a satellite-operated mapping of bamboo resources in Ethiopia; work is ongoing to build capacities in-country to use the technology and offer it on a commercial basis. Also going beyond possible efforts of an individual company, GIZ together with the Ethiopian Institute for Architecture, Building Construction and City Development is fostering demand for bamboo (a product which has not been widely used in Ethiopia in the past) by promoting various of Bamboo such as in building construction; it also supports the set-up of a National Bamboo Construction Centre.

Using structured partnership mechanisms to promote whole sectors or clusters

Another avenue for more systemic changes is to **use business partnership mechanisms as tools to promote the development of whole sectors or clusters –** for example, through donor support to a **'critical mass' of (5-10) partnership projects in the same sector, or in a concentrated geographical area**. The contribution to wider development can consist of the **adoption of good business practices** by other companies or the promotion of **improved conditions for sectoral growth** such as through technology transfer or **establishment of facilities** that are accessible to all companies in the same sector. Conversely, in countries where donors have used business partnership instruments to fund free-standing projects in different sectors, the projects, while possibly contributing to the commercial success of an individual company, are less likely to have wider impacts on a sector or the economy.

- In Ethiopia, for example, the **Dutch PSOM/PSI programme co-funded nine joint ventures of Dutch companies with local companies in the horticultural sector** alone to produce flowers for export. Numerous catalytic effects of these projects have been identified by

[82] ECF project profile 'WING-Mobile Payments in Cambodia' (2011); URL http://www.enterprisechallengefund.org/ecfund/Uploadfile/ECF%20Project%20Profiles%20-%20WING%20Cambodia%20May%202011.pdf

[83] http://www.dfid.gov.uk/News/Latest-news/2012/Fair-trade-UK-helps-Africas-farmers-to-trade-their-way-out-of-poverty/ and http://www.dfid.gov.uk/Work-with-us/Funding-opportunities/Business/FRICH/Projects/Bettys--Taylors-of-Harrogate

evaluators: "the [Ethiopian] horticulture sector has developed tremendously in the past ten years and PSOM projects have played a catalytic role in technology transfer (greenhouses, drip irrigation and substrate culture), introducing standards (environmental and social) and export logistics (airport facilities and forwarding companies)."[84] The evaluation highlights the horticultural sector in Ethiopia as one of very few other isolated cases in other countries where partnerships have achieved such catalytic effects, and that the fact of having several PSI projects in the same sector is a critical factor for enabling such effects.

There is also potential for **local matching grant funds** which are focused on co-funding business projects in a specific country, to play a **targeted role in advancing specific sectors with particular growth potential**. Successful strategies and approaches promoted by such matching grants have the potential to be replicated with all firms across an industry.[85] This model of using local matching grant funds to promote the economic performance of certain sectors differs from the approach of challenge funds or similar instruments which are open for business projects in various countries and sectors and primarily aim at reducing a firm's risk in adopting a new (pro-poor) business model.

- The **Ethiopia Competitive Facility**, for example, is a World-Bank funded matching grant fund promoting the competitiveness of Ethiopian companies and increase exports. While open to six sectors, the majority of support went to the leather and leather products sector, and the textile and garment sector – both of which have a sufficient number of firms to offer a good potential for economies of scale. Between 2008 and 2010, funds (ranging from $24,000 to $200,000) were used for technical support to improve firms' production and marketing, to provide marketing support such as market research, packing and labelling design etc., as well as for management training and certification. Based on firms' self-assessment, an evaluation concluded that almost 80% of the firms surveyed across different sectors have increased their revenues due to the grants, translating into a net discounted GDP impact of about $35million, and a benefit-cost ratio of 6.[86]

Engaging in business environment reform efforts

A major contributing factor to effects on the wider sector are the **active roles played by partner companies, facilitated and supported by the donors/development partners in-country**, **in promoting improvements in the business environment**. And in extension of the previous point, the higher number of partnership projects in the same sector, the higher will also be the companies' capacity to exert leverage on the government to address major bottlenecks to their operations. Responsiveness of the government to acute issues, brought to their attention by businesses, might also be better than in the case of "the government-to-government enabling environment programmes that are typically pursued"[87]. Other stakeholders such as business associations may also be actively involved to promote necessary changes in a sector.

[84] Triodos Facet (2010), p.35.

[85] Coffey International (2012): Ethiopia/ Evaluation of the impact and value for money of the Ethiopia Competitiveness Facility, for DFID, p.4.

[86] Ibid., p.5 ff.

[87] Chilver, Van Diermen and Jones (2006): Using Enterprise Challenge Funds to Promote a more Enabling Environment for Business: Challenges and Opportunities, p.6; URL: http://www.businessenvironment.org/dyn/be/docs/126/Session4.2Paper4.2.2Chilver.pdf

- In Ethiopia, several companies that are currently or have been part of a **partnership co-funded by the German and Dutch governments respectively have succeeded in having laws changed** that severely hampered their business operation; some also participate regularly in meetings with government institutions, such as the customs facility, following the facilitation of the donor partner. This way, they contribute to the formulation of new laws and regulations or other improvements of the business environment that may ultimately benefit other companies as well. The PSOM/PSI evaluation stresses that the **active support of Dutch embassies in bringing business climate issues to the table**, such as provided in the floriculture sector in Ethiopia, has been crucial. Yet, despite this potential, embassies' involvement in PSOM/PSI has been rather limited in most countries.[88]
- **Interaction with local business associations** has also proved vital: With most horticultural PSI projects having opted for some type of certification of good agronomic practices, the Ethiopian Horticultural Association has now made these standards conditional for an export licence.[89]
- In the context of a micro-insurance project in India, **DFID's Financial Deepening Challenge Fund (FDCF) helped raise the profile of issues with existing regulations, and helped the micro-insurance businesses work together to lobby for changes**.[90]
- Another interesting case seems to be co-funding provided by **DFID's Business Linkages Challenge Fund** to larger corporations such as BP Tanzania and Tanzania Breweries, to help them expand outsourcing and procurement linkages with local Tanzanian SMEs. The **regular interaction between the CEOs of these companies and SMEs led to the CEOS becoming more effective advocates for the SME sector with the Government.** The initiative reportedly still continued after the end of support, as it helped CEOS further their corporate interests at the same time.[91]

Creating strategic synergies with broader PSD programmes

The examples above illustrate that challenge funds projects (or indeed other forms of partnership with business) that create real and focused demand for business environment (BE) reform hold many potential **synergies with the business environment reform work of donor agencies**. Whether this implies that the potential of business projects to provide opportunities for BE reform should be scrutinised more carefully at the application stage may be a question for discussion. As noted by Chilver, Van Diermen and Jones (2006), it certainly points to the **need for improved coordination between these two streams of work**, to maximise positive impacts on the wider business environment. In the case of challenge funds, for example, fund managers could be mandated to pro-actively coordinate such issues with other agencies working on BE issues when the need arises.[92] The potential for greater coordination between partnerships and other PSD programmes is not only valid for BE reform. Where donors wish to promote more systemic changes, a **more strategic approach of using partnerships to complement PSD programming** in a specific country would be advisable. In particular, **country- and regional level partnership approaches** (as compared to global mechanisms), might be able facilitate a closer integration of partnerships with other country-level work.[93] **Ways to improve the synergies between centrally-funded partnership mechanisms and PSP programmes** should also be explored further.

[88] Triodos Facet (2010), p.43, II.
[89] Triodos Facet (2010), p. 35.
[90] Chilver, Van Diermen and Jones (2006),p.6.
[91] Chilver, Van Diermen and Jones (2006), p.8.
[92] Ibid.
[93] Ebony Consulting International (2003), p.3.

By showing the development potential of partnerships with business, partnership instruments themselves may be adopted and **institutionalised by developing country governments**.

- A case in point is Kenya, where the government has recently incorporated Germany's development partnership model into national legislation.

Partnership models for creating linkages with developing country SMEs

Another way in which partner companies have the potential to create a sustainable impact on the local economy that go beyond the project itself is through **creating forward and backward linkages with small and medium enterprises (SMEs) in the country of operation.** The **extent to which such linkages are realised seems to partly depend on the partnership model pursued.** An analysis of Dutch-funded PSOM/PSI projects yields particularly interesting insights in this regard. SME linkages tend to be more limited where the applicant company from a donor country "creates a production facility in a developing country which exports its products back to the applicant's country" ('**re-exporter model'**). One possible alternative model is the '**exporter model'**, whereby "a local market is developed for the applicant: the joint venture enterprise is created to support the sale of the applicant's core product, together with locally made parts and services".[94]

- The evaluation concludes that out of **60 PSOM/PSI projects studied**, **linkages to local SMEs are limited** because **55% follow a re-exporter model. 10% of the projects pursue an exporter model.** Some have made deliberate decisions to include local SMEs, such as by buying locally produced components of their products, or by source agricultural products from local small traders.[95]

Donors might wish to consider encouraging such thinking about local SME linkages during the application process (*ex-ante* additionality assessment). The re-exporter model may however also have the advantage that the applicant firm knows the export market and may have a strong business case in producing in a developing country; still, in such cases more attention may need to be paid to the division of **joint venture shares** and **inter-company pricing**: "If the applicant firm has most of the joint venture shares and determines the buying price, this often means that the joint venture company makes low profits [….] (which will) also impact the tax the company in the developing country pays."[96] The example of floriculture projects in Ethiopia though, which follows a re-exporter model, shows though hat even such models can achieve wider effects on the economy, if concerted efforts are made to create a critical mass of investments and to improve the business environment.

The above-mentioned examples show that several partnerships projects have been able to achieve large-scale or systemic impacts that go beyond their immediate benefits. Many of these have not necessarily been aimed for at the outset of the projects but have been achieved through experimentation and concerted efforts of individuals. Other lessons emerged from increasing experience with different partnership models and approaches. It will be important for donors to incorporate these lessons in partnership design and implementation, and undertake further research where needed.

[94] Triodos Facet (2010), p.29.
[95] Ibid., p.29, 36.
[96] Ibid.

6. Summary of Key Messages and Recommendations

A number of key conclusions and recommendations for possible future actions emerge from this review.

1. While partnership projects may represent a relatively small share of overall PSD budgets, they are increasingly considered as an important tool to promote private sector development. The overall limited evidence on their effectiveness to date implies that it is important to take stock of existing experience and identify practical ways forward to improve the development impact of partnerships.

2. Partnerships are often referred to as a single category, but **various models and mechanisms exist**. Some **key distinctions** concerning the efficiency and effectiveness of partnerships deserve particular attention in **further research and supporting documentation**: e.g. the size and origin of partner businesses and the size of grants; the value of global level compared to country-level partnership mechanisms; the specifics of different management approaches to partnerships; and further orientation regarding the costs and benefits of different partnership models. **The DCED** is particularly well placed to address three further areas of activity to enhance the effectiveness of partnerships:
    - raising awareness among companies about existing partnership mechanisms, building on existing efforts such as the DCED's directory for business;
    - assisting companies in linking up more strategically with donors' country-level PSD programmes;
    - and identifying ways to better coordinate donor-funded partnerships, in particular to avoid duplications and overlaps in funding

3. Assessing and demonstrating that direct donor support to business adds value is one of the key challenges donors face. Current donor guidelines for ***ex-ante*** **additionality assessments**, i.e. before support is granted, are not always publicly available. Based on the information available however, it seems that there is clear room for improvement and harmonisation: **input additionality concepts** could be assessed based on more comprehensive definitions and enhanced efforts to scrutinise companies' proposals. **Development additionality criteria** often appear to be too vaguely defined and not well enforced to ensure that only business projects with the biggest development potential are granted support. **The DCED could invest further efforts** to
    - compare existing assessment guidelines by different agencies
    - and to develop a common understanding and guidelines for donors and implementers on how to best assess additionality ex-ante in ways that are manageable for both partners and promote funding decisions based on the most important additionality criteria

4. By and large, credible information on **partnership results, including assessments of additionality *ex-post*, is sparse**. However, the need to improve and make sufficient funding available for results measurement in this field is increasingly recognised among donors. The efforts of some partnerships mechanisms and initiatives demonstrate that there are practical ways forward to do this: In particular, AusAID's Enterprise Challenge Fund and the multi-donor funded Africa Enterprise Challenge Fund illustrate the benefits of using a theory-based approach such as the DCED Standard; further lessons can be drawn from the evolving results measurement approach of multi-stakeholder initiatives like the African Cashew Initiative. As outlined in more detail earlier, a**n inter-agency initiative under the DCED** could usefully
    - Develop practical guidelines aimed at partnership implementers and companies which
        - provide a common framework for implementing the Standard in partnerships specifically

  - would help make results measurement both manageable and relevant for both public and private partners
  - enable donors to tell a clear story about results and additionality of support.
  - could allow donors to aggregate results across a portfolio of partnerships and even to compare results
- Develop guidance for donors on good practice principles in partnership design and results measurement

5. Various lessons are emerging on **essential requirements to make partnerships work in practice**, as well as **approaches by donors and companies to enhance the potential for large-scale and/or systemic impacts** of individual partnerships. As most lessons are based on rather few experiences, **each of them provides a valuable entry point for further research.** It may be of particular interest that, despite the objective of many structured partnership mechanisms to provide initial funding for business models that can be scaled up and replicated, few examples where this has actually happened have been identified. More research could focus on key factors behind successful models or indeed on rephrasing the question, e.g. what development impacts can challenge funds most realistically achieve and aim for? What are the implications of current lessons for partnership design? Key **activities that can be addressed by the DCED and its member agencies** would be to
   - develop donor guidance on principles of good practice in partnership design and implementation to maximise partnership impact
   - make relevant experiences and cases publicly available to inform partnership design and implementation
   - use the DCED website to make these easily accessible.

Annex 1: List of partnership mechanisms and models (broadly aimed at PSD/ economic development)

1. Structured donor-led mechanisms for accessing grant support for business projects in various countries

Multi-donor funded mechanisms

- African Enterprise Challenge Fund

Austrian Development Agency

- Business Partnership Programme

Australian Agency for International Development:

- Enterprise Challenge Fund

Canadian Department of Foreign Affairs and International Trade

- Investment Cooperation Programme: Financial support (grants) *(currently on hold)*

German Federal Ministry for Economic Cooperation and Development (BMZ)/ German International Cooperation (GIZ)

- DeveloPPP.de
- Africa Facility

Danish International Development Agency (Danida)

- Business Partnerships Programmes

Finland Ministry of Foreign Affairs

- Finnpartnership

Netherlands Ministry of Foreign Affairs

- PPP Facility for Sustainable Entrepreneurship and Food Security
- Private Sector Investment Programme (A list and summaries of PSI-funded projects by country can be found here)

Norwegian Agency for Development Cooperation

- Matchmaking Facility

Swedish International Development Agency (Sida)

- Business for Development: Innovations against Poverty (and other challenge funds)

UK Department for International Development

- Business Innovation Facility
- Responsible and Accountable Garment Sector Challenge Fund
- Food Retail Industry Challenge Fund

2. Examples of structured mechanisms (challenge and matching grant funds) at the national level

- Multi-donor funded: Ghana Business Sector Advocacy Challenge Fund (Ghana)
- DFID: Construction Ideas Fund (Nigeria)
- DFID: Harakat Challenge Fund (Afghanistan)
- The World Bank: Ethiopia Competitiveness Facility (Ethiopia)

3. Other (semi- or non-structured partnership) approaches by donors

- **GIZ**: Cooperation Arrangements *(cost-sharing of GIZ projects with business; interested businesses can check opportunities with GIZ country offices)*
- **Sida**: Public-Private Partnerships *(more opportunistic cost-sharing projects with business at the country-level)*
- Swiss Development Cooperation: Public private partnerships (*decentralised partnerships approach following global guidelines*)
- **United States Agency for International Development (USAID):** Global Development Alliance *(partnerships following global guidelines but mainly under the framework of country- and regional-level strategies following business proposals)*

4. Examples of multi-stakeholder or public-private coalitions

- Dutch Sustainable Trade Initiative
- African Cashew Initiative
- Better Cotton Initiative
- Cocoa Livelihoods Programme

5. Examples of company-led partnerships

Some examples involving a donor/ development agency can be found in Kindornay, Higgins and Olender (2012), e.g. The Cadbury and Kraft Cocoa partnership with UNDP in Ghana.

6. Examples of business collaborations with non-profit organisations

Some examples can be found in Kindornay, Higgins and Olender (2012).

7. Mechanisms focusing on linking up companies/ companies with implementing partners

- AusAID: Business for Millennium Development Initiative:
- Netherlands Ministry of Foreign Affairs: Matchmaking Facility
- Multi-donor funded: Business Call to Action

Annex 2: Table of results achieved by different partnership mechanisms and projects

Results reported across whole partnership portfolios (matching grant facilities/ challenge funds) All documents can be downloaded from the DCED website at http://www.enterprise-development.org/page/partnershipsresources#RM-Evaluations				
Donor-funded partnership mechanism	**Type and scope of assessment**	**Activities**	**Key development results reported/ identified**	**Source**
AusAID Enterprise Challenge Fund (ECF)	Internal annual review Independent progress report on 11 out of 21 ECF-funded projects and earlier independent mid-term review	ECF provides matching grants of at least 50% of the total project costs, ranging from $104,000 (AUD100, 000) to $1,550,000 (AUD1.5 million).	- By July 2012, 348,460 poor people (49% female) had increased access to goods and services directly and indirectly from the ECF. - 50,053 (49% female) poor people [and 1,113 small businesses] had increased net income through supply, use of services and employment or contracts and an annual net additional income benefit to the poor was $1,550,000 (AUD1.5 million) - Over half the funded projects have invested additional funds to scale up their operations beyond original expectations. - 43 other businesses have entered the market as suppliers and competitors to the ECF projects, with additional benefits for poor people - Effectiveness ("level of achievement of pre-defined targets for business growth, changes in the business enabling environment and contribution to social and equitable development"): average score of 3.27 out of 6, i.e. "just above 'less than adequate quality'" *(no absolute numbers on achievements)* - Projects show a high level of additionality but score low on innovation and replicability; only two projects were considered to have significant scope for regional replication or scale up - Leverage ratio of 1:1.17	Annual Portfolio Report in 2012 Independent Progress Report (2011) Other source, for earlier results: Independent mid-term review (2009))
DFID Business Innovation Facility	2-year internal review by facility management			BIF (2012)
DFID Business Linkages Challenge Fund	External desk analysis of results achieved (main source)	Between 2001 and 2005 matching grants ranging from £50,000 to £1,000,000, in total £16.6m, were committed to 58 projects in a range of productive sectors including agriculture, tourism, and wider enterprise development. Businesses contributed at least 50% of the cost.	Results for the first £10.7m committed: -aggregate number of jobs created or retained by the projects: 106,678, including 16,362 direct jobs and 90,316 indirect jobs - $1,300 per direct job created or retained, and $200 per total jobs created or retained. Overall leverage ratio of 1:2.3	Kiggundu (nd), quoted in Tanburn (2008), Other sources: Chilver et.al. (2006) Deloitte (2004) AECF concept summary note (nd)
DFID Financial Deepening	*Various reviews of results achieved,*	FDCF provided grant funding to the financial sector for pilot projects to	Of the 29 projects funded, 9 achieved high social impact combined with high financial returns whilst the majority achieved a combination of reasonable social and financial	AECF concept summary note (nd),

Challenge Fund (FDCF)	*including references to an internal assessment by Enterplan (FDCF implementing organisation)*	try new ways of bringing financial services to rural areas (banking the un-banked) and test their commercial viability. The FDCF had29 interventions in 12 countries ranging from $76,000 (£50,000) to $1,513, 000 (£1m). Businesses contributed at least 50% of the cost.	returns. Leverage ratio of 1:3.9.	including a brief review of lessons from FDCF; Chilver et.al. (2006) Other sources: Enterplan (2004), quoted in Poulton (FAO) (2009) Independent Mid-term Review (2003)
Finland Finnpartnership	External evaluation of Finnpartnership 2006-2011 *(information on development results based on companies' self-assessment)*	Finnpartnership provides financial support for the planning, development and training phases of projects of Finnish companies aiming at establishing commercial cooperation with businesses in developing countries. Grant support ranges from 30 % to 70% of the project costs depending on the size of the Finnish partners company and the development status of the target country. In 2011, the average support sum was $44,000 (EUR34, 000).	-Development effects reported by companies by year (2006-2009); in 2009, 50 partner companies created 1170 direct jobs, 547 indirect jobs - In 2011, 75% of partners companies indicated positive effects on technology and know-how transfer, 69% reported positive training effects, 56% reported positive social effects (compliance with ILO regulations; work safety; wage level etc.), 33% reported positive effects on infrastructure, and 75% reported positive effects on markets (diversification of the production structures). - Out of about 200 business respondents surveyed for the evaluation, 61% fully or to some extent agreed that Finnpartnership has enabled to build long-term partnerships in developing countries. 36% fully agreed that the support has enabled technology and know-how transfer to developing country firms.	KPMG (2012)
Netherlands PSOM/PSI programme	Independent evaluation of PSOM/PSI results 1999 - 2009	Matching grants (50-60% of project costs) are provided to encourage Dutch/ foreign entrepreneurs to establish investment projects in development countries through a joint venture with a local company; average subsidy $642,000 (EUR495.215). In the time span reviewed, 656 companies were supported.	- An average of 81 jobs per company were created with a subsidy contribution of $7,940 (EUR6,13) per job -Innovations have been introduced, mainly through new hardware, constituting 67% of PSOM subsidy - Knowledge transfer to 96 people per project; meaning that the subsidy contribution equals $6681 (EUR5,158) per trainee - average number of out-growers per project was 1,342 - two thirds of projects created considerable follow-up investments (average multiplier of PSOM subsidies was 1.22) and achieved higher levels of sales and jobs at completion of support - 57% of supported enterprises lasted seven to ten years after the approval date, and showed an average increase of 31% in employment after the completion date - Effects beyond the individual projects such as SME linkages, catalytic effects on the	Triodos Facet NV (2010) Earlier report: PSOM Evaluation 2005

			sector and the contribution to the business climate dialogue were limited except for the horticultural sector in Ethiopia.	
Results of individual partnerships				
Donor-funded partnership mechanism	**Project name**	**Activities**	**Key results reported/ identified**	**Source**
Africa Enterprise Challenge Fund	Ghana Grains Partnership	AECF provided a $1.25mio matching grant and a $250,000 interest-free loan to Yara (Norwegian fertiliser company); matched by $3mio by Yara and $3mio by Wienco (Ghana based input trader and developer) for the development of the Masara association; an out-grower scheme has been set up through the association, allowing farmers to access affordable inputs and profitable output markets, training, extension, and market information; Yara and Wienco are also co-financing with financial institutions a credit facility to pre-finance inputs	-2,200 farmers were included in out-grower scheme in 2009 (*9000 were projected for the end of 2012*); yields tripled by 2009 (*target for 2012: 5-fold increase; financial benefit to farmers was projected to more than doubles between 2009 and 2012 (among other results)* *[New data on results expected in April 2013]*	Guyver, Patrick and Mavis McCarthy (2011)
AusAID ECF[97]	Mainland Holdings – Processed Vanilla Exports, Papua New Guinea	ECF grant to partly fund the cost of the production facility (45% of project costs) and technical support to suppliers; total amount $470,000 (AUD453,745) - The Ugandan partner company, Uvan Ltd, is supplying technical expertise	- Factory and curing plant operational; 7 full-time jobs and 20 part-time jobs in the plant created; 14 buyers recruited and network with over 1,000 growers established; extension services provided; supply and production of vanilla is increasing (*60% farmer income increase expected*)	ECF Project Profile (2011)
AusAID ECF	Organic Fruit Fly Baits in Cambodia (2000-2012)	- A Malaysian distributor of fertilisers has developed environmentally friendly fruit fly bait using yeast	- 3500 farmers received training in crop protection and using the bait (greater uptake than expected, commercial viability likely) - *Agreement with a local brewery to produce baits locally in Cambodia was being*	ECF Project Profile (2011)

[97] *Note that **24 ECF project profiles**, mostly from March 2011, are available online; listed here is a selection of some of the more advanced or larger scale (with 1000+ beneficiaries) projects.*

		waste from breweries; spraying of insecticides more expensive than the bait equivalent and can cause both environmental and health problems. - ECF matching grant to assist with setting up a production facility and introducing the bait to farmers in Cambodia ($905.000 (A$873,100) 41% of project costs)	*finalised and bait production was expected to begin late in 2011.* *-expected a 55–65% reduction in loss of crop (bringing crop loss from fruit fly to as low as 5%); expected additional income of US$1,500 per season*	
AusAID ECF	Volcanic Earth Skin Care Manufacturing and Export in Vanuatu	- ECF matching grant to help the company in expanding its processing plant to produce bulk supplies of skin care products for export markets and upgrade packaging and labelling capabilities (47%, $197,000 (AUD190,000))	-Sales of oil have increased from 1,000 to over 12,000 litres, and the equivalent of almost $18,700 (AUD18,000) has been paid to ('up to') 1,000 rural households - 20 people employed in the areas of manufacturing, packaging, processing, administration and management	ECF Project Profile (2011)
AusAID ECF	WING , Mobile phone payment service, Cambodia (2009-2011)	-WING is a provider of mobile phone payment services that enable customers to transfer, store and cash-out their money using a mobile phone; cost of rural expansion used to be too difficult to justify on commercial grounds - ECF matching grant to extend affordable payment services to rural Cambodians (25%, $1,550,000 (AUD1,500,000); grant mainly used for education programs and marketing campaigns on mobile technology and banking - WING's 75% of project costs are going to mobile technology, advertising and staff costs. - WING has also received advisory services by the IFC	- By the end of March 2011, WING had reached more than 200,000 customers through a network of support agents in over 680 Wing Cash Express merchants nationally; most users of WING's money transfers were previously "unbanked" -The company's money transfers are 50 percent cheaper than other locally available methods - WING is training around 200 new sales agents each month. - WING is partnering with microfinance institutions, who by processing payments electronically, can reduce the costs of loans -At least two mobile payment competitors have entered the market and more are expected.	ECF Project Profile (2011) and ANZ (2010)
Danida B2B programme	African Organic, Uganda (2004-2012)	- Matching grants to support collaboration of a Ugandan organic farm (Amfri Farms), and a Danish	-Over 100 Ugandan Amfri Farms employees; -150 out-growers (20%percent of the production for African Organic comes from Amfri Farms, 80 percent is bought from local out-growers (on fixed contracts with fixed prices);-both employees and out-	North-South Institute (2012)

		organic foods company (Solhjulet), to develop organic products for export - pilot phase : $86,700 (500,000 DKK) for technical assistance from Solhjulet to Amfri Farms and marketing in Denmark - project phase: $440,000 (2,533,558 DKK) for technical assistance to improve production processes and CSR activities. - additional grant worth $60, 700 (350,000 DKK) for a feasibility study of improvements in the cooling chain	growers trained - Production increased by about 100t a year, and 27 of 47 new crops found commercial export success (particularly herbs and frozen fruit) - Environmental and workplace certification in 2009	
Danida B2B programme	Vanilla Trade with Responsibility, Uganda (2007-2011)	- Matching grants to support collaboration between the Uganda Vanilla Associations (UVAN), a Ugandan vanilla processing and exporting company, and Firmenich Denmark - $43,400 (250,000 DKK) grant for a feasibility study on sustainable Ugandan vanilla production - $788.000 (4,537,104) DKK for technical assistance from Firmenich and outside consultants, (to support improvements in management, health and safety systems, work on improving vanilla quality, extension services development and social programmes)	-about 6,500 smallholder farmers supply the exporting company, and are guaranteed a minimum price by Firmenich - UVAN (with support from Firmenich) invested in advanced production facilities, delivered training in good agricultural practices and microfinance through a local association - exports increased by 50tonnes between 2008 and 2011 - incomes increased for farmers directly involved in production *(not clear how much)*	North-South Institute (2012)
DFID BLCF	Malawi Cotton Seeding Treatment Programme (MCSTP)	BLCF grant of $438,000 (£290,000) to improve cotton seed varieties, for sale at subsidized prices to contract farmers who sell their cotton to the ginners involved in the programme	-Malawi's national crop production increased by 265% three years, enabling smallholder farmers to increase their income; 180,000 farmers involved in the MCSTP in 2005, which represented an increase by 62,000 compared to 2004. - between 2003/04 and 2004/05, the number of casual labourers employed by smallholder farmers increased by 25,000. - Successful increase in productivity also spurred processors to invest in the sector with greater confidence.	UNCTAD (2006), BLCF case study (2007)

DFID BLCF	Organic Cocoa production, Dominican Republic (2002-2004)	- BLCF matching grant of £189,000 (45% of project costs) with the rest coming from a cocoa growers association, CONACADO, and Barry Callebaut (chocolate manufacturer) to develop organic cocoa supply chains in two of the poorest production regions	-1,225 farmers (well over the 350 milestone) are now producing superior organic cocoa -A differential of US$405/ton (US$145 over the milestone) is now paid to small growers. - 25% increase in employment in the drying process computer technology has been upgraded at CONACADO and remote communities have been linked to the internet. -Barry Callebaut now a long-term partner of CONACADO and is able to supply quality organic cocoa periodically. -the milestone of producing 500 tons in the 'gourmet' chocolate market has been surpassed with CONACADO supplying 700 tons. This has allowed the organization to establish new linkages with other European cocoa buyers such as ICAM and CTM Altromercato of Italy, and Twin Trading UK	BLCF case (2007)
DFID BLCF	Gambia is Good (GiG) (2004-2006)	--BLCF matching grant of $265,600 (40%, £197,000) to Haygrove Development develop the fresh produce supply chain for tourism sector -Haygrove Development provided funding, specialist training in irrigation, harvest grading, distribution and marketing and the promotion of business principles in a development context. -Concern Universal managed the GiG project; Travel Foundation partnered with GiG to provide additional project funding	Results in 2009: -GiG purchases from nearly 1,000 growers, 90% of whom are women. GiG supplies 20 tonnes of produce per month to more than 46 major customers, including 16 hotels, 23 restaurants, 3 supermarkets and 4 catering companies. -In 2007, GiG diverted £34,000 of sales away from importers to local small-scale producers; -[year unclear] Farmers participating in GiG have seen an increase in their income of up to 500%; GiG employs more than 20 full time staff; GiG has tripled its sales volumes since 2005 and their produce now accounts for 63% of locally grown produce supplied to the tourism industry.	IBLF (nd)
DFID BLCF	Unilever Profitable Tanzanian Nut project (2005-?)	-BLCF matching grant of 542,000 (36%, £359,000) to Unilever to pilot a scheme for smallholders to gather and cultivate Allanblackia in Tanzania -In particular the grant was used to establish, support and monitor nurseries, transfer knowledge about crushing and exporting oil, as well as organise farmers, nut collectors and	-In 2007, a local supply chain has been set up spanning the farmers from 50 villages (1300 farmers) who collect AB nuts, representatives for the village who dry them, a collection centre that weighs, stores and handles payments, a transport company and a crusher. *-Unilever is buying and exporting the entire crop and production is expected to encompass 100 villages (around 2600 farmers)* -Farmers can earn around an extra £40 per annum in just three months by harvesting the nuts during the off-season. This equates to a 25% rise in annual income for growers.	Emerging Markets Group (nd)

		focal persons the length of the supply chain.	-'to date 4000 farmers have benefitted'	DFID (nd)
DFID BLCF	Café Direct, East Africa	BLCF matching grant to Café Direct to help them implement the Hazard Analysis Critical Control Points (HACCP) food safety methodology in East Africa, a demanding new private standard introduced by the British Retail Consortium	-The BLCF grant helped reduce the cost of technology transfer and training and allowed Café Direct to test the financial viability of a project with high social impact. -the project enables market access for 40,000 farmers (*Not clear if market access was indeed provided to 40,000 farmers as a result of the project)* Café Direct say the programme has: "successfully assisted all six participating factories to operate under HACCP systems and trained twelve key factory personnel. It has also developed local capacity by training four auditors to British Retail Consortium (BRC) level. Tea growers' future international business success depends on implementing the HACCP system as it means growers are better positioned to secure additional finance and break into new markets."	DFID (nd) and UK Parliament (nd)
DFID BLCF	M-Pesa	DFID matching grant to Vodafone Safaricom's development of the mobile payment service M-PESA	-M-Pesa has obtained 9 million customers in only 3 years, most of whom had never previously had access to banking services; directly led to the creation of 7,000 enterprises and 12,000 (to 30,000*) jobs in Kenya. - The subsequent increase in access to financial services is also likely to have generated many jobs indirectly; business model to be replicated.	Jack/Suri (2009*)* *UNDP Inclusive Business Finance Field Guide (2012*)*
DFID Food Retail Industry Challenge Fund (FRICH)	Betty's and Taylors of Harrogate Tea production and export, Rwanda	- FRICH matching grant to B&T (international buyer) who partnered with OCIR Thé (the Rwandan national tea authority) and the Rainforest Alliance (implementing partner). -key activities include identifying and advising on key issues affecting tea quality; implementation of the SAN standards starting with training on sustainable agriculture within factories and on estates; initiating an internal management system which includes train-the-trainer approaches which enable more farmers to learn about SAN and to audit themselves; and investments in equipment.	- B&T moved from their old approach of buying tea from auctions to working with factories and buying tea directly. - B&T's purchases of Rwandan tea have doubled as a result of the project and the agreed minimum wage in the tea sector has risen by 40%. - 10,398 smallholders have been trained on sustainable agriculture. The working environment has improved for over 2,500 workers -Rainforest Alliance certification has occurred for 1,554 hectares and 1,786 producers with another 8,612 producers recommended for certification. -Over 10,000 smallholder farmers apply better environmental practices. 15 million litres of wastewater is now being treated per year. Over 64,000 indigenous trees were planted over 2010-11 to improve biodiversity.	North-South Institute (2012)
DFID Food Retail Industry Challenge Fund (FRICH)	Coffee production for export, Sainsbury's and Twin, DRC and	-FRICH matching grant of $378,000 (£249,924) to a partnership between Sainsbury's (donor and international buyer), Finlays (roaster and buyer),	- Improved income security for and doubled prices received by 3,500 farmers in Eastern DRC; the cooperative made a net profit of $56,244 in 2010 and $137,00 in 2011.	North-South Institute (2012)

	Malawi (2009-2012)	Twin (donor, implementing partner and local buyer), and two farmers' cooperatives -activities: training for farmers and cooperative management to improve quality, productivity and business practices; - Malawi: trials of new productive and sustainable production systems for one of Mzuzu's zones - DRC: construction of a processing facility and technical assistance on operation.	- Fairtrade Certification. Fairtrade certification achieved in Malawi and DRC cooperative and of organic certicification in DRC. - Average yields increased from 300 kg per hectare to 900 kg in DRC project. Production volumes rose from 15 tonnes to 76.8 tonnes in 2010 with estimates of 153 tonnes in 2011.	Financial Times (2010)
NetherlandsPSOM/ PSI programme[98]	Simon Levelt Coffee Roaster, Uganda	-PSOM matching grant of $542,000 (EUR418,193; 60% of project budget) for the establishment of a local processing plant by Simon Levelt B.V. (roaster and seller of coffee) and local partner Kawacom Ltd (processor and trader of coffee), and farmer training	-Wet processing plant built, employing 100 people -6,000 farmers trained in good agricultural practices, harvesting and post-harvest handling - 2,000 have been transformed into organic producers through training and certification (in addition to 4,000 who already were certified) -Smallholders have increased their incomes (*not quantified*)	UNDP Inclusive Business Finance Field Guide (2012) PSI project summary
Netherlands PSI programme	Organic Sesame Hulling Project, Ethiopia	Matching grant of $389,000 (300,000 Euro)mainly used for cost-sharing purchase of processing machinery for organic sesame	-Processing fully operational; company has its own farming land (with 20 own staff) and sources from 1500 out-growers and 3000 seasonal workers; farmers have significantly increased their production volume; 5 company extension workers provide advice; international buyer interest increasing	Information provided by Ben van Ampting, Sesame Hulling Factory
GIZ Africa Facility **Netherlands PSI programme**	African Bamboo, Ethiopia	Matching grant (50% of costs) for analysis of supply chains, partner identification Support to collaboration between German company specialised in developing and selling bamboo products, and African Bamboo's mother company Fortune Enterprise; matching grant (50%, $967,000 (EUR	-Market research, equipment and product development studies conducted, long-term purchasing agreement signed with German company - 50-60 local company employees -2000 out-growers have been registered and organised in 31 cooperatives; they receive technical advice from the company's own 15 extension workers -20-25 collection centres with pre-processing plants built near the cooperatives	Information provided African Bamboo staff and GIZ project management

[98] *Note: A worldwide list and **summaries of PSI** projects is available here ; however these only include **anticipated results.***

BMZ/ GIZ Strategic Alliance *(just starting)*		750,000));used to cost-share expenses for pilot bamboo panel processing factory, farmer group organisation;		
USAID Global Development Alliance	Rwanda Pyrethrum alliance	-USAID contributes a matching grant of $143,660 (donor), SC Johnson, contributes $160,404 (donor and international buyer) and Texas Agrilife Research Institute (Texas A & M University) contributes $23,373 (donor and implementing partner). - aims are to increase pyrethrum production (organic insecticide) by improving and accelerating the training of farmers through 'train the trainer model' in flower production and to improve access to credit for farmers to enable them to purchase equipment to dry flowers -The country's only pyrethrum processing plant, is participating in the design and implementation of a credit scheme for farmers.	- 24 farmers' cooperatives were formed (2010) and 4,000 additional farmers are growing pyrethrum. -Production tripled. Planted areas increased from 1750 to 3100 hectares over 2009–11. -Improved quality and higher incomes and yields. Increased quality of dried flowers with higher pyrethrum content (from 0.9 to 1.5); 20–40% higher pay for farmers over 2008	North-South Institute (2012)
USAID Global Development Alliance	AMARTA Sulawesi Kakao Alliance (2007-ongoing)	USAID (funder), Blommer Chocolate Company, and Olam International, (buyers, implementing partners), work with the Government of Indonesia to promote Sulawesi's cocoa industry -In 2005, Olam and Blommer established the Sulawesi Alliance of Farmers, Olam and Blommer (SAFOB) which sought to provide farmers with training, quality improvement programs, market	- Between 2007-2009, 20,683 farmers, representing 820 farmer groups, have increased their increased their yields between 50 and 100%. In 2010, a review of the project revealed increases in average yields from 760kg per hectare to 1,100kg per hectare over 2006-2010. - Olam and Blommer have set up 11 rural buying stations, which pay a premium price for high quality cocoa of 200 Rupiah (US $0.21) per kilogram. - Farmers participating in the program have seen increased income of between 75 and 117%. - Over 2005-2012, the SAFOB program procured nearly 80,000 million tons of cocoa, improving farmers' incomes by nearly US $16.1 million compared to what they would have received selling to the local supply chain. -Over 67% of farmers have reported having direct access to exporters versus 15%	North-South Institute (2012) Bloomer (2011)

		access and quality premiums. The USAID provided funding to scale up this initiative ($US 2.5 mio; in-kind company contribution)	prior to the program	

Results of multi-stakeholder (public-private) coalitions *(co-funding and –implementation of a variety of public and private partners)*

Name of Initiative	Sub-project (if applicable)	Activities	Key results reported/ identified	Source
Dutch Sustainable Trade Initiative	Better Cotton Fast Track Programme (2011-2015)	-partnership between: the Dutch Sustainable Trade Initiative (IDH, funded by the Dutch government), Rabobank Foundation and ICCO (donors); private sector actors that participate in the cotton supply chain (funders and international buyers); and non-governmental organizations (implementing partners) and other supply chain partners -IDH and other donors contribute to a fund that matches up to 100% of private sector contributions. Over 2010–12 private contributions totalled approximately €3 million. Private sector partners also advocate the Better Cotton Standard (BCS).	-As of 2011, 124,825 producers are part of the initiative. 89,959 farmers are licensed to produce Better Cotton. - Farmers in Mali and India saw on average 20% and 37% higher yields respectively compared to farmers without Better Cotton support	North-South Institute (2012)
African Cashew Initiative (Ghana, Benin, Cote d'Ivoire, Mozambique, Burkina Faso)		Funded through matching grants by the German Federal Ministry of Economic Cooperation and Development (BMZ; US$5 mio), the Bill & Melinda Gates Foundation (BMGF; US$25 mio); USAID and national ministries; and currently nine business contributors, including international food companies such as Kraft Foods, Intersnack, and Olam; GIZ is the lead management agency responsible for overall coordination of the ACi, alongside its role as implementing	- 240,000 farmers trained in all five ACi countries (e.g. 37,000 farmers in Ghana) in good agricultural practices - improved quality and higher yields - overall increase in income of $5 million for participating farmers in all countries - creation of 3100 jobs in the processing industry in all countries - increase in productivity of processing firms of more than 100%	GIZ Website DCED (2012)

		agency of specific activities. It subcontracts three further implementing partners: the American NGO Technoserve (TNS), the Dutch NGO FairMatch Support (FMS), and an association of African cashew businesses		
Cocoa Livelihoods Programme		Partnership between: the Bill & Melinda Gates Foundation ($23 Million, donor); 16 private sector cocoa industry partners, 1 that contribute $17 million in cash and in-kind support (international buyers); national governments and NGOs such as SOCODEVI (implementing and technical partners). -Actors work together on a steering committee which sets targets and provides technical advice and oversight for the program.	-36 farmer organizations, representing 12,500 members and growing, were trained in good governance practices, financial recordkeeping, expansion of membership, and strengthening commercial relationships. -Farmers have increased access to improved varieties and better quality agro-inputs and have seen higher profits from cocoa and other diversified crops.*(not quantified)* • Over 151,000 farmers have been trained in good agricultural practices, farm management and annual household budgetary planning and nutritional needs. Over 6,100 farmers have received access to credit to purchase agricultural inputs.	North-South Institute (2012)

Annex 3: Summary of some of the indicators of success in use

Business performance indicators often include a selection of the following indicators of business operations, growth and sustainability – at the project level or aggregated across the project portfolio:

- Full assumption of business operations or construction of factory plants
- Increases in production volume, sales an turnover (or absolute numbers) during the period of support;
- Achievement of or increase in profitability
- Follow-up investment at and/or after project completion (without public support)
- Feedback from key stakeholders on their interest to see the project continue

Some evaluations and reviews of partnership portfolios include some measure of **cost-effectiveness:** One example is the **leverage ratio**. This is typically the ratio of the donor grant to the volume of investment from the private sector. For example, a policy document of the Netherlands' PSI programme even describes it as the most important proof of success.[99] Across the Dutch Sustainable Trade Initiative's programming, which builds multi-stakeholder coalitions in three agricultural sectors, a key results indicator is the amount of private sector funding it leverages.[100] The advantage of reporting leverage ratios is that they relatively easy to measure with some accuracy and can provide a comparable figure across different partnership portfolios. For example, DFID's Financial Deepening Challenge Fund reports a leverage ratio of 1:3.9, its Business Linkages Challenge Fund (BLCF) a ration of 1:2.3. For the PSI programme (1999-2009) it has been 1:1.22 at completion if a sample of 60 projects, although with significant variations between the projects. It is noteworthy that a very high leverage ratio may imply that input additionality of donor support is low. **Another cost-effectiveness measure** is the **cost per job created** by partnership projects**.** In the case of the PSI programme, the cost per direct job created (on average 81 per project, excluding out-growers) was US$ 7930 (€6,130).[101] Based on a desk analysis of DFID's BLCF, the cost were $1,300 per direct job created or retained, and $200 per total (including indirect) jobs created or retained.[102]

Business performance indicators per se and the leverage ratio in particular do however not reveal much about the pro-poor outcomes of partnerships. Some example indicators to measure partnerships' **developmental impacts** are listed below.

Direct development impacts

- **Employment effects**: e.g. # of employees in partner company, # of newly created jobs, # of out-growers involved
- **Income effects**: e.g. increases in income of company employees and/ or out-growers, aggregate value of transactions with the poor
- **Knowledge and technology transfer**: e.g. # number of employees trained, type and # of training provided, type of technologies introduced to partner company in target country
- **Social impacts**: e.g. Share of female employees, compliance with int. labour standards, wage level, other indicators related to the quality of working conditions
- **Environmental impacts**: e.g. Adoption of environmental standards, absence of harmful effects, usage of environmentally beneficial production methods or materials

Wider/ systemic development impacts[103]

- **Chain effects**: e.g. # of local supplier companies, # of employees in supplier companies
- **Legal and regulatory impacts:** e.g. # and type of changes in laws, regulations or their implementation that the project has caused or contributed to
- **Replication of the business model**: e.g. # of businesses copying the business model

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[99] Triodos Facet (2010), p.33

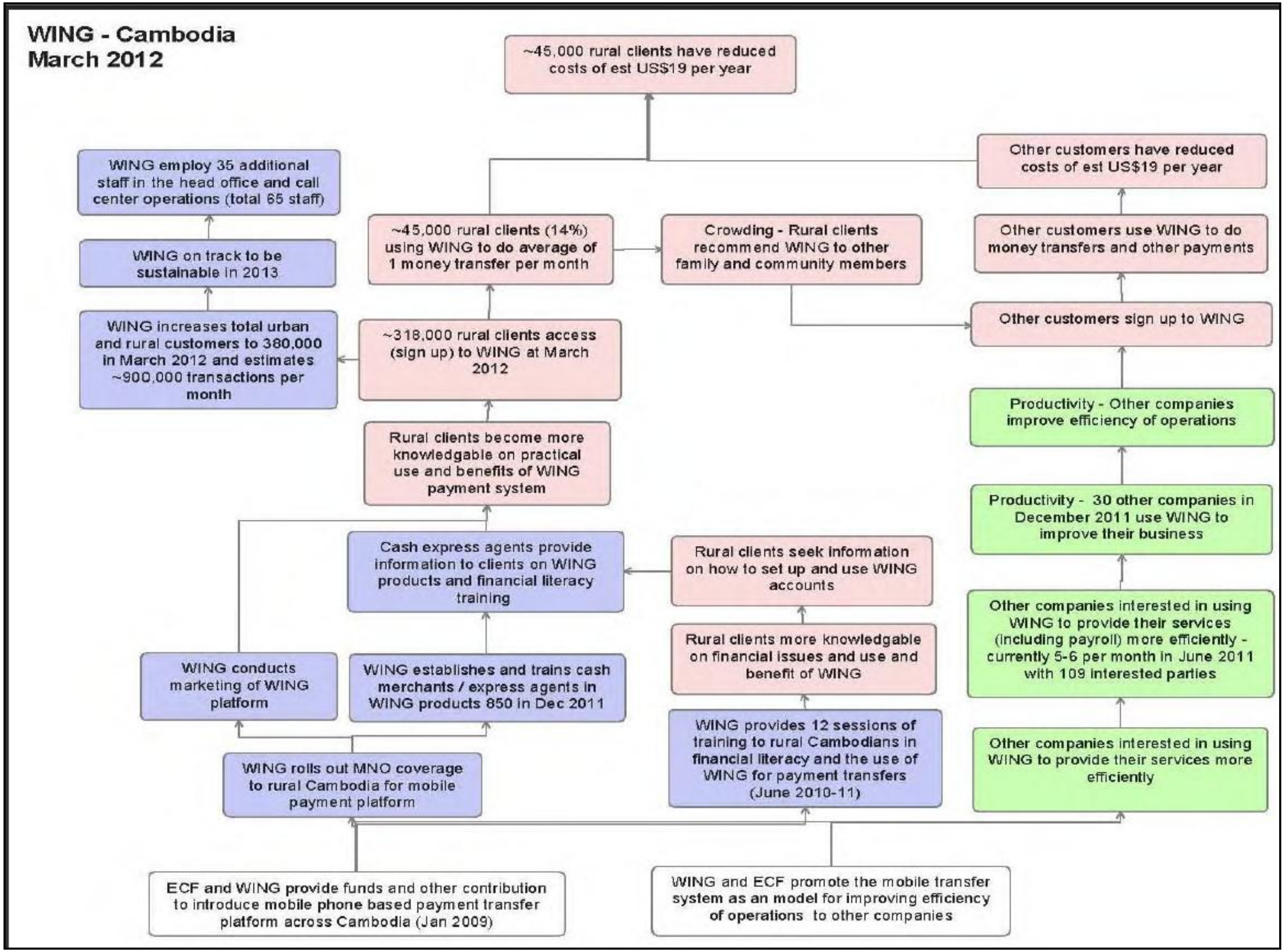
[100] Kindornay, Higgins and Olender (2012), p.26.

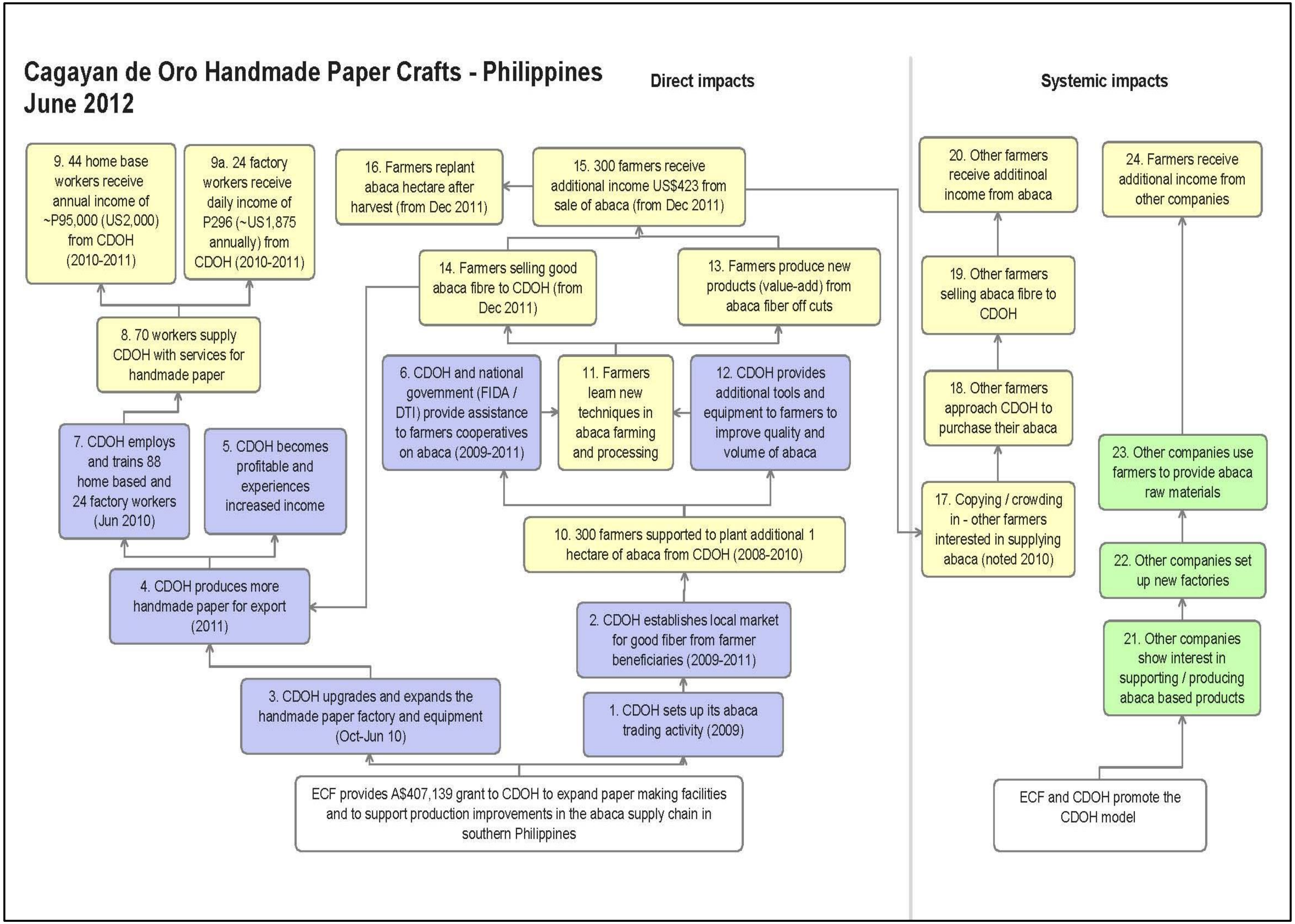
[101] Triodos Facet (2010), p.43.

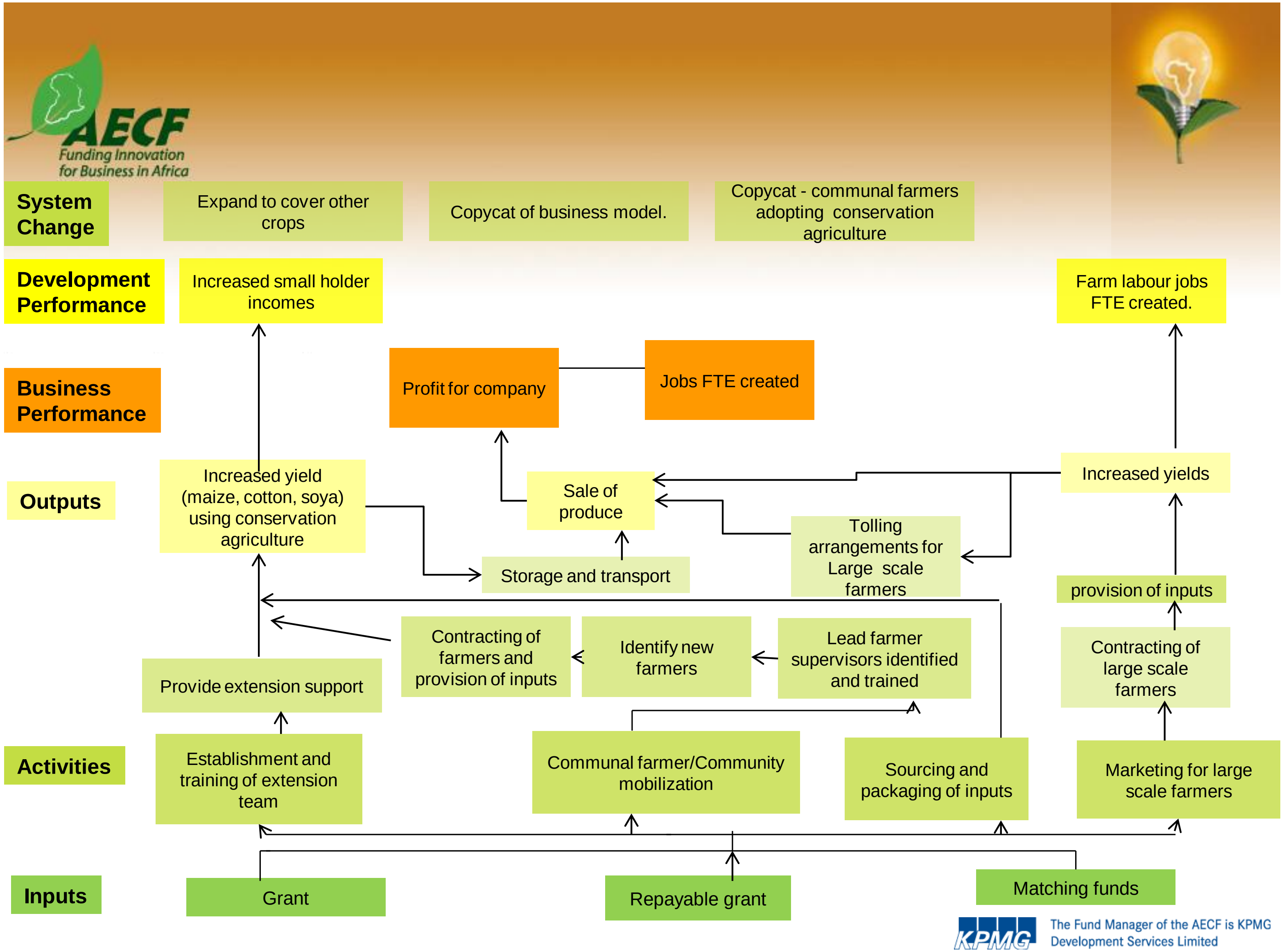
[102] Tanburn, Jim (2008): The 2008 Reader - Private Sector Development: Measuring and Reporting Results, p. 45.; URL: http://www.enterprise-development.org/page/download?id=503,

[103] The **African Enterprise Challenge Fund** specifies a more detailed set of systemic change indicators. These can be viewed in Annex 4.

Annex 4: Example results chains for partnership projects [from AusAID ECF (WING Cambodia and Handmade Paper Crafts) and AECF]




Cagayan de Oro Handmade Paper Crafts - Philippines
June 2012
Direct impacts
Systemic impacts
9. 44 home base workers receive annual income of ~P95,000 (US2,000) from CDOH (2010-2011)
9a. 24 factory workers receive daily income of P296 (~US1,875 annually) from CDOH (2010-2011)
16. Farmers replant abaca hectare after harvest (from Dec 2011)
15. 300 farmers receive additional income US$423 from sale of abaca (from Dec 2011)
14. Farmers selling good abaca fibre to CDOH (from Dec 2011)
13. Farmers produce new products (value-add) from abaca fiber off cuts
8. 70 workers supply CDOH with services for handmade paper
6. CDOH and national government (FIDA / DTI) provide assistance to farmers cooperatives on abaca (2009-2011)
11. Farmers learn new techniques in abaca farming and processing
12. CDOH provides additional tools and equipment to farmers to improve quality and volume of abaca
7. CDOH employs and trains 88 home based and 24 factory workers (Jun 2010)
5. CDOH becomes profitable and experiences increased income
10. 300 farmers supported to plant additional 1 hectare of abaca from CDOH (2008-2010)
4. CDOH produces more handmade paper for export (2011)
2. CDOH establishes local market for good fiber from farmer beneficiaries (2009-2011)
3. CDOH upgrades and expands the handmade paper factory and equipment (Oct-Jun 10)
1. CDOH sets up its abaca trading activity (2009)
ECF provides A$407,139 grant to CDOH to expand paper making facilities and to support production improvements in the abaca supply chain in southern Philippines
20. Other farmers receive additinoal income from abaca
19. Other farmers selling abaca fibre to CDOH
18. Other farmers approach CDOH to purchase their abaca
17. Copying / crowding in - other farmers interested in supplying abaca (noted 2010)
24. Farmers receive additional income from other companies
23. Other companies use farmers to provide abaca raw materials
22. Other companies set up new factories
21. Other companies show interest in supporting / producing abaca based products
ECF and CDOH promote the CDOH model


AECF
Funding Innovation for Business in Africa
System Change
Expand to cover other crops
Copycat of business model.
Copycat - communal farmers adopting conservation agriculture
Development Performance
Increased small holder incomes
Farm labour jobs FTE created.
Business Performance
Profit for company
Jobs FTE created
Outputs
Increased yield (maize, cotton, soya) using conservation agriculture
Sale of produce
Increased yields
Tolling arrangements for Large scale farmers
Storage and transport
provision of inputs
Contracting of farmers and provision of inputs
Identify new farmers
Lead farmer supervisors identified and trained
Contracting of large scale farmers
Provide extension support
Activities
Establishment and training of extension team
Communal farmer/Community mobilization
Sourcing and packaging of inputs
Marketing for large scale farmers
Inputs
Grant
Repayable grant
Matching funds
KPMG
The Fund Manager of the AECF is KPMG Development Services Limited

Annex 5: Systemic change indicators considered by the Africa Enterprise Challenge Fund

SYSTEMIC IMPACT **-** the wider development impact on the market system

The AECF expects that all projects, either directly or by engaging other partners, will address at least three of the six systemic impacts set out below. The grantee should include those key constraints that affect the operation of the business and those issues that the grantee would like to see changed (either by the business itself or others). The business should indicate those systemic changes that the business itself can influence and where change can be measured, and those that others could influence. Project managers in working with the businesses to clarify systemic change indicators should adhere to the following guidelines:

- Amend what was provided in the business plan taking care to include measurable information describing the current situation and what the business seeks to change or would like to see changed.
- Do not provide an exhaustive list, only provide indicators which are easily measurable, verifiable and can in some way be attributable to the project, or affecting its performance.

Table: Systemic change KPIs

Indicators of systemic change in AECF projects	
Replication	**1. Copying of the business model** by other businesses - ie they implement the AECF grantee business model as a direct result of seeing the benefits and so copy the idea. This refers to **businesses and investors** Eg, Other breweries begin to brew with cassava, MPesa model replicated across Africa • If the business model of other companies has similar key features as the grantee business model. • If it is likely that other companies knew about the grantee’s project. • How the grantee’s promotion or other activities might have influenced other companies.
	2. Crowding-in : Other businesses and services are encouraged into the space created by the AECF supported project. Eg A financial services organisation provides finance for out-growers in an AECF project, local people provide lunches for workers at a cotton ginnery, etc • How does the product or service build on the grantee project? • If it is likely that other companies knew about the grantee’s project. • How the grantee’s promotion or other activities might have influenced other companies.
	3. Copying successful practice: Other farmers / people outside of the project copy / adopt behaviours / technologies of the project as a result of seeing the benefits project primary beneficiaries are getting as a result of their changed behaviour. This refers to **rural people, smallholders, farm families, etc** Eg. Other farmers adopt conservation agriculture as practiced by Northern Farming contract farmers • If the other farmers’ behaviours are very similar to the beneficiaries’ behaviours. (These key behaviours are defined in advance in the RMP.) • If the other farmers made the behaviour changes after the beneficiaries and if they were likely to have seen or known about the beneficiaries’ behaviour changes.
Legal & Regulatory	**4.** Changes in the **business regulatory environment** as a result of the project: • The laws • The regulations associated with the laws • The manner in which the laws and/or regulations are implemented Eg. Working with the government to improve standards for importing vaccines, registering a virus for plant protection, enable mobile financial services, etc

Indicators of systemic change in AECF projects	
	• If changes are likely to have been caused, at least partly, by grantee activities. For example, if the government has improved regulations in a grantee's industry, what did the grantee do that would have encouraged the government to change the regulations? • The reasons for observed changes. The project manager asks the grantee and other respondents why they think specific changes have happened.
Factor and other Markets	**5.** Changes in **factor and other markets systems** as a result of the project. These would include the availability of: • Land, • Labour, • Capital/financial services, loans and • Information. Eg. Land prices increase, easier to access finance, labour prices change, influx of people for jobs, changes in access to information, etc Changes in factor market systems are the changes that the project causes in the main factor market systems of land, labour and capital, but also include ancillary markets such as information. For example: financial services organisations moving into an area to provide financial services to out-growers of an AECF project is 'crowding in', but if those organisations also begin to provide significant financial services to other people, businesses, etc that they did provide to before it can be said at there is a change in the capital market system as there is now access to finance in that area where there was not in the past (ie before the AECF project), or access to finance may have improved as a result of competition amongst the service providers crowded in.
Innovation	**6.** The grantee introduces **additional**[104] innovations **-** building on and improving the project / business model. As before, these innovations need not be something completely new, but new to Africa, the target group, etc Eg in contract farming adding different crops • What is the link between the grantee's new innovations and their AECF project? • How does the new innovation build on the project?

[104] The AECF selects for innovation in the Concept Note and Business Plan stages and the Investment Committees' decide on this and so it is assumed that all AECF projects are innovative in some form. The measure of 'replication' is an indicator of successful innovation. Innovations in systemic change refer to additional innovations to the business model.