

ENTERPRISE CHALLENGE FUND LESSONS LEARNED

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INDEPENDENT MONITORING TEAM
RESULTS

Canberra

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AN AUSTRALIAN GOVERNMENT, AUSAID INITIATIVE

Role of Independent Monitoring Team

- ≡ Contracted 2008-2013 to Validate Impacts of ECF
- ≡ Conduct Cost Benefit Analysis of 10 Projects (3 Asia-6 in Pacific. One project never started.
- ≡ Ad Hoc Support to AusAID
- ≡ Performance of Contractor

What Do We Expect of an ECF?

Business Idea

Competition: The Business proposes an innovative solution to overcome a Market Failure.

Business or Project?

Business is not beneficiary it is the delivery agent

Pro Poor

Match profit motive with pro-poor objective of Donor

Risk Sharing

Provide a grant /loan to an activity that cannot be funded commercially. Must be high risk and high additionality

What Do We Expect of an ECF?

Additionality

Would not have happened with the grant? Sooner? Bigger? or different target group?

Catalytic

Grant funding to stimulate other business activity around the grantee's business : systemic change

Public Money

Will be copied by others without additional donor funding

Portfolio approach

**Project to break even in 3 years
Not all will succeed.**

What A Challenge Fund Should not do?

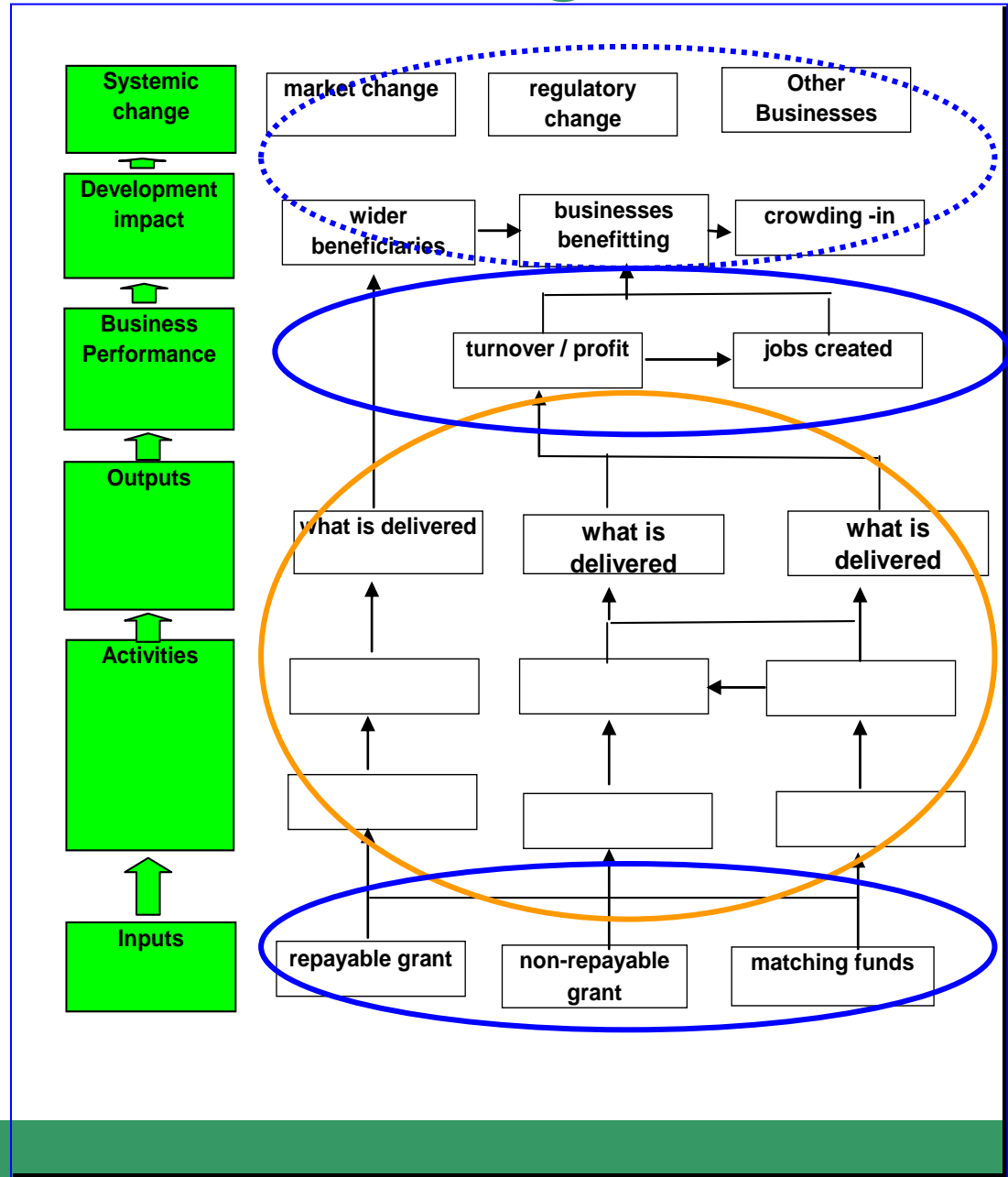
- ≡ Upgrade a business.
- ≡ Implement a technical assistance programme.
- ≡ Make the business responsible for measuring results of poverty reduction.

What Results Are We Looking For?

Fund Manager

Business

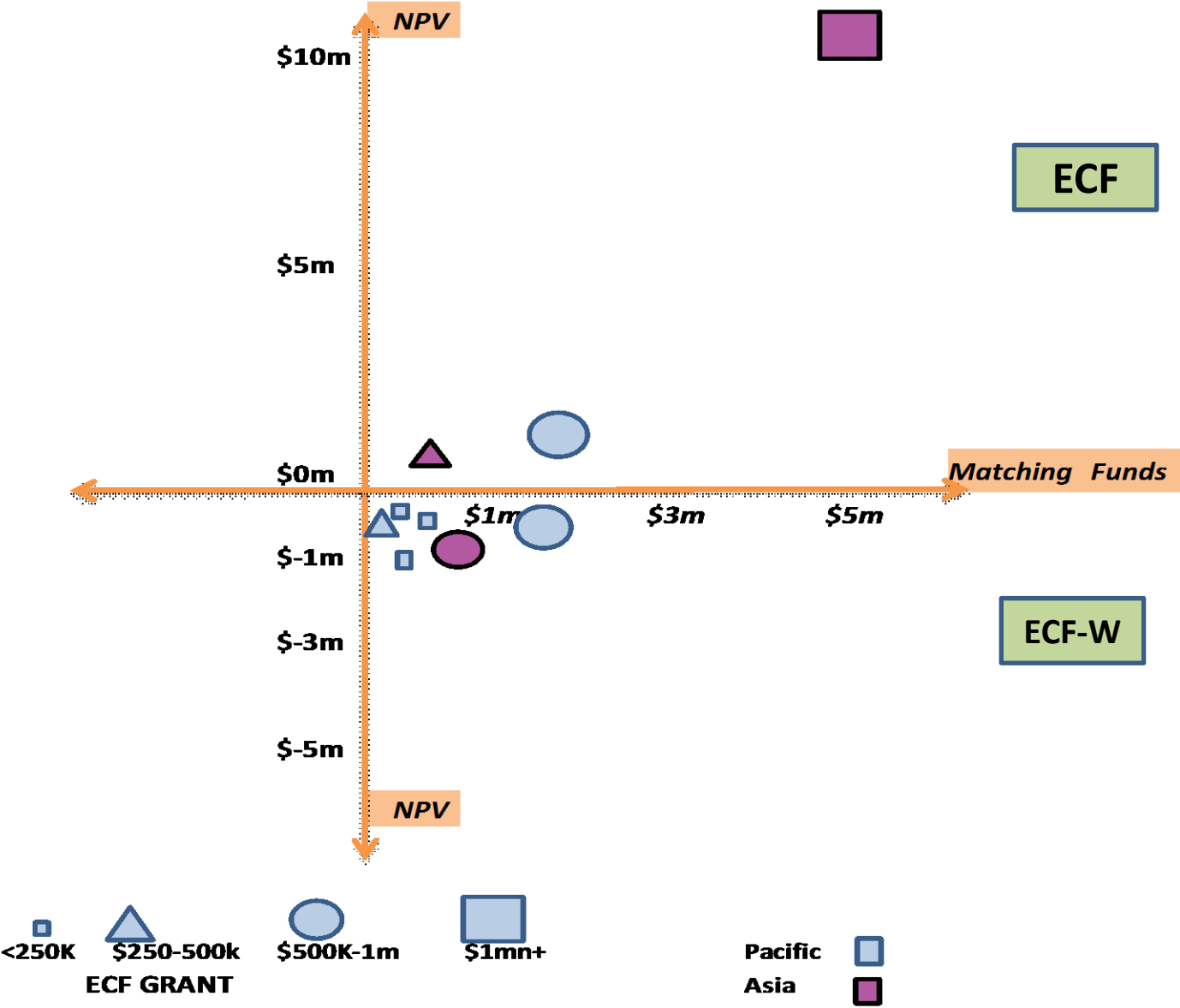
Fund Manager



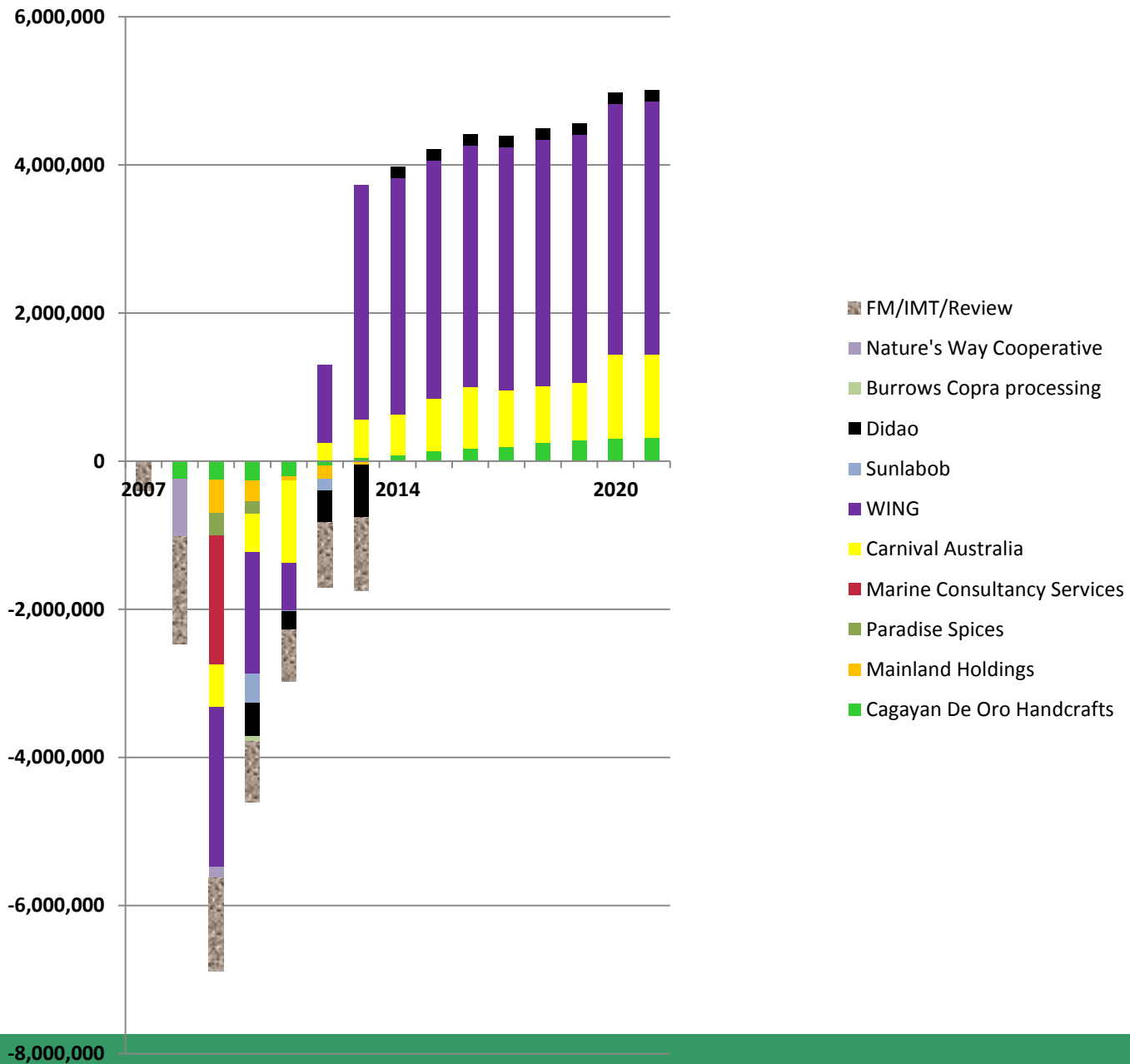
Results of ECF

- ≡ Overall Results from the ECF in 9 countries is a mixed picture.
- ≡ 4 out of 10 selected projects from ECF achieved a positive Economic Internal Rate of Return.
- ≡ EIRR including all fund manager costs : return of 17%.
- ≡ The results from Asia and Cambodia in particular are much more positive than in the Pacific.
- ≡ 6 years is a long time for a pilot but important lessons in process, implementation and monitoring have been learned.

Cost Benefit Analysis



CBA- RESULTS- Total Cash Flow



What Have We Learnt- Donors?

- ≡ Demonstrated and leveraged businesses to play a significant role in poverty reduction.
- ≡ Gaining the confidence of a business to be reactive, innovative and find a solution. How you get there does not matter!
- ≡ Success of one project can lead to a change in the market system.
- ≡ Can provide a valuable learning platform for private sector development policy.
- ≡ Can be an efficient use of donor funds.
- ≡ Need for sector and country focus

What Have We Learnt- Fund Managers?

- ≡ Understanding the need for a focused approach
- ≡ Due diligence: understanding the importance of good project selection.
- ≡ Need for critical mass of projects
- ≡ Understanding the need for a good results measurement system
- ≡ Understanding the roles and responsibilities for results measurement.

What Have We Learnt- Businesses?

- ≡ Key role that business can work at the bottom of pyramid profitably
- ≡ Building of a mutually beneficial relationship between the business community and donors.
- ≡ Alignment of motivations:
 - ≡ Business of Business is to make profit
 - ≡ Business of Donors is to impact on poverty