

# The value of technical assistance in supporting inclusive business

Lessons learned to date

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### List of acronyms

<b>AECF</b>	Africa Enterprise Challenge Fund
<b>BCtA</b>	Business Call to Action
<b>BoP</b>	Base of the economic pyramid
<b>CM</b>	Country Manager
<b>CSR</b>	Corporate social responsibility
<b>DFID</b>	UK Department for International Development
<b>IAP</b>	Innovations Against Poverty
<b>IB</b>	Inclusive business
<b>M&amp;E</b>	Monitoring and evaluation
<b>MNC</b>	Multinational corporation
<b>PwC</b>	PricewaterhouseCoopers
<b>SC</b>	Selection committee
<b>SIDA</b>	Swedish International Development Cooperation Agency
<b>TA</b>	Technical assistance
<b>ToB</b>	Terms of Business

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### Intended audience

This report is intended to provide initial lessons learned to date on the Business Innovation Facility's experience providing technical assistance to inclusive businesses. It was developed for staff in the UK's Department for International Development and for other donors and funders interested in directly supporting the development of inclusive business models globally.

Other lessons learned reports, aimed at wider audiences, will be published by the Facility in the near future.

# Executive summary

The Business Innovation Facility is piloting a new approach to supporting inclusive business: providing technical support that helps companies to unblock bottlenecks and take their inclusive business ventures to market and scale.

With an international network of service providers and a local presence in five countries, the Facility aims to support at least 75 such businesses over the three years of its implementation. Now halfway through its pilot, some key preliminary lessons are emerging about this approach:

**1. Providing technical support directly to companies takes considerable time and resources but the potential to catalyse impact at scale seems likely to justify the investment:** Providing technical assistance (TA) can deliver high value to companies, with clear additionality. Input helps them to develop sound sustainable and replicable inclusive business models, with potential to deliver solutions to poverty at scale. Technical input can strategically targeted at over-coming bottlenecks to success. But it requires additional investment in management and some new procedural methods compared to more typical donor approaches of providing grant support, such as through a 'hands-off' challenge fund. The TA approach costs proportionally more to manage because there is intensive and extensive engagement between companies and the Facility, both before and after the application, for a relatively low actual disbursement. However, initial assessment suggests that additionally is strong and, ultimately, social returns will justify the investment.

**2. Expected results are diverse; tracking results is critical but difficult:** Anticipated results range from direct gains for hundreds of thousands at the base of the pyramid (BoP), through systemic impacts on sectors and business practice, plus multiplier effects via knowledge exchange. The framework for monitoring programme results is subject to conflicting pressures and carefully designed to balance multiple needs. On the one hand, it needs to be robust and ambitious, so as to better understand inclusive business and programme results and capture the many types of results that are catalysed. On the other it needs to be light, to avoid a burden (transaction tax) on companies and keep monitoring in proportion to small spend per project.

**3. Company size matters, but a variety is good:** Both large and small companies have a place in a programme like this and each comes with their advantages and disadvantages. Larger companies have more resources to leverage and are more able to operate at scale. But the conversion rate from an initial discussion to funded projects is lower and slower. The eventual project may struggle to compete with other corporate priorities. Progress tends to be much faster when working with smaller companies where the inclusive business project is the company, energised by the lead entrepreneur. But these projects are typically more resource constrained, facing greater challenges to reaching scale.

**4. Going local is key to success in this approach to company engagement:** Sourcing projects, building trust, managing engagements and harnessing lessons learned all require feet on the ground with strong local knowledge, networks and perspectives. As the Facility has evolved, so too have the roles and responsibilities of Country Managers (CMs). The strength of their existing networks and skill sets play a significant role in the potential success of a programme like the Business Innovation Facility.

**5. Plan for delays, focus on networks:** The Facility has a de-centralised structure with both a national and international footprint and coordinates with stakeholders from different sectors whose languages and perspectives often differ. Time lags are common in many stages of the process (e.g. contracting, resourcing TA) and poor connectivity in lesser developed areas compound the challenge of achieving the level of communication and coordination necessary to ensure targets are met. Some of these challenges are a necessary part of good project development and should be anticipated. Others can be minimised by investing in proactively strengthening the networks between the various stakeholders involved, such as between CMs and international TA providers.

**As a new approach for building a bridge between donor and private sector resources, the Facility is learning by doing.**

**This report details these and other insights intended to help inform the next generation of donor-supported activities that support the continued growth of inclusive business.**

# 1 Introduction

## The purpose and scope of this report

The UK Department for International Development (DFID) established the Business Innovation Facility as a three year pilot project to test an approach to applying donor resources to catalyse inclusive business (IB). **Inclusive business is defined as profitable core business activity that also tangibly expands opportunities for the people at the base of the economic pyramid (BoP).** As a pilot, one objective is to learn lessons as to how to support company-led inclusive business projects and feed these insights into future DFID and donor support.

The objective of this report is to draw out the initial lessons learned from the inception of the Business Innovation Facility to the mid-point of the second year of the programme. It focuses primarily on the provision of technical assistance as the core function and looks at the programme's design, operation and value to companies developing inclusive business models. The report reviews how the approach has worked for the Facility, but then also draws out lessons learned that apply more widely to donors and other supporters of inclusive business, particularly those designing challenge funds and other donor tools that directly support the private sector.

It is too early to draw any firm conclusions; these are preliminary findings. The report is not comprehensive; it does not review the Facility's project portfolio, nor does it cover the Facility's knowledge sharing activities in any depth. Information on these is available on the Practitioner Hub – [www.businessinnovationfacility.org.uk](http://www.businessinnovationfacility.org.uk) – and both topics will be covered in future reports.

## Summary of the Business Innovation Facility programme

The Business Innovation Facility is funded by the UK Department for International Development running from 2010 to 2013. The Facility works across sectors and across a wide range of businesses to support inclusive business models that have the potential to go to scale, either through organic growth or through replication of the model by others.

### The Business Innovation Facility supports these initiatives through the provision of:

**1. Technical assistance (TA):** Companies that are developing inclusive business models in Bangladesh, India, Malawi, Nigeria and Zambia are eligible for technical support. The support is provided to larger projects on a cost-sharing

basis, while smaller shorter inputs are funded solely by the Facility. A key output is providing cost-sharing support to at least 40 businesses over the three years of implementation.

**2. Knowledge:** The Facility supports the wider inclusive business community, beyond five pilot countries, through learning, knowledge sharing and dissemination.

This is done through events, a growing range of short publications which draw lessons from project experience and the Practitioner Hub on Inclusive Business, which is operated in partnership with Innovations Against Poverty (IAP), funded by the Swedish International Development Cooperation Agency SIDA. The Hub is a gateway to material about inclusive business in practice – both from the Facility and IAP and from the wider inclusive business community – and a forum where members can exchange ideas.

Since inception, the Facility's budget has increased from £3 million to £7 million, allowing it to increase the number, size and types of company engagements (still only within the five pilot countries and by 2013), and supporting its expansion of knowledge exchange activities.

The Facility is managed for DFID by PricewaterhouseCoopers LLP (PwC) in alliance with International Business Leaders Forum (IBLF) and Accenture Development Partnerships (ADP). It is implemented in five countries in collaboration with Imani Development, Intellectap, Renaissance Consultants Ltd., The Convention for Business Integrity and Challenges Consulting. These seven partners are collectively known as the Management Alliance. TA providers are coordinated by Country Managers (CMs) in each of the five countries and overall management is provided by an international management team based in the UK.

## The logic underpinning the approach of the Business Innovation Facility

The Facility aims to help companies tackle bottlenecks or seize opportunities to develop inclusive business, because successful inclusive businesses can deliver solutions to poverty at scale.

This is a different approach to conventional donor funding, and one that is based on assumptions that a small strategic input can catalyse a change in business behavior, which through a chain of causal links results in development impact that is sustainable and scalable (illustrated in Diagram 1 below).

### Technical support available:

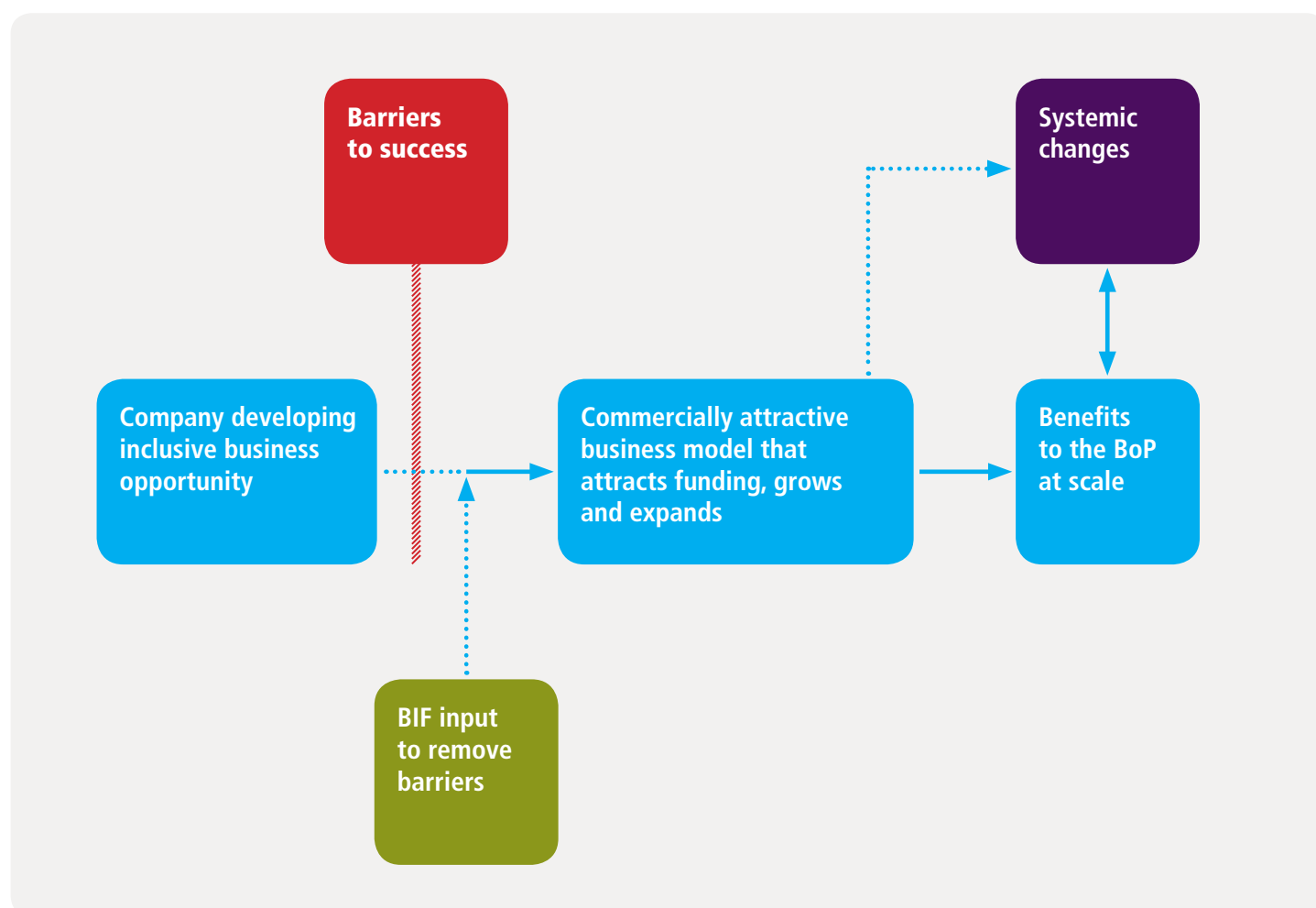
- **'Large' projects**  
Current TA allocations average £50,000, matched by the company on a cost-sharing basis. Originally, the average was £30,000.
- **'Small' projects**  
Up to £10,000 of non-cost-sharing technical support provided by the Facility.

Facility input is focused early on in the causal chain, on development of business models that work (depicted in the more detailed logic chain in Annex 1). Companies face a number of challenges as they progress from initial ideas to scaled solutions. These range from a lack of information on potential markets leading to weak revenue or growth models, to a lack of internal skills or external partnerships for successful implementation. The net result is high risk, lack of investment and slow progress. Facility input can help companies address these challenges, accelerating progress to more investable models capable of scaling their impact.

Once bottlenecks are addressed and the business develops, there are many other impacts and ultimately a social return – which is the motive for donor input. Business operations provide access to new opportunities or solutions to low-income people, or the ‘BoP’. Because it makes a profit (which is essential to this logic), the company invests in business growth, thus spreading opportunities wider without on-going donor input. Once the innovative business model is market-proven, others may adopt and adapt it, thereby scaling benefits further.

**Once an IB model is ‘proven’, donor input is no longer needed: commercial success provides the driver for sustainability and growth.**

**Diagram 1: Logic chain of the Business Innovation Facility**



## 2 Programme design: Core features and their implications

The Business Innovation Facility was created by DFID to support the development of inclusive business models in the private sector. Its structure draws on lessons learned in other programmes, such as Challenge Funds, but has some distinctive and innovative design features that have a strong impact on who the Facility engages with and how.

**These key design principles include:**

1. Offering technical assistance rather than grant support or capital
2. Establishing a strong on-the-ground presence in a limited number of countries
3. Prioritising engagements based on potential impacts rather than specific sectors
4. Generating and sharing IB knowledge to boost impact



## The Business Innovation Facility's offer: Technical support not finance

**Finding: Provision of technical support (not financial support) can deliver high value and clear additionality, but it has narrower appeal than cash and higher transaction costs.**

The Business Innovation Facility provides technical support rather than financial assistance, differentiating it from many existing Challenge Funds (e.g. Innovations Against Poverty, Africa Enterprise Challenge Fund (AECF)) that also directly engage the private sector. Assistance packages vary, but more substantial engagements are typically valued at around £50K and are used to finance technical and advisory inputs from on-the-ground experts who help companies tackle a

bottleneck or seize an opportunity (for more on the Facility's offerings, see Section 3.2) The TA provided by the Facility is applicable to IB models at all stages of development (design, pilot, implementation or scale-up) and is useful for companies of all sizes (from start-up to multinational corporation (MNC)).

The Facility is ideally suited to companies that are already working on an IB venture and recognise that some skills are missing in-house, external input is needed for greater momentum, or experience from elsewhere can add value. The TA is usually focused on weaknesses that are constraining viability or sustainability. Improvements to the business model often indirectly strengthen companies' ability to raise funds from others, while in some cases TA focuses explicitly on seeking and brokering appropriate sources of finance.

### Positive results

- **High impact on the company:** TA can make a substantive difference to company business plans. In some cases the technical input makes the critical difference between progress or not.
- **Learning by doing:** 'Hands-on' intervention allows the Facility to generate deeper learning that is relevant to IB practitioners.
- **Value not dependent on company size:** TA is useful to large companies that have a pilot and are not sure how to scale-up, as well as to start-ups and small companies that lack the time, resources and expertise to progress an innovative idea.
- **Differentiated value proposition:** TA gives the Facility a clear unique selling point within a maze of financially-oriented donor programmes.
- **Access to finance** is enhanced, through strengthening the business model and investment readiness, despite not offering finance.

### Challenges

- **Perceived limited value:** For some companies the value proposition of TA is not strong, particularly at first sight. Some inclusive businesses prefer the flexibility of a grant or require finance first and foremost. Or they require much more substantive support.
- **Management time is higher:** Matching Facility inputs to company needs is onerous – much more so than agreeing to an appropriate funding amount. Providing TA requires greater management time and effort (and therefore cost).

### Wider lessons learned

1. A few months' technical assistance can be business-critical: strengthening a business model or boosting momentum and thus overcoming constraints to viability and scale.
2. Offering TA without any financial support can reduce wider interest in the programme: a smaller sub-set of businesses are interested and interest takes time to mature. But for those that do seize the opportunity, the need and perceived value seem high.
3. If finance is the priority need, TA can help by making projects investable. But there will still be cases where only a financial grant will bring down risk sufficiently for the business.
4. Transaction costs are high. Although there may be ways of lowering some of these costs (by streamlining the contracting process, for example), providing TA does require higher management input than more traditional forms of grant support. More interaction is required both prior to application (to carefully identify the bottleneck that needs input from technical support) and after selection (to recruit and manage the technical input).

## Geographic focus: Five countries

**Finding: Exclusive focus on five countries enables on-the-ground country management, which has been critical to this 'hands-on' approach. It also facilitates networking and knowledge exchange.**

The Facility only supports inclusive business ventures that operate in Zambia, Malawi, Nigeria, India and Bangladesh. Establishing a strong on-the-ground presence is critical to the 'hands-on' nature of the Facility's engagement. Sourcing projects, building trust, managing engagements and harnessing lessons learned all require expert feet on the ground. Though establishing a clear geographic focus does prevent the Facility from meeting other regional demand for its offerings, this structure allows it to optimise effectiveness in the five.

In each country the Facility is led by a Country Manager (CM), each of whom is part of an established organisation already

working with local businesses. The five CMs lead engagement with companies, from the initial prospecting and pipeline development to oversight of the TA provision. Finding CMs with the appropriate mix of skills and established networks is critical. They have a diverse set of skills; some had extensive IB and private sector development experience, while others had experience with large donor funded projects.

The international team headquartered in London provides management across all five countries and leads on contracting, performance management, monitoring and evaluation (M&E), DFID engagement and knowledge exchange. Each country also has a Country Focal Point in the international team who is able to support with liaison at the international level and may feed contacts to the CM. While at first company outreach was driven from the centre, once CMs were established, outreach has largely been driven from inside the country.

### Positive Results

- **Local knowledge and trust:** A strong on-the-ground presence enables the Facility to better understand specific company needs, design appropriate TA offerings and engage effectively on a basis of trust.
- **Local networks:** The existing networks of the CMs and their organisations are valuable assets that are easily leveraged. These relationships allow the CMs to find exciting emerging IB opportunities that would not be readily seen from the outside.
- **Focal point:** CMs act as a multi-purpose focal point, able to signpost to useful material, provide project TA, facilitate multi-donor collaboration and, increasingly, bring networks together via local events.

### Challenges

- **Set-up and management:** Given the nature of providing support to IB, finding CMs with the right set of skills can be difficult. There is an upfront investment and ongoing management cost to supporting CM capacity.
- **Reaching MNCs:** Engagement with multi-national companies can be harder when outreach starts from the national level and coverage is in only five countries.
- **Cross-country learning:** CMs are immersed in country level work and it is difficult to reflect and devote time to cross-country learning; though extremely insightful when they can.

### Wider lessons learned

1. On-the-ground country management is an effective structure for a TA-providing programme. While there are investment costs and a 'ramp-up' period, CMs are central to finding good projects and managing effective TA. CMs can also integrate other functions that promote IB at the country level, such as facilitating networking and knowledge exchange.
2. The pre-existing networks have a strong influence on programme outreach and how the pipeline is initially developed.
3. The time required to do the job well should not be under-estimated. The role works much better when it is the primary job of at least one person, not a minor add-on, with continuity. The importance of face-to-face interactions to build trust and share lessons learned – not only between UK and country-level staff, but between the CMs themselves – should not be underestimated.
4. If a wider geography had to be covered, alternative approaches would probably need to be explored, such as regional managers with part-time country-level support. It would be important to maintain the benefits of on-the-ground expertise, trust and networks.



## Sector and business focus

### Finding: Selection criteria focused on the business model rather than type or sector of business aims to maximise additionality.

The Facility's selection criteria are based on potential for commercial and social return, innovation and scale. Facility support can be given across any sector (with a few exclusions such as arms, tobacco and gambling) and to companies of any size, whether at start-up or scale-up stage (for more on how company size affects interest and take-up, see Section 3.1). The venture should also have a good chance of success – based on commercial viability but also dependent on who is involved.

At the same time, there should be a case for additionality from the Facility – evidence that TA support will add value to existing activities and produce better outcomes. This means the Facility is looking for the 'sweet spot' where TA

makes a critical difference to a venture that would not have happened without support (or speed up an activity that might otherwise have taken longer to develop), while avoiding those that simply fail. That said, there is an appetite for risk and we expect a proportion of the ventures to fail, just as an equity investor would. Finally, the level of cost sharing support provided by the company is also considered when evaluating potential portfolio companies.

These principles apply across all countries. However, Country Strategies seek to target high-potential sectors and adapt the value proposition based on local context. This has led to a large proportion of agribusiness ventures, particularly in Malawi and Zambia, while in India the focus is on models that focus on the BoP consumer market. This in turn has led to mutually reinforcing clusters, and sometimes explicit partnerships, between the companies involved.

## Programme design

### Key criteria for support from the Business Innovation Facility:

- **Clear potential for commercial viability and return**
- **Inclusion of the BoP at any part of the value chain**
- **Positive contribution to development and/or environment**
- **An element of innovation**
- **Potential to go to scale**
- **Additionality from Facility input**
- **Strong cost sharing support from the company (for CS projects)**

### Positive Results

- **Investing for impact:** The criteria on additionality and scale allow the Facility to focus donor resources on where they have the potential to make the most difference for poor people.
- **Commercial viability:** The criteria help to avoid the more plentiful corporate social responsibility (CSR) based models that abound. At the same time, the criteria do not rule out initiatives that stem from a CSR or non-profit origin, so long as commercial potential is clear.
- **Flexibility:** Avoiding preconceived sectoral ideas allows the Facility to focus on the broader issues around IB (e.g. market reach, innovation), support cross-sectoral innovation and adjust to country context.

### Challenges

- **Evaluating criteria:** Additionality, scalability and innovation are difficult to evaluate and rank. While estimates for numbers of people reached at the BoP can be made, this is not a good proxy for total development impact. Striking the right balance between criteria can be difficult.
- **Limited sector expertise:** Selection and TA may be more difficult if the SCs and CMs are assessing and supporting businesses in sectors with which they are not familiar.
- **Less clustering of interventions:** Working across a range of sectors means that there is less opportunity to develop projects which support each other within one sector.

### Wider lessons learned

1. The combination of criteria used by the Business Innovation Facility has worked well to focus on projects that have a good chance of commercial success leading to development impact at scale. It also allows for risk and tolerance of failure and helps to create a diverse portfolio.
2. Assessment of projects against criteria is most definitely an art not a science, particularly around innovation, scale and systemic impacts.
3. There is a trade-off between having a sector focus with added expertise and having the flexibility of being sector-agnostic, more able to respond to high-potential opportunities. This is a key trade-off that any designer of a TA facility or challenge fund will need to consider.

## Exchanging knowledge to boost impact

### Finding: Multiplying impacts via exchange of knowledge is difficult but important

The objective of the Business Innovation Facility's knowledge exchange activity is to share evidence and lessons learned that support the transformation of business practice and the diffusion of inclusive business.

The Facility is well placed to generate and share knowledge on the realities of IB because it combines considerable 'hands-on' engagement with project monitoring, a lesson-learning approach and the beginnings of networks for dissemination. The Facility's TA providers are directly engaged with companies, helping them overcome a variety of barriers to business

success. Disseminating these lessons to a wider set of IB practitioners will multiply the Facility's impact by supporting more businesses.

At a country level, exchange of knowledge and signposting to international experience is done by Country Managers or TA providers, while supported by materials that are on the Practitioner Hub and experience in the international team. At an international level, knowledge exchange draws on the country work and channels it to others, mainly via the Practitioner Hub and written publications, or occasional events. The initial focus was on "What is IB?" and signposting to IB knowledge and resources that exist elsewhere, but is now shifting to outputs around the "how" of inclusive business development.

## Programme design

### Knowledge exchange activities:

- **Drawing out lessons from country work to share more widely**
- **Signposting useful resources to clients in-country**
- **Facilitating exchange between practitioners, both on the Practitioner Hub and through in-country events**

### Positive Results

- **Boosting impact within country:** Sharing knowledge via CMs and TA providers adds to the Facility offer. Given CMs familiarity with clients, a small piece of sign-posting can add a lot of value. Fertilisation across projects can strengthen TA provision.
- **Sharing TA expertise internationally:** TA provision benefits one company, but once insights are converted into tools, publications or resources, other practitioners can also gain.
- **Unique learnings:** The 'hands-on' nature of the Facility allows it to capture lessons that are based on in-depth understanding of company challenges and solutions and go well beyond descriptive case studies.

### Challenges

- **Competing priorities:** There can be trade-offs between objectives to share knowledge and get project delivery done. Although new knowledge is derived from projects, it takes considerable extra time to convert it into useable knowledge for others.
- **Confidentiality:** Companies can be unwilling to share information while they are still at early stages of IB development. Hard figures make examples most useful to others, but confidentiality concerns have to come first.
- **Identifying and prioritising audiences:** There are multiple potential audiences for IB material, all with differing requirements. Avoiding information overload while going beyond the superficial to share true insight is a challenge.

### Wider lessons learned

1. Impacts of 'hands-on' projects can be extended by sharing knowledge. Many IB practitioners are operating with little access to international IB networks and even minimal signposting to other sources of support can have high value. 'Hands-on' engagement generates insights into IB challenges and solutions that are currently in limited supply.
2. The time and resources needed for knowledge exchange activities should not be underestimated. M&E activities need to be planned for from the start and a 'learning culture' across the team should be established early. Turning insights into usable knowledge products also requires further investment of resources in production and dissemination.  
  
Participants invariably report that they benefit greatly from exchange with other companies, but are most comfortable doing this face-to-face. An online platform can be useful, but is not a direct substitute and a frank exchange between companies is unlikely online.
3. Assessing the impacts of knowledge exchange is difficult but important. Deciding what to track and when, is difficult since impacts often occur far down the line and attribution is hard to assess. Yes information on the value of different types of knowledge exchange activities is needed to prioritise activities.

# 3 Programme operation

## Running a Technical Assistance Facility

### Attracting, selecting and contracting applicants

The Business Innovation Facility's team members have explained the programme's offering to over 200 companies, both large and small, and another 100 organisations that are not registered companies but are involved in IB. Of these, about 10 per cent have resulted in contracted projects as of early 2012. This section provides insights on pipeline development, the application and selection process and the establishment of contracts.

### Developing the pipeline: Narrow and long

**Finding: The project development pipeline was a narrower funnel (engaging fewer companies) than expected and more protracted (taking a longer time) to reach selection.**

The original thinking at the proposal stage was that there would be a fairly wide 'funnel' in that many companies would be engaged and then relatively few would end up having some fairly substantial support. To guide pipeline development activities, a strategic approach for each country was developed that defined which sectors and companies would be targeted.

In practice, there has been a narrow funnel consisting mainly of companies and organisations that have been approached through the existing networks of the Management Alliance, DFID and local CMs. Initially, outreach was conducted primarily through international networks, but as CMs have become more embedded, conversations are increasingly driven at the country level. The resources and priorities of the country teams were not set up for managing large open competitions and all the unmet expectations that would have resulted. They have been applied to converting a range of country level conversations into well-developed applications. In some cases, this has taken time.

The majority of large projects have emerged from engagements with companies that are already developing an inclusive business idea, and relatively few where the Facility has facilitated the process of innovating a basic concept opportunity (see Engaging large companies box). The latter takes considerable time and effort, although the same has sometimes proven true even if a company already has an IB concept in place.

### Engaging large companies:

**The conversion rate between outreach conversations and contracted projects turned out to be lower for large companies than for small ones. In instances where a project did not materialise, companies may have had no supportable initiative, needed cash rather than technical assistance, or found the offering to be too small or short term to be useful.**

**In cases where the conversation with a large company did evolve into a project, companies typically had at least one of:**

- A project at pilot stage that needed help getting to commercial viability and scale
- An internal champion and team that needed to convince other departments or demonstrate success
- A senior person with a clear vision, trying to operationalise an approach
- A need to develop relations with external stakeholders

### Wider lessons learned

1. For small programmes like the Business Innovation Facility, it is important to avoid a wide funnel and set realistic targets on the number of engagements that can successfully be secured.
2. It is critical that organisations in management roles have strong pre-existing networks and relevant contacts.



## Applications and Selection: Criteria and independent assessment

**Finding: A combined approach of collaboration with the company to develop a strong application with assessment by an independent selection committee has worked well.**

### Application Process

The development of project proposals has often been very collaborative between companies and Business Innovation Facility staff. The Facility adds value by helping to shape the IB model, understanding where the gaps are that TA could address and then assisting in drafting the actual proposal and presenting a clear case for support to the selection committee (SC). Simply preparing the application can help the company to sharpen its plans. There have been cases where this did not result in a successful application, but the company nevertheless found the process useful for their own re-thinking of their approach.

The process does have its share of challenges, including:

- **Balancing quality, deadlines and company commitment.** While companies drive their projects, some are reluctant to take ownership of the application process and an unfamiliar form, at a time when TA provision is still just hypothetical. As fixed application deadlines loom, Country Managers have to balance the need for a quality form that does justice to the venture with the need to ensure company ownership. The SC has insisted on demonstrable company commitment to the venture, whether as signed Board support or staff investment, rather than in ownership of the editing process.

- **Defining 'match funding':** Input from the Facility is supposed to be matched with at least equivalent input from the company. In practice, the match is hard to define when the company is investing substantial resources in a business but is limited in its ability to find further resource towards the TA that is funded by the Facility. This has led to a significant underestimation by the Facility of total company contribution to large projects. In many cases, the match contribution has ended up listed as in-kind contribution, particularly time of management staff.

### Selection Process

When allocating donor support to private companies, the selection process needs to be clear and efficient, but is inherently challenging. Building on the lessons learned in other programmes such as DFID's challenge funds, the Facility has implemented a single stage selection process that utilises an independent selection committee to assist with the approval or rejection of cost-sharing projects. The SC adds value both as a filter to screen out projects that do not adequately meet the criteria (for more on criteria, see Section 2.3) and by strengthening projects through review and challenge during SC meetings.

Analysis of the competitiveness of the project against the criteria remains central in selection decisions. Relatively few are rejected outright and those that are tend to be the weakest commercially. The process has evolved to ensure the application forms are supplemented by feedback from DFID country advisors and input from CMs on how the project aligns with the overall country strategy. Members of the SC are well experienced in investment, fund allocation and business management. This results in high quality comments from the SC, helping the Facility's management team to further develop and refine project support as approved projects progress to contracting and implementation.

## Programme operation

**About 20 per cent of contracted projects were rejected on their initial screening, but approved after strengthening their proposals based on SC feedback.**

**Overall conversion rate is 87per cent and rising.**

### Wider lessons learned

1. Having CMs with well developed business skills is essential to both the substance and presentation of a strong case for support to the SC. A good business may not write a good application for a SC.
2. A single stage selection process works well in combination with feedback, re-work and resubmission of initially rejected applications.
3. It is difficult to get the entire selection process right first time. It is useful to allow for an early bird round and further revision of forms and processes.

## Contracting and Terms of Business (ToBs)

**Finding: Contracting challenges – and delays – have arisen when working with large companies generally, and MNCs in particular.**

Once a project is approved, but before implementation can begin, the Business Innovation Facility signs a contract with the company that defines the Terms of Business (ToBs) under which the services will be delivered, confirms the scope of work that will be carried out and provides confidentiality and liability protections. The contract is held between PwC (the organisation managing the Facility) and the company receiving support. The ToBs are a reflection of both PwC's and DFID's requirements. Several challenges have arisen during this contracting process when working with many companies generally, and larger MNCs in particular:

- **Getting internal sign-off:** In-house legal teams take issue with many points on the ToBs. Intellectual property rights, liability and the country in which the contract is let under (e.g. UK vs India) are the three most common areas of difficulty.
- **Conditions associated with grants:** At times, the Facility will give a company a grant to hire a consultant for the specific TA required. Giving a company money (rather than just services) requires extra conditions.

These challenges have caused significant delays in implementation for some projects. Over time, the Facility has streamlined its contracting process internally, but delays still occur and must be planned for accordingly.

### Wider lessons learned

1. A transaction cost of doing business with companies is the need for a contracting process. Small and large companies will encounter different hurdles. Donor norms regarding intellectual property and other standard terms and conditions may be challenged. DFID's terms and conditions should be examined to check if certain clauses can be edited to further streamline the contracting process.
2. It is important to plan a streamlined contracting process to speed efficiency: sharing the ToBs well in advance, utilising the in-country relationships of CMs, contract management expertise in London, while being able to call upon senior or legal colleagues when necessary. However some query and delay is still to be expected.



## Finding the right type and level of technical assistance

The Business Innovation Facility provides companies with access to TA that they would not be able to get through other means. These services provide solutions to challenges that companies experience at all stages of the inclusive business development process, from scoping to scaling. This section discusses the process of identifying and resourcing TA requirements, the variety of TA packages offered and the types of TA found to be most in demand.

### Types of technical assistance found to be most in demand

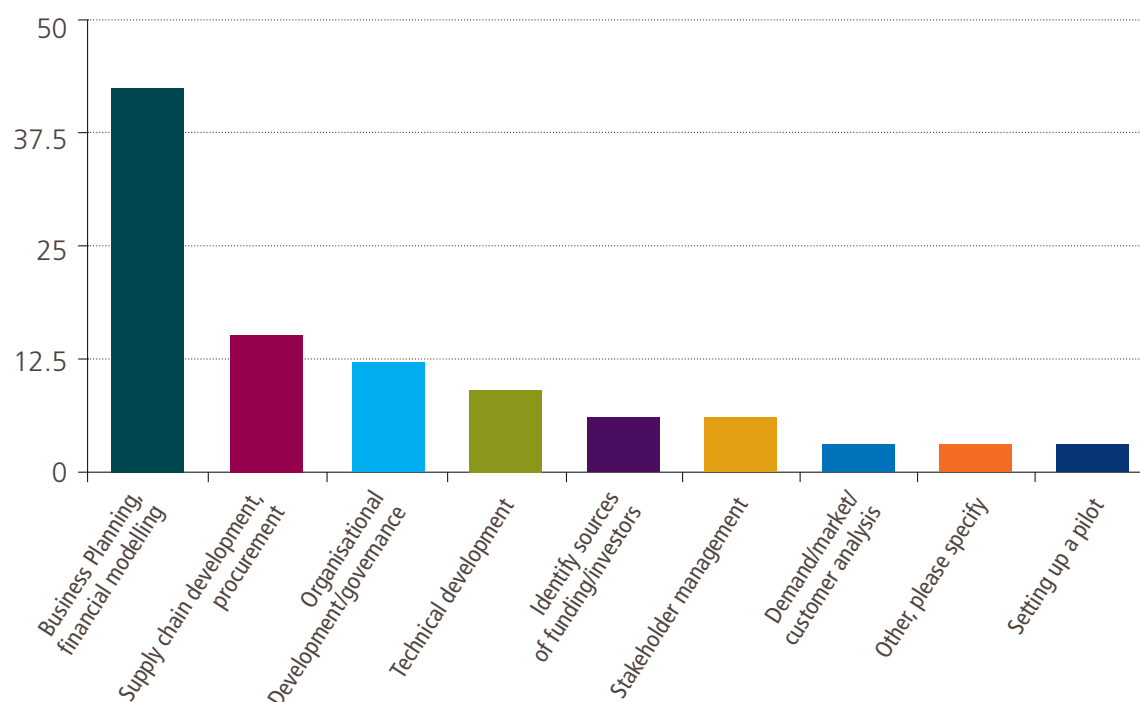
**Finding: Companies are most often in need of business planning TA.**

Based on an analysis of 33 large projects in the portfolio, the most common type of TA requested is around business planning. This may be enhancing the overall business model, or may be focused on a specific aspect such as assessment

of markets and willingness to pay. The focus on TA provision around business planning and financial planning support reflects the fact that in many projects there is a clear business proposition, or a pilot that is in action, but the essential need is to develop a viable business model to reach the market and reach scale.

Requests for value chain capacity building are most common among projects in the agriculture sector. Support to partnership brokering and facilitation is available within the Alliance. It is not often explicitly requested, but it often turns out that a key part of effective input involves setting up new partnerships or improving existing ones, whether with farmers' associations, investors, or distribution partners. Assistance to become investor-ready and secure finance is explicit in some projects. In others it is the logical next step after the Facility's input has expired. Ideally, with new confidence and more robust business models, the company would be more able to risk resourcing the appropriate expertise that is needed.

### % of companies requesting TA



### Wider lessons learned

1. There are no significant relationships between type of company by size or sector and type of support requested. For instance, business planning support for small companies is not proportionally higher than for large companies.
2. While business planning is high in demand, it needs to be provided by experts who are familiar with international development and ideally with a commercial situation that incorporates social value.
3. Input on partnership support has low explicit demand but often emerges as important and is evident in many aspects of the support provided.

## Scoping and resourcing projects

### Finding: The most significant challenge to resourcing TA is timing and project management.

As part of the development of a project application, CMs work with companies to develop the scope of work and identify the specific resources (i.e. business planning consultant, financial analyst, etc.) that will be needed to support project implementation. TA providers may be hired direct by the company, provided from within the Alliance, or sourced by the Alliance from external experts.

For the most part, the Facility has been able source high quality and effective resources to its projects. But the timing of resource deployment has proven to be challenging for several reasons, including:

- **Sporadic requirement of resources:** Some projects have certain 'stop and go' elements where a resource cannot be utilised consistently and requires resources with the flexibility to start and stop. This can be very difficult for individual/company TA providers – particularly those from Alliance partners – to plan and source.
- **Fit with company timing:** All Facility projects have a specific company advocate; however this resource may not be able to guarantee that internal staff and priorities

are able to focus on the project at the planned commencements. Agricultural projects are particularly sensitive to seasons and may need either a rush or delay to fit before or after a season.

- **The right technical expertise:** CMs are often challenged to identify the right types of technical expertise at the outset. However in practice, often the required expertise is not identified until a consultant begins working closely with a company. Many companies also require a combination of longer-term general support (business planning, etc.) combined with shorter terms technical support (agriculture supply chains, etc.) which proves challenging to plan.

In order to provide the technical mix and flexible timing that companies need, the Facility has made efforts to broaden its mix of organisations providing TA capabilities. Additional companies and specialist individuals have been added to the Alliance and Country Management organisations have become core parts of the network of expertise. The latter now account for the majority of TA resources deployed, as many companies have expressed a preference to have project support provided through the CM. Efforts have also been made to strengthen the relationship between CMs and Alliance partners to further improve coordination.

## Programme operation

### Sourcing TA:

Initially, where the right TA could not be sourced through the Management Alliance, companies were given a grant in order to hire the consultant themselves.

However, this proved difficult to getting outputs (e.g. M&E data, lessons) and limited control over services provided.

Only in rare cases does the Facility do this now. Instead, it identifies non-Alliance consultants through the CM and client networks and then sources them directly through an Alliance partner.

## Wider lessons learned

1. Identifying the right resource for providing TA is a major and complex task in a TA programme. There is a need for a rigorous project management methodology and structure to manage the various inputs from multiple service providers and stakeholders. Sufficient project management time is needed and clear-cut project initiation and issue management processes are required.
2. To ensure the resources are effective in supporting IB implementation, it is essential that there is an appropriate mix of expertise, particularly consultants that have experience working in both the private sector and international development. A mix of local and international expertise is needed to meet needs of most IB projects. But there are logistical, timing and contractual issues to address to make this work.
3. Companies often "don't know what they don't know" and unlike consulting services that companies would otherwise procure, their understanding of the outside expertise needed to support their IB project is often very early stage and/or misunderstood. Significant time is needed to scope out the IB project and resources required prior to implementing support.

## The need for both larger and smaller technical assistance packages than were initially planned

**Finding:** The variety of projects being supported requires a diversified offering of TA packages.

The Business Innovation Facility's initially limited budget (£3 million) and aggressive targets (30 large projects in five countries) meant that the resources available at the outset were very thinly spread and mainly focused on securing large projects (the maximum initially was £30,000). The resource available for other lighter touch or smaller scale TA projects was very limited and in the early stages of the Facility's work such input was almost entirely focused on assisting those who were preparing applications for selection committee.

In practice, different projects have different levels of need, and a more diversified offering was necessary. As funding was scaled, its offering expanded to include:

- **Expanded large TA offering:** A £30,000 contribution towards £60,000 worth of technical support is a small contribution in the eyes of most companies. This amount of funding can run out just as real progress is beginning. In order to both strengthen the value proposition and have flexibility to tackle larger challenges, the upper limit for large projects was increased to £60,000 of technical support for the Facility.
- **Formalised small TA offering:** Across the board there was seen to be a real demand for lighter touch and earlier stage support that could be more flexibly applied, that would be useful to business propositions that are not yet sufficiently developed to be approved by the SC and that did not incur the higher transaction costs of a formal application process. With scaled-up resources, the Facility has developed a clear and feasible plan for this offering, with contributions averaging £10,000. Small projects either come in the form of workshops or one-to-one support (or a combination of the two).

### Wider lessons learned

1. A one-size-fits-all model for TA is not adequate. Some projects require at least double the original £30,000 offering to make good progress while others need a lighter-touch input.
2. When the smaller offering was defined, it was assumed that many of these projects would support companies different to those applying for large project support. However, in order to address some of the scoping challenges mentioned in the previous section, the Facility has at times used its smaller TA offering to scope out and better define larger project engagements.
3. Different parts of this offer appeal differently in different countries. In India, the small TA offering is perhaps too small to be useful, while in other countries demand has been high.





## Monitoring and evaluation (M&E)

### M&E approach

#### Finding: The traditional donor approach to M&E needs to be adapted when working directly with the private sector.

M&E is a high priority for the Business Innovation Facility and is built into the engagement process for its projects. The Business Innovation Facility is not like a conventional donor programme, however, in that it is not directly delivering outputs to the BoP itself, but is encouraging companies to deliver outputs. The results chain is long and dynamic and so there is a need to adapt the traditional donor approach. The M&E system was designed in consideration of the following:

- **Types of results to track:** The M&E system is designed to track a number of different types of results, including changes in private sector behaviour, commercial returns, direct impacts at the BoP and indirect systemic impacts. It relies heavily on information provided by companies and by TA providers.
- **Trade-offs:** Underpinning the M&E design is a consideration of trade-offs and challenges inherent in working with the private sector, such as balancing need for information against the burden of getting it, helping partners develop their own capacity for results tracking and collecting quantitative information that can be aggregated against qualitative information that is more explanatory and relevant.

All programmes with similarities to the Business Innovation Facility face the challenge that M&E is a burden on companies and busy entrepreneurs have little time for reporting and paperwork for externals. Our conclusion was that, whereas a major funder may be able to impose M&E

requirements based on their importance, our input is small and we need to aim to be either light or useful. In practice we have ended up with a mixture: as useful as possible, lighter than might be liked for robust reporting, but still probably imposing more demands on companies' goodwill and tolerance than some might like.

To accomplish this, the Facility's M&E approach has evolved to include:

- **Interactive engagement to add value:** For large projects, the emphasis shifted from paperwork to interactive baseline workshops which discuss what counts as success and how this could be tracked. Companies report high value from this. For small projects, the current strategy is to make it light, fitting with the overall value proposition of these types of engagements.
- **Supplementary 'deep dive' reporting:** Given the limitations of what companies can report, particularly about ultimate beneficiaries and systemic impacts, efforts are now being made to supplement company reporting with more in-depth reporting at selected projects.
- **Streamlined reporting requirements:** A further strategy to make M&E both lighter and more effective is to integrate it more into general performance monitoring. When CMs report on portfolio progress, this now incorporates M&E material.
- **Reliance on reporting from TA providers:** Feedback from TA providers is providing high value and it has been heavily built into project support. As the service providers have contracts and want invoices paid, this is much easier than imposing M&E obligations on companies.

More information on the Facility's approach to M&E can be found on the Practitioner Hub.

## Programme operation

### Value of M&E to the Business Innovation Facility

- Ensures that learning is captured from the pilot
- Drives accountability for donor funds
- Supports companies in understanding their impact and making the necessary adjustments
- Enable companies and the Facility to iteratively correct issues

### Wider lessons learned

1. M&E proves to be useful for all stakeholders involved but is difficult to sell. Feedback from companies after baseline workshops (see box) is very positive; however initial hesitations still remain relatively high.
2. M&E is an area where type of language differs remarkably between the private sector and donors (e.g., results and Key Performance Indicators (KPIs) vs monitoring and evaluation, output, outcome, impact).
3. Reliance on company reporting has its limits and generally will deliver less than donors would expect, particularly about BoP impacts. Measuring the number of BoP people reached can be difficult; assessing how much they benefit in monetary or livelihood ways is rare. Thus either a programme's expectations have to be less ambitious or the approach has to be supplemented with additional M&E beyond the company.
4. Early integration of service providers into the M&E process is useful. It increases the TA provider's understanding of the project logic and enables better performance measurement by the project.
5. If donor input per company is small, the principle of proportionality means that M&E effort per project must also be small. With average spend at £10,000 and £50,000 per project, intensive M&E would risk costing as much as the grant.

# 4 On track for results?

## Perspectives on the value added

### Company perspectives on the Business Innovation Facility's value and additionality

#### Finding: The high value of TA provision is clear

With the 'ramp up' phase of the Business Innovation Facility all but completed, the 'real' work of supporting the projects in the portfolio continues in earnest. With many projects currently in progress, it is still too early to have captured significant feedback on the value and additionality of the Facility. However, though limited, feedback so far is highly positive.

There are several cases where the Facility's input has clearly and substantially influenced commercial choices because an analysis of options has illustrated the value of a different approach. For example, support to Oando, a Nigerian energy company that is launching stoves aimed at the base of pyramid market, led to a new approach to collaboration with other stakeholders. This in turn resulted in sales estimates already increasing from five million to eight million stoves. Company feedback indicated an appreciation for the Facility's role as honest broker role and its added value as an outsider and motivator.

In other cases, the Facility's input has helped to speed up and ensure delivery of a process that lacked momentum. In Bangladesh, for example, the Facility support helped to crystallise a lingering partnership resulting in the launch of a new business, Jita, that already works with over 2500 rural women distributors. Company management recognised that Facility input made a critical difference to getting their joint venture back on track.

Some feedback has also been gathered from TA providers. This shows that despite the fact that input from the Facility is small in terms of value, its additionality is considered rather high. Of the half dozen or so completed projects, TA providers identify the Facility-supported input to be critical to business success. For example, according to one of the main service providers working on a project in Bangladesh: "In the absence of the Business innovation Facility [...] support the project would, in my view, have continued to stagnate and eventually would have died. It now has been given a real chance to succeed.". The TA providers' perceptions regarding the likelihood of future business viability, provided after completion of their work, project success is overwhelmingly positive.

### Wider lessons learned

1. Based on limited and often conversational feedback so far, the high value of TA provision is clear. Indeed, in many cases given the business planning and partnership development that is being supported by TA, it is not unreasonable to think that the TA is path-critical: the challenge would have had to be addressed somehow or the project would stagnate.

## Donor perspectives on Social Return

It is still too early to fully analyse the development impacts of the Facility's support for inclusive business. But of course the overall objective – contribution to solutions to poverty via inclusive business – is a constant theme underpinning the work described in this report and adjustments made to date. Considerations that have emerged so far include:

### 1. Only a minority of projects will achieve

**BoP impact at scale:** In the logic of the Facility's support, development impact at scale only results if the business achieves commercial viability. Some will falter and not be viable – that is a normal part of the risk taken when investing in projects. However, of the others, several will operate at a viable but relatively small level in the immediate term. It is expected that of the majority that do reach commercial viability, an unknown minority will be the success stories that scale to reach thousands of people at the BoP.

### 2. Reach does not always correlate to overall development impact:

Whether the projects reach thousands or millions of people at the BoP depends partly on business success. Another key determinant, though, is whether the portfolio comprises consumer-focused projects or producer-focused ones. Those selling stoves, lamps, mobile technology or fertilisers to BoP consumers may reach millions, while those sourcing from farmers or working via micro-distributors will not. However, a project that enables 1,000 farmers to access new markets may be just as valuable in other ways, in terms of innovation, potential for replication and significance of benefits to the poor. Recognising that quality is just as important as quantity, the Facility has taken a conscious decision not to prioritise consumer-focused projects just to hit higher numbers.

### 3. Company size may affect the type

**development impacts that result:** The Facility aims to support both scale and innovation. It is often assumed that there is a trade-off between the two, at least in the medium term, and also that small companies excel in innovation while large ones are more able to reach scale. This is one of the reasons the Facility explicitly works across a range of companies. It is expected that some will achieve more success in taking innovation to market while others will succeed by scaling. There may be evidence that small companies are more innovative and there are a few clear cases of large companies being able to reach scale (see Oando above), but the division is not clear cut.

### 4. Development impacts of the Business

**Innovation Facility are wide ranging:** The development impact of the Facility is not only reflected in how people at the BoP are engaged in the inclusive business that develop. The ripple effect, shown in the Results Diagram below, includes systemic changes in how markets and businesses work, lessons and tools taken up by other inclusive businesses and indeed lessons for DFID and other donors on how to facilitate inclusive business in ways that are smart and strategic.

### 5. Additionality is apparent, but hard to

**quantify:** Additionality is very difficult to measure in this kind of initiative as there is no formal control group. Though assumptions are made during the selection process, what would have happened without the Facility's support is a matter of conjecture. So far it seems that there will be no lack of additionality to report, but based on anecdote and opinion.

### 6. Full development impact of the Facility is

**assessable only in the long run:** The most significant development results will emerge when some of the projects go to scale – either through direct expansion, or by other companies adopting and adapting their business model. Given lead times are likely to be around five years, this will likely be after the end of the programme. Thus, reporting can only estimate trajectories, and full results will need to be assessed afterwards.

On track for results?

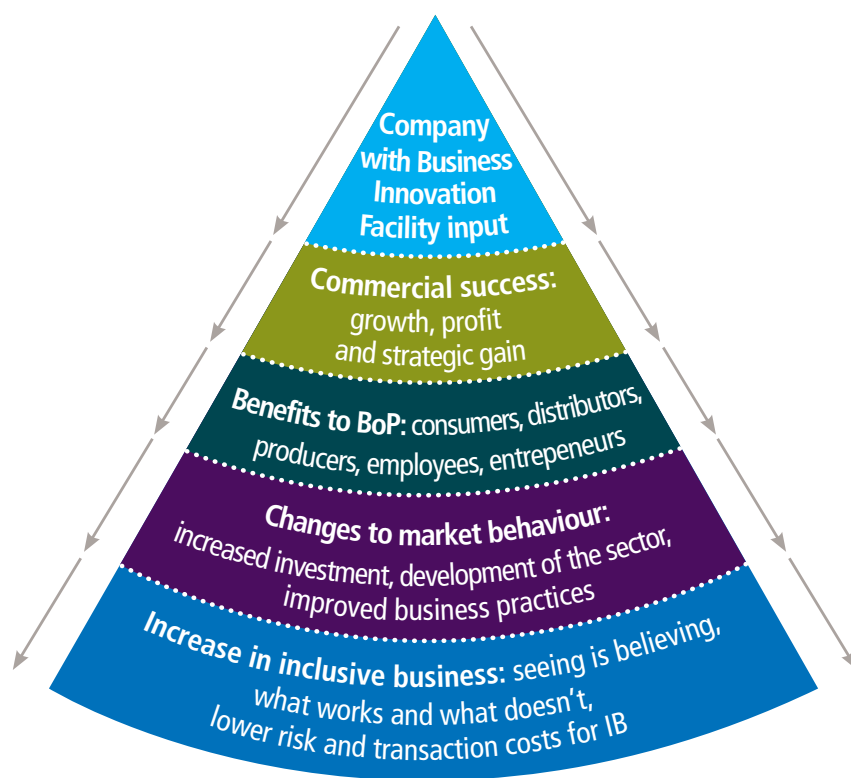


Figure 2: Results diagram

# 5 Conclusion

## Harnessing the pilot to maximise value

### **Insight: Use pilot and diverse portfolio to inform future action.**

As a three year pilot, opportunities for the Business Innovation Facility are time constrained. Its limited duration means that many of the lessons being learned do not have enough time to bear fruit through mid-course corrections and some of the outcomes and lessons of the programme's work may not be fully captured. But potential missed opportunities are inherent in the nature of pilot programmes whose time must end. The big question, then, is 'Where does this lead?'

The Business Innovation Facility was created in part to learn lessons as to how donors can support company-led inclusive business projects and feed these insights into future programmes that follow this pilot. Embedding an international programme locally in five countries, building a robust and diverse pipeline and successfully implementing dozens of projects has taken a great deal of time and effort; as this report shows, much has been learned.

The need and demand for donor support to company-led inclusive business projects is clear through the Facility's activities and the broader inclusive business market. Unlike other donor-funded inclusive business programmes focused on providing financial assistance (grants, equity, debt, etc.), the Business Innovation Facility is proving how valuable 'hands-on' technical assistance can be for IB development. Recognising that many of the companies we work with need access to finance, the Facility is showing that there is value in technical assistance separate from finance.

The logic underpinning the Facility is that a one-off input to get the business model right can catalyse a sustainable and dynamic chain reaction in which commercial return drives development gain. While the value of that input is supported by experience so far, evidence internationally shows that businesses require a spectrum of donor and concessional support. Companies need different types of support at different points on their journey from blueprint to scale. There are a range of approaches that donors can deploy in supporting the development of proven and investable inclusive business models, with variables mixes of technical support, grant funding and investor capital.

As the Business Innovation Facility continues, with dozens of projects in the midst of implementation and M&E activities ramping up, the second half of the programme will continue to yield insights and knowledge that help inform the next generation of activities that support the continued growth of inclusive business.

