ENTERPRISE CHALLENGE FUND
LESSONS LEARNED

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AN AUSTRALIAN GOVERNMENT, AUSAID INITIATIVE
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.
What Have We Learnt - Donors?

- Demonstrated that the business sector can 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 company 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.
What Have We Learnt- Fund Managers?

- Understanding the need for a focused approach
- Understanding the importance of good project selection.
- Local/Regional Presence
- Need for critical Mass of Projects
- Understanding the needs of a good results measurement system and the roles and responsibilities for undertaking results measurement. DCED
What Have We Learnt - Businesses?

- Key role that business can contribute to poverty reduction - results chains and measurement processes
- Building of a mutually beneficial relationship between the business community and donors.
- Alignment of motivations:
  - Business of Business is Business
  - Business of Donors is impact on poverty
When Not to Use Challenge Funds

- Is the pool of businesses big enough and/or interest in market from investors?
- Can scale be achieved by project or others?
- Is there a business community facing market failures and starved of equity, debt and or liquidity?
- Are there big gaps in provision of support to the poor and high income inequality?
What Type of Instrument?

- Grants (-v- Returnable Capital?
- Grant Funds to leverage debt and/or Equity?
- Focused in Sectors and Countries?
- Relevance with Government and Donor Priorities.
Next steps

- Stronger regional presence
- Targeted Marketing of Fund
- Windows:
  1. Grants to test business models
  2. Scale Grants (minimum size)?
- Establish Results Framework at beginning
- Define Objectives, Priority Sectors and Target Groups