Report Seminar III
Measuring Results of Challenge Funds
This report presents the outcomes of the third seminar about Achieving and Measuring Results of Private Sector Development and Food Security, a seminar series sponsored by DGIS and organised by LEI, part of Wageningen UR.

This time the focus was on Enterprise Challenge Funds. An increasingly popular instrument that stimulates companies to contribute to poverty alleviation. Although result management is obviously a task of the business, result measurement is a shared responsibility of business and fund manager. Various speakers shared their views on what that means. Different ways to show and attribute – challenging indeed - were presented.

This report only highlights some key points. For full presentations and materials of previous seminars please visit http://www.impactmeasurement.eu/
Some quotes first

Indicators tend to be pushed towards generic statements on poverty.

Additionality is all about making it happen quicker and at larger scale.

Portfolio level impact is awfully more difficult to indicate than project impact.

It's difficult to deal with project evolution and unexpected results. Impact are best visible after projects end.

Applicant selection is done by an independent expert panel. It is based on context knowledge, not on rigid criteria.
Objective
To understand what results of Enterprise Challenge Funds can be and how these can be measured

Presenters
1. Marieke de Ruyter de Wildt: Setting the stage
2. Henk van Trigt: DGIS’ view on challenge funds
3. Giel Ton: Overview of existing impact evidence
4. Mark Thomas: Food Retail Industry Challenge Fund
5. David Smith: African Enterprise Challenge Fund
6. Amanda Jupp: Enterprise Challenge Fund
7. Peter Knorringa: Synthesis
Participants

Participants were selected for their interest to learn and accelerate results measurement. Government, implementing agencies and research were represented by:

- DGIS, EL&I and IOB
- Agentschap NL, CBI, FMO, PUM, IDH, Agriprofocus and BoP
- Erasmus (ISS) and Wageningen (CDI and LEI)
Setting the stage (I)

A Challenge Fund is basically a financial mechanisms to efficiently allocate public funds. Enterprise Challenge Funds aim at businesses. They seek to lower risk levels in markets where business innovation can contribute to poverty alleviation. Most challenge funds offer grants.
Setting the stage (II)

- Challenge Funds face similar measurement challenges as those discussed in preceding seminars, often amplified as control over interventions and results is limited.

- Typical design issues -> what is the ideal target enterprise and how to target? Should you aim at big and influential or small but eager? Is business attracted by finance or publicity and image?

- Typical measurement issues -> what to measure, change in the business or in the economy at large; how to attribute as grants come on top of other, often hazy finance structures; who should take responsibility of measurement, the grantee, grantor, or somebody independent; how to understand the aggregated impact of a fund that works in different sectors and countries?
Following the protocol, each PSD organisation submitted its evaluation plan to DGIS in May 2012. Responses will be given bilaterally soon.

DGIS considers challenge funds as part of a wider portfolio with other instruments. They are applied in broadly 3 arena’s:
- Improving policy environment
- Capacity building (government and private sector)
- Stimulate individual enterprises.

DGIS sees PPPs as examples of CF
Impact evidence of innovation grants (I)

LEI recently finished a systematic review* on the effectiveness of innovation grants to smallholders using Realist Evaluation (RE):

- In RE, context is important as Context + Mechanism = Outcome
- Mechanisms are the ‘incentives’ that influence/structure the behaviour of value chain stakeholders
- In RE, evaluations should check underlying assumptions
- Rephrase evaluation question from “Does it work?” to “For whom, under what conditions?”

* For review protocol see: http://tiny.cc/protocolsystematicreview For background paper send request to Giel.Ton@wur.nl
Two key assumptions checked in the systematic review:

I. Competitive grants trigger value-adding business activities by (organized) farmers
II. Farmers’ livelihoods improve as a result of social activities and economic returns derived from the new value-adding business activities.

Searching for evidence on outcomes and impact 4374 sources with relevant citations were found

- 223 reports were eventually obtained
- 63 documents included in the review: 38 descriptive studies + 6 outcome monitoring + 19 impact studies

These were clustered into 8 ‘impact pathways’
For e.g. the impact pathway of ‘Business Plan Competitive Grants’ there were 8 studies. 7 conclude a positive result. The only counterfactual and independent study shows neutral result.

All 8 focused on different outcome areas with different impact indicators, ranging from the use of business planning tools to net income per ha (neutral study)
Conclusions

- Grants are a minor factor in a wider constellation of factors that make the business proposal successful.
- Changes in income is not necessarily attributable to the grant, and definitely not to the grant alone.
- Methods to measure indicators suffer from an absence of counterfactual reasoning.
- There is a strong tendency in all studies to document only the positive impacts of innovation grants (IV).
The Food Retail Industry CF is an Enterprise CF to increase market access for food exports produced by African smallholders by enhancing:

- Supply chain innovation
- Smallholders’ roles in supplies
- Consumer perception
- Gained lessons to other areas

Impact is measured in terms of incomes and employment but also:

- farmers introduced to new markets
- innovations introduced
- new ‘responsible’ business models
- marketing of African provenance
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<th><strong>Fund portfolio</strong></th>
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<td><strong>What</strong></td>
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<td>- Project outputs</td>
<td>- Look for common indicators that allow some form of aggregation at output, outcome and possibly impact</td>
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<td>- Direct and future impact</td>
<td>- Ideal: measure for returns on investment to compare with others</td>
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<td>- Market penetration</td>
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<td>- Competitiveness</td>
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<td><strong>But ..</strong></td>
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<td>- Most benefits occur after project</td>
<td>- Strong incentive to indicate success</td>
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<td>- You can add up all projects but that doesn’t tell the story</td>
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<td><strong>How</strong></td>
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<td>- Baseline</td>
<td>- Use few indicators: proportionate</td>
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**FRICH: Results - what, how and who (II)**
FRICH: Results - what, how and who (III)

- Link targets and M&E to result chain (fund criteria). Result chain and M&E can be adjusted if needed
- M&E should be proportionate to size and ambition of CF
- DFID aims for 5-6% of budget for M&E
- Business is not a development agency. Not interested in development criteria but in successful business
- Time frame for M&E is important. Many results become visible two (or more) years after projects end.
- Evaluation should be independent

For more information please visit: http://www.dfid.gov.uk/work-with-us/funding-opportunities/business/frich/
Capturing systemic change of the AECF (I)

- The African Enterprise Challenge Fund is a fund of donor money available to the private sector. To make agribusiness, finance, renewable energy and information market systems work better for the poor in rural areas in Africa.

Projects need to be
- Commercially motivated
- Innovative: upsetting the market → copy and replicate
- Additionallity: show that without funds the project would not have happened
Capturing systemic change of the AECF (II)

- Systemic change means regulatory change, changes in factor markets, change at a regional level, supporting crowding in, copycat behaviour and innovation.

- It is about “starting races”, not “picking winners”.

- AECF asks businesses about barriers they encounter to realise their ideas and how they plan to address this in:
  - Regulation, formal and informal.
  - Market Information
  - Access to inputs and skills

- They ask for different information at different levels of the result chain, with different responsibilities.

- The higher-up the result chain, the more information asked from donors but the more difficult to attribute.
Capturing systemic change of the AECF (III)

Measurement

Case Studies

Fund Manager + Validation

Business

Fund Manager

Diagram showing relationships between systemic change, development impact, business performance, outputs, activities, inputs, and various benefits such as wider beneficiaries, businesses benefiting, turnover profit, job created, what is delivered, re-usable grant, non-repayable grant, and matching funds.
Capturing systemic change of the AECF (IV)

- Innovation is the key to systemic change in markets
- Appropriate project selection is hence critical for success
- It is the innovative business that initiates systemic change. The Fund Manager is not a market facilitator!
- The business can report on systemic change but cannot be responsible for measuring it
- Challenge Funds are a cost effective means of achieving systemic change … but be patient for results

For more information please visit: [http://www.aecfafrica.org/](http://www.aecfafrica.org/)
Applying the DCED to the ECF (I)

- The Enterprise Challenge Fund requests <50% of project funded by business, pro-poor outcomes and potential for systemic impact.

- DCED Standard is used which allows comparison with other programs. Very insightful!

- Implementation is managed by business, so focus is on business and direct impact only.

- Measurement methods:
  - Six monthly field visits
  - Mixed-method data collection (wide range feedback loops)
  - Contribution analysis using results chains and field interviews
Applying the DCED to the ECF (II)

Conclusions

1. Working with the DCED Standard improved project management efficiency
   - Management team responsible for monitoring, with audit providing focus and timeline
   - Additional support from DCED consultants
   - Rethink approach: How much can PS contribute?

2. Partner with business in designing monitoring approach
   - Use market research
   - Complement with beneficiary info and wider system impact

3. Results need to be collected to be useful for decision making and program management

For more information please visit: www.enterprisechallengefund.org
Synthesis (I)

It seems that M&E needs to be sober and pragmatic. Monitoring serves improvement, not evaluation. We have good hopes that CF will contribute to real change. Yet, little seems known about their effectiveness. The cases have three common points:

1. Projects would not have been done by these businesses otherwise (counterfactual)
2. Projects start catalytic change: “disrupting” the system towards making it more pro-poor
3. They all have development relevance: impact.
Some quotes to end

Cost are a grey area. DFID allows 5%. Fund manager have economies of scale but essentially we must be able to explain taxpayers money.

DECD is monitoring tool. Not an evaluation tool.

Proper impact and/or cost-benefit analysis only possible after 3 years or more.

Decision-making in CFs is about producing business models.

Not picking the winners comes with a cost. Little relation between development impact and profitability of business.