Business in Development

Independent Commission for Aid Impact

Report 43 – May 2015

Contents

The Independent Commission for Aid Impact (ICAI) is the independent body responsible for scrutinising UK aid. We focus on maximising the effectiveness of the UK aid budget for intended beneficiaries and on delivering value for money for UK taxpayers. We carry out independent reviews of aid programmes and of issues affecting the delivery of UK aid. We publish transparent, impartial and objective reports to provide evidence and clear recommendations to support UK Government decision-making and to strengthen the accountability of the aid programme. Our reports are written to be accessible to a general readership and we use a simple 'traffic light' system to report our judgement on each programme or topic we review.

G	**Green:** The programme performs well overall against ICAI's criteria for effectiveness and value for money. Some improvements are needed.
G A	**Green-Amber:** The programme performs relatively well overall against ICAI's criteria for effectiveness and value for money. Improvements should be made.
A R	**Amber-Red:** The programme performs relatively poorly overall against ICAI's criteria for effectiveness and value for money. Significant improvements should be made.
R	**Red:** The programme performs poorly overall against ICAI's criteria for effectiveness and value for money. Immediate and major changes need to be made.

Executive Summary

This review assesses how well DFID is working with and through businesses to achieve a range of development objectives that benefit the poor. These objectives include economic growth, human development, environmental sustainability and humanitarian assistance. The review focusses on DFID's engagement with British and overseas businesses that are themselves contributing as partners in development, not as contractors. We have not reviewed organisations that have recently been reviewed by the NAO or ICAI or are due to be reviewed by them.

DFID's engagement with businesses ranges from exploratory talks through a range of networks, alliances and partnerships to the provision of finance through challenge funds and through loans, equity investments and guarantees (LEG). We estimate that its contribution to challenge funds, which allocate matched funding on a competitive basis, has averaged £17 million annually since 2012-13. Its allocations to LEG increased from £68 million in 2012-13 to £157 million in 2014-15.

Overall *Assessment: Amber-Red*

Businesses are playing an increasing role in development. DFID's growing portfolio of work with and through businesses recognises this opportunity. DFID should do more, however, to translate its high-level ambitions into detailed operational plans clearly focussed on poverty reduction. Delivery through LEG and many partnerships is often effective but there is a lack of strategic oversight of the portfolio as a whole and of LEG in particular. DFID could do more to add value to its challenge fund portfolios. It is too early to identify certain impact in most cases, particularly on the poor, but there are some positive examples of potential impact. In some cases we are not confident that DFID's support is additional to what businesses would have done anyway, especially in the case of challenge funds. Weak interaction and information-sharing between central and country programmes, as well as a lack of cross-departmental oversight, diminishes learning.

Objectives *Assessment: Amber-Red*

There is a drive in DFID to increase engagement with business. This is relevant to its mandate but the link between LEG and poverty reduction needs to be strengthened. DFID needs to do more to translate its high-level intentions into sufficiently detailed operational plans and provide clear guidance on when, why and where it will engage with business. There is a risk that targets for LEG may distort DFID's spending decisions.

Delivery *Assessment: Amber-Red*

DFID is professionalising its direct engagement with businesses. Developing strategic relationships and engaging through networks appears to be more effective than roundtables or multi-stakeholder alliances. We saw strong delivery through partnerships and through LEG intermediaries but are concerned about DFID's strategic oversight of its LEG portfolio. We were not convinced that DFID always adds value to its challenge funds.

Impact *Assessment: Amber-Red*

DFID does not capture results on a portfolio-wide basis, making management of this difficult. In many cases it is too early to show impact on the poor. Interim evidence, however, suggests that some projects have the potential for significant impact, although on whom, and by how much, can be hard to measure. LEG investments are generally additional but the evidence is more mixed in the case of challenge fund grants. The impact of some high profile alliances is disappointing. Monitoring and evaluation frameworks are still not fully customised for use in LEG.

Learning *Assessment: Amber-Red*

Weak interaction and information sharing between central and country programmes inhibits learning. A lack of comprehensive oversight of business engagement across DFID also weakens cross-departmental learning. More could be done to demonstrate success, learn from failure and stimulate better business investment.

Recommendations

Recommendation 1: DFID should translate its high level strategies for business engagement into detailed operational plans which provide specific guidance on business engagement with a focus on the poor.

Recommendation 2: DFID should ensure better linkages between centrally managed programmes and country offices for business in development, including LEG.

Recommendation 3: DFID should pull together, synthesise and disseminate management information across all departments, including for LEG, to improve management and ensure learning is captured and used to improve performance.

Recommendation 4: DFID should add suitably experienced members to the Investment Committee to enable sufficient strategic oversight of all components of its LEG portfolio.

Recommendation 5: DFID should reassess how it appraises, monitors and evaluates its engagements with business to ensure fitness for purpose and a sharper focus on the poor.

1 Introduction

Background to this review

1.1 This review assesses how well the Department for International Development (DFID) engages with business to achieve a range of development objectives that benefit the poor. These objectives include economic growth and human development, environmental sustainability and humanitarian assistance. The review focusses on how DFID and businesses can work together in emerging markets in mutually beneficial ways. It does not cover DFID's engagement with businesses through purely contractual relationships, where a private sector company is delivering a DFID programme. This review complements but is distinct from our previous review of DFID's Private Sector Development (PSD) work.[1] That review assessed the overall coherence of DFID's efforts to stimulate the growth of the private sector in developing countries. This review concentrates on how DFID works with businesses in the UK and in developing countries to benefit the poor. As well as British businesses, businesses include those owned by nationals of a developing country and foreign-owned businesses and may be located in-country or abroad.

1.2 DFID does not categorise separately its expenditure on working with business in development. It is also unable to quantify the amount it spends on private sector development more generally, because its financial systems are not set up to do so. This is, however, a significant and growing area of DFID's expenditure, however. Based on the information available to us, we calculate that, between 2012-13 and 2014-15, DFID committed £494 million to its work with business in development, although these figures are subject to some uncertainty. Further details are provided in Figure 2 on page 5 below.

[1] *DFID's Private Sector Development Work,* ICAI, May 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/05/ICAI-PSD-report-FINAL.pdf.

The context of business in development

Aid agencies and businesses are increasingly seeking ways of working together

1.3 Aid agencies have publicly stated their commitment to working with business in development. In 2010 DFID and ten other bilateral donors signed a statement in support of private sector partnerships for development.[2] The statement declared the signatories' recognition of the private sector 'as equal partners around key development issues'. In 2014, the European Commission also set out its intention to use businesses as intermediaries, advisors, financing partners and implementation agents to achieve development outcomes as part of their core business strategies.[3] For their part, many CEOs are now calling for a global architecture that can enable business to scale sustainability efforts from individual, incremental achievement towards something that is more systemic.[4]

Businesses are seizing opportunities to invest in developing countries

1.4 Aid agencies' interest in working with business (and vice versa) should be seen in the rapidly-changing context of global development. Official Development Assistance (ODA) is still an important element of development finance – especially in least developed countries (LDCs) where, in 2012, it represented 38% of total external sources of development finance. Foreign direct investment (FDI) in these countries represented another 21%.[5]

1.5 The standard model, however, of developed countries in the west providing development aid to countries in Africa and Asia is eroding. Private sector investment now plays a much more

[2] *Bilateral Donors' Statement in Support of Private Sector Partnerships for Development*, http://www.enterprise-development.org/page/download?id=1645.

[3] See https://ec.europa.eu/europeaid/sectors/economic-growth/private-sector-development_en.

[4] *The UN Global Compact-Accenture CEO Study on Sustainability*, Accenture and UN Global Compact, 2013, http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-UN-Global-Compact-Acn-CEO-Study-Sustainability-2013.pdf.

[5] *World Investment Report 2014, Investing in the SDGs: An Action Plan,* UNCTAD, http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf. Figures are for 2012. Development finance comprises remittances, portfolio investment, ODA, FDI and other investment.

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significant role. The BRICS,[6] for example, are developing trade and infrastructure relationships with developing countries and bringing greater levels of FDI. In developing countries as a whole, ODA's share of external development finance in 2012 was only 6%, whereas FDI represented 40%.[7] The challenge for DFID is to work with businesses which want to invest in developing countries in such a way as to maximise benefits for the poor.

1.6 For many years, larger firms have had corporate social responsibility (CSR) programmes that aim to help the poor. CSR remains an important function for many businesses and one that can help lead to commercial opportunities. Businesses are now moving beyond CSR, however, to focus on development opportunities as part of their core business strategies. They recognise that, by identifying and addressing social problems which intersect with their business objectives, they can often enhance competitive advantage and profitability. Figure 1 gives an example of how businesses are working as development players, drawn from our country visits for this review.

1.7 In 2005, Unilever and Oxfam jointly published a ground-breaking report based on experience in Indonesia on the links between international business and poverty reduction. The report concluded that there were 'huge opportunities… to engage with companies… for the common good'.[8] Even in fragile states, businesses with a long term perspective see opportunities.[9] A large institutional firm told us that they and others like them could play 'a systemically important role in re-orientating capital markets towards sustainable finance and sustainable development'.

[6] Brazil, Russia, India, China and South Africa: an acronym used to indicate middle-income countries that have graduated or are graduating from aid dependency.

[7] *World Investment Report 2014, Investing in the SDGs: An Action Plan.*

[8] *Exploring the Links between International Business and Poverty Reduction: A Case Study of Unilever in Indonesia*, J. Clay, Unilever and Oxfam, 2005, https://www.st-andrews.ac.uk/media/csear/app2practice-docs/CSEAR_oxfam-and-unilever.pdf.

[9] 21 of the 28 countries prioritised by DFID are considered to be fragile states.

Figure 1: Businesses are increasingly acting as serious development players in their own right

Businesses are increasingly playing an important role as development players in their own right. For example, Axis Bank provides sex workers in India with the means to generate alternative livelihoods and learn to manage a bank account, as part of a CSR programme that is aligned with its core business.

Women in India living in poverty are often victims of commercial sexual exploitation (VOCSET). Among these, the most impoverished are women affected by HIV-AIDS. One study indicates that, of the estimated 2.1 million female sex workers in India, nearly 75% are VOCSETs. Almost all are at high risk of being infected by HIV-AIDS.[10]

Axis Bank Foundation (ABF) has partnered with Plan India, committing over £2 million for the period 2012-17 to rebuild the livelihoods of 38,000 VOCSETs in 14 districts (blocks) in the states of Andhra Pradesh, Bihar, Maharashtra, Telangana and Uttar Pradesh to ensure their economic security and to accelerate their rehabilitation and entry into mainstream economic activities.

We met with two groups of sex workers near the city of Pune who were being supported through the project. Both groups reported that the project had provided them with a sense of security and support. Several had started businesses using loans from a revolving fund provided by the project to help establish alternative sources of income.

Business and aid agencies in development – common ground and challenges

DFID has assets which are valuable to business

1.8 The extent and nature of donors' engagement with business will depend on the value that businesses see in working with donors and vice versa. This requires the identification of 'win-win' opportunities for collaboration. DFID possesses assets which can help businesses make the most of opportunities in developing countries. These include:

- access to government, both in the UK and in developing countries;
- reputation through association, that is, an association with DFID gives businesses increased credibility through implicit endorsement of their potential to achieve positive development impact;

[10] Gram Niyojan Kendra, funded by the Ministry of Women and Child Development.

- knowledge, including evidence on what works in developing countries and information on the local economic, business and political environment;
- credibility and independence to convene even very large businesses around issues of common concern and to develop joint approaches; and
- financial support, such as assistance for start-up or early stage businesses; grant funding for networks, alliances or partnerships; or grants to reduce the risks faced by a business in undertaking an investment that will have positive development impact.

In turn, DFID can work with business to benefit the poor

1.9 Just as businesses can potentially gain from working with DFID, so too DFID can benefit from what businesses have to offer. In particular, businesses may:

- invest in developing countries and thus add to the limited funds provided by aid agencies to help lift these countries out of poverty;
- possess valuable skill sets in areas where DFID does not;
- produce, market and deliver goods and services to meet the needs of the poor;
- invest in local suppliers and provide employment;
- innovate in ways that benefit local economies;
- manage complex projects and processes effectively; and
- improve the environment in which businesses operate, such as working towards open and transparent markets, undertaking workforce development initiatives and developing local infrastructure.

Both businesses and donors face challenges realising the potential gains from collaboration

1.10 Realising the potential gains of collaboration requires both donors and businesses to overcome a number of challenges. Assessing how well DFID has played its part to overcome these challenges is a core focus of this report. Challenges include:

- aligning the strategic objectives of for-profit organisations with DFID's mandate to reduce poverty and safeguard the environment;
- working effectively in fragile and conflict-affected states and observing the principle to 'do no harm';[11]
- assessing the extent to which businesses engage with the very poorest in society as opposed to focussing on the middle classes or lower middle classes;
- considering whether economic benefits brought by business to society more broadly have a trickle-down effect to the very poorest; and
- building trust and overcoming inadequate knowledge of the private sector within DFID and of the public sector within business.

DFID has a variety of ways of engaging with business

1.11 DFID does not have a comprehensive classification of the different ways in which it engages with businesses in development. For the purposes of this report, however, we have identified three principal modes of engagement:

- exploratory discussions, primarily involving the exchange of information;
- networks, alliances and partnerships, which may involve a combination of information and co-ordination functions as well as grant funding; and
- externally-managed funds, which provide either grants through challenge funds or loans, equity investment or guarantees (LEG, see Figure 4 on page 6).

1.12 Figure 2 on page 5 gives further information on the ways in which DFID works with and through businesses in development. The examples given refer to initiatives which we have looked at in the course of this review, which are listed at Annex A1.

[11] 'Do no harm' refers to the risk in development of doing harm by creating unintended consequences or inadvertently making matters worse. See M.B. Anderson, *Do No Harm: How Aid Can Support Peace – or War*, 1999.

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Figure 2: The different ways in which DFID engages with the private sector

Mechanism	Description	Examples
Early engagement	Exploratory conversations and general policy dialogue	• Extractives roundtables • Relationships nurtured through Corporate Relationship Management system • Letters of intent
Business Networks	Formal networks for information sharing	• Business Action for Africa • Business Call to Action
Alliances	Co-ordination of collective action from donors, governments and the private sector	• New Alliance • Safety, Health and Education and Employment for Girls and Women (SHE) • Technical Assistance • Facility for Corporate Social Responsibility
Partnerships	Co-investment in initiatives designed to tackle specific development challenges	• Water and Sanitation for the Urban Poor (WSUP) • Clinton Health Access Initiative (CHAI) • Harnessing non-state actors for better health for the poor (HANSHEP) • Western Region Coastal Foundation • Girls' Education Challenge Strategic Partnerships
Challenge Funds	Grant funding	• Responsible and Accountable Garment Sector (RAGS) • Food Retail Industry Challenge Fund (FRICH) • Girls' Education Challenge (Innovation Component)
Externally managed funds providing LEG	Funds or managing agents such as banks	• AgDevCo Greenfields (Ghana) • Samridhi • Northern Ghana Catalytic Fund • Affordable Housing (India) • Infrastructure Loan Fund (India) • Guarantco • InfraCo Africa • Climate Public Private Partnership (CP3)

1.13 DFID expects to achieve development impact through the provision of LEG but how DFID's funding through LEG reaches end recipients is extremely diverse and complicated. Annex A2 illustrates the range and complexity of relationships involved in DFID's LEG activities, without being in any way comprehensive.

1.14 DFID is unable to produce comprehensive data showing the financial commitments it has made through these channels, including challenge funds and LEG. We have, therefore, had to estimate expenditure based on the partial information that we have.

1.15 As shown in Figure 3 on page 6, DFID's spending on LEG has grown from £68 million in 2012-13 to a forecast £580 million in 2015-16. These amounts exclude a large increase in development capital investment between 2013-14 and 2014-15, which comprises contributions to multilateral development banks such as the World Bank, most of which results in lending to the public sector.

1.16 We also estimate annual grants made by DFID to enterprises through challenge funds to be £17.5 million during the period 2012-13 to 2014-15. Our estimate excludes challenge funds that provide grants to a mix of not-for-profit and for-profit organisations and is, therefore, likely to underestimate the actual figure. Based on commitments averaged over the lifetime of funds that have already been agreed, we estimate grants of £13.8 million in 2015-16.

1.17 We can illustrate the difficulties of assessing expenditure on and by business in development with the example of the New Alliance. The New Alliance for Food Security and Nutrition is one of the initiatives we covered for this review. Approximately £600 million of UK Government expenditure is designated as New Alliance expenditure. There is a misconception among certain parts of the media and civil society that this is an additional £600 million being used to support commercial activities. In fact, the majority of this expenditure, approximately £480 million, consists of pre-existing agricultural programmes which have been relabelled as New Alliance programmes. DFID has not made any direct financial

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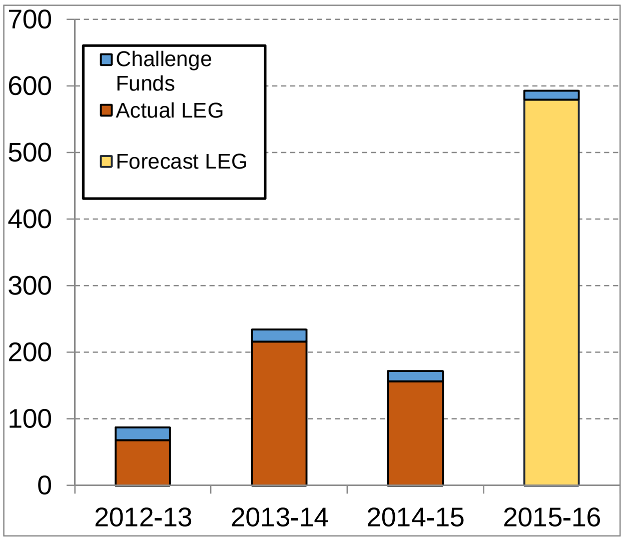
contributions to the New Alliance. We have therefore not included any of these New Alliance programmes in our expenditure figures.

Figure 3: DFID expenditure through LEG and challenge funds in £ millions



1.18 Given these caveats, we have separately identified annual average commitments of £14.4 million on networks, alliances and partnerships, although it is unclear what share this represents of DFID's overall commitments in this category. Based on these and our estimates for challenge fund and LEG commitments, we estimate total commitments to support engagement with business of at least £494 million during the period 2012-13 to 2014-15.

Figure 4: What do we mean by 'loans, equity investments and guarantees' (LEG)?

Historically, DFID and other aid donors have mainly supported businesses by transferring funding in the form of grants. The recipient of a grant is under no obligation ever to repay any of this money. At the same time, many donors also operate Development Finance Institutions (DFIs). DFID's DFI is CDC Group.[12] Like other DFIs, CDC Group has mainly transferred funding in the form of investments rather than grants. The distinguishing feature of an investment, as opposed to a grant, is that the investor expects to recoup some or all of its initial outlay, perhaps with a financial return as well. This may happen in one of two ways. The original recipient may repay the investment directly. Alternatively, an investor such as CDC Group may be able to 'realise' its investment by selling to another investor. That will only be possible if the second investor in turn believes the recipient can generate enough of a surplus to justify the price paid.

In the past, DFID used the term 'returnable capital' to describe its loan, equity and guarantee investments. We support DFID's recent decision to drop the term 'returnable capital', which was never defined and was poorly understood. The new terms, 'Development Capital Investment' and 'Development Capital Grant', both refer to funds that an end recipient receives in the form of loans, equity or guarantee investments. Development capital investment describes an investment whose return DFID itself expects to recoup. Development capital grant describes an investment whose return will go not to DFID but to an intermediary organisation, which will then recycle the proceeds into further development investment.

The new terminology thus has an internal focus that mainly reflects differences in the way DFID books a given transaction or project in its accounts. In turn, the different accounting treatments reflect other issues such as legal status and the nature of DFID's control over the asset or entity in question. Although not a term that DFID uses, we have used the term 'LEG' in this report to reflect the nature of funds as experienced by end-recipients rather than features that are internal to DFID. It groups both development capital investment and development capital grants under one umbrella and describes them in terms that would be recognisable to an investee.

For a further explanation and brief discussion of these issues, see Annex A3. Annex A2 includes an illustration of how DFID's LEG investments reach end recipients.

[12] Formerly known as the Commonwealth Development Corporation. See http://www.cdcgroup.com. As discussed in paragraph 1.24, we had excluded CDC Group from this review because the National Audit Office had intended to review it during 2015, although this review has since been postponed.

1 Introduction

Our approach to the review

Core questions

1.19 We sought to address the following core questions during this review:

- What is the incremental impact on the poor that DFID is able to achieve through working with businesses?
- What other opportunities exist for DFID to work through private businesses to achieve pro-poor developmental benefits while also being of commercial benefit to businesses?
- To what extent do DFID's strategy and objectives demonstrate an understanding of these opportunities?
- How effectively is DFID seizing opportunities to engage with businesses, including catalysing additional private investment?
- What is DFID doing to learn more about the potential for working with businesses?

Methodology

1.20 In order to assess how DFID is working with and through businesses to promote development, we carried out the following main activities:

- a contextual review of business practices and other donor approaches;
- a review of relevant literature, focus group discussions with businesses and interviews with key informants in the sector;
- a review of DFID documentation, interviews with DFID and other UK Government staff and interviews with businesses;
- a desk review of 23 initiatives, selected to cover a range of DFID's different funding and investment mechanisms. We drew on a wide range of official DFID documentation relating to each initiative to establish DFID's objectives, progress in delivery, results and learning;
- an assessment of DFID's collaboration with other UK departments to establish how well they align in working with businesses in developing countries. We interviewed staff from the Department for Business, Innovation and Skills, UK Trade & Investment (UKTI) and the Foreign and Commonwealth Office (FCO) in London, in India and in Ghana as well as obtaining feedback from businesses; and
- an on-the-ground review of as many of the 23 initiatives, referred to above, as possible in India and Ghana, comprising ten-day visits to each country in December 2014 and January 2015, respectively.

1.21 We chose to visit India and Ghana for the following reasons:

- both countries have well-developed private sectors with a critical mass of businesses engaging in development;
- India is the only example where the DFID country office is itself selecting or appointing managers of investment intermediaries; and
- Ghana has a wide range of DFID initiatives to engage businesses.

1.22 In India we reviewed a number of projects funded by the Responsible and Accountable Garment Sector challenge fund (RAGS); all loan, equity and guarantee investments managed by the Delhi office; and a range of partnership activities. We visited six cities. In Ghana we reviewed two projects funded by the Food Retail Industry Challenge Fund (FRICH) and by Girls' Education Challenge; a number of investments made directly or indirectly by the Private Infrastructure Development Group (PIDG) and AgDevCo; and a number of partnerships in the health, agriculture and water, sanitation and hygiene (WASH) sectors. We visited three cities.

1.23 Both RAGS and FRICH have now closed. DFID now provides grants to retailers and brands through the 'Trade in Global Value Chains' Initiative. No successor programme is planned for FRICH. We believe, however, that it is still important to document the lessons that can be learned from these programmes. DFID informs us that it has now moved away from the use of challenge funds as a business in development tool.

1.24 We excluded from our review those initiatives or entities that had been or are scheduled to be the subject of other ICAI reviews, such as the

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Multilateral Review, or National Audit Office (NAO) reports. The NAO planned to review CDC Group in 2015. It decided, in March 2015, to postpone the review. It is unlikely to take place in 2015. It has also recently reviewed PIDG, in which DFID invests. We have, however, reviewed a number of individual investments made by PIDG or CDC Group, or intermediary funds that they have created, in order to develop an overview of DIFD's engagement through LEG.

1.25 We have attempted to draw out lessons of what works well, what works poorly and why, across DFID's wide range of business engagement activities. A description of the 23 initiatives we looked at is provided at Annex A1. We visited a number of these during our country visits.

1.26 In the course of this review, we spoke to over 100 businesses in a variety of formats (including one-to-one interviews, group discussions and meetings with board members and staff). We spoke to businesses that were recipients of DFID support as well as a number of businesses that were working to the benefit of the poor without support from DFID or other donors (for an example of one of these, see Figure 1 on page 3). We spoke to a wide range of non-governmental organisations (NGOs) in the UK and in India and Ghana. During our country visits, we were able to engage directly with end users or beneficiaries of DFID's engagement with businesses including patients, school pupils, shareholders, small and medium sized enterprises (SMEs) and a range of other relevant individuals and organisations.

1.27 During this review we have assessed DFID at four different levels:

- the overall **strategic** or corporate level;
- at the level of the different **instruments** or mechanisms, as described in Figure 2 on page 5;
- at the country and central **office** level; and
- at the level of the 23 individual initiatives and **programmes** which we reviewed, listed in Annex A1.

1.28 In this report, we provide our findings on DFID's objectives at the strategic level, as well as the level of instruments and mechanisms. In Delivery, we then assess the translation of these objectives at the instrument level, as well as the design and implementation of individual programmes. We go on to assess the impact of individual programmes and, where appropriate, we draw conclusions on the impact of different types of instrument.[13] We then consider the opportunities for learning between country offices and central units and in the overall management of DFID's business engagement.

[13] There are various circumstances in which it may be appropriate to draw conclusions at an instrument-wide level that is at a higher level than that of programmes. These include the availability of sufficient information at programme level from which inductive conclusions can be drawn and the existence of sources of insight, including existing evaluative material, at an instrument level.

2 Findings: Objectives

Objectives *Assessment: Amber-Red*

2.1 We have assessed DFID's corporate strategy and operational plans for how it engages with business in development. We have looked particularly at the relevance of working with businesses to DFID's overarching objective of poverty reduction in developing countries. We have also considered the level of operational detail provided in DFID's plans for engagement with businesses and whether there is clear corporate direction for DFID's decisions to undertake business engagement activities. We looked at the implications of government policies on the effectiveness of DFID's work.

DFID's work with businesses to promote development is relevant to its overall goals

2.2 Businesses are important players in the provision of economic development finance. Even in the least developed countries (LDCs), foreign direct investment (FDI) has a significant role, contributing 21% of external development finance.[14] The UN Conference on Trade and Development (UNCTAD) has emphasised the importance of maximising synergies between ODA disbursements and FDI inflows to strengthen productive capacities in LDCs.[15] These countries are important to DFID. 16 of DFID's 28 priority countries are classified as LDCs and are also considered by DFID to be fragile and conflict-affected.[16] A further three countries are LDCs but not classified as fragile states. One way in which DFID and other donors can help these countries graduate out of poverty is by working with business to maximise the quantity and quality of private development finance.

2.3 There is a strong drive from the top of the organisation to increase DFID's engagement with business. At the level of corporate strategy, DFID has documented its intention of working more closely with businesses as development players in their own right. For example, DFID's 2013 policy states: 'We work with British and European businesses, providing them with the skills and knowledge to invest profitably in developing countries and deliver development benefits to the poor'.[17] Given DFID's commitment to working with businesses regardless of country of origin, the reference in this statement to British and European businesses, rather than all businesses, while not strictly inaccurate, is misleading. The tension between DFID's development and UK business promotion roles is further discussed below.

The treatment of business engagement varies in quality across DFID departments

2.4 Beyond a top level statement of intent, the desirable extent and nature of DFID's engagement with business will depend on the value that businesses see in working with DFID and vice versa. This requires the identification of 'win-win' opportunities for collaboration. In order to maximise these opportunities, DFID needs to be clear when it will work with businesses and what its offer is. This is important for DFID's own staff as well as for businesses.

2.5 We assessed a number of core strategy and operational documents against the criteria for engagement with business set out in Figure 5 on page 10. We also looked at documents relating to economic and human development, environmental sustainability and humanitarian assistance, to see how DFID proposes to engage with business in these areas.

The Economic Development Strategy Framework clearly sets out what DFID will do to engage with businesses

2.6 The most detailed statement of DFID's intention to work with businesses is contained in the 2014 Economic Development Strategic Framework (EDSF). Pillar 4 of that strategy details the ways in which DFID will work with business as:

[14] World Investment Report 2014: Investing in the SDGs: An Action Plan. UNCTAD.
[15] Ibid.
[16] DFID's list of 55 fragile states draws on three different indices: the World Bank's Country Policy and Institutional Assessment; the Failed States Index of the Fund for Peace; and the Uppsala Conflict Database. DFID's priority countries were determined following the Bilateral Aid Review in 2010.
[17] *Policy: Economic growth in developing countries*, UK Government, March 2013 (updated March 2015), https://www.gov.uk/government/policies/helping-developing-countries-economies-to-grow.

2 Findings: Objectives

- encouraging and supporting businesses to invest more and responsibly in poor countries, as part of their core business strategy;
- promoting business investment in upgrading supply chains to benefit the poor, as part of their core business strategy, including improving working conditions for poor workers;
- supporting domestic businesses to grow and strengthen their productivity and capabilities so that they can compete in regional and global markets;
- supporting business innovation to develop better solutions to development challenges and create products and services for the poor;
- encouraging businesses to apply better standards in their work; and
- involving domestic and international businesses in policy debates on economic growth and development.[18]

The link between business engagement and reducing poverty is not always clear

2.7 Overall, the EDSF maps well against the principles set out in Figure 5 which are criteria that can be used to assess the appropriateness of engaging with business in development. The EDSF explicitly links its goal of engaging with businesses to the overarching requirement of benefiting the poor, for example through supply chains and innovation.

2.8 As discussed below under 'impact', however, there is mixed evidence of how well this has been translated into results. In order to ensure that DFID's engagement with businesses meets its obligation to alleviate poverty (part of the first criterion in Figure 5), the 'line of sight' to the poor must be clear or there must be a theory of change underpinned by robust evidence. Business growth and investment will not necessarily translate into benefits for the poorest members in developing countries.

[18] *Economic development for shared prosperity and poverty reduction: a strategic framework*, DFID, January 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276859/Econ-development-strategic-framework_.pdf.

Figure 5: When is it appropriate for DFID to engage with business?

The European Commission has published criteria for supporting private sector actors in development:

- **Measurable development impact**: Support given to a private enterprise or financial intermediary has to contribute in a cost-effective way to the achievement of development goals such as job creation, green and inclusive growth or broader poverty reduction. This requires transparency as regards objectives and results, along with appropriate monitoring, evaluation and results measurement arrangements.
- **Additionality**: Without public support the private enterprise would not undertake the action or investment, or would not do so on the same scale, at the same time, in the same location or to the same standard. The supported action should not crowd out the private sector or replace other private financing.
- **Neutrality**: The support given should not distort the market and should be awarded through an open, transparent and fair system. It should be temporary in nature with a clearly defined exit strategy. Support justified by market failures and consequent risks should not have the effect of discouraging regulatory reform efforts addressing the causes of market failure.
- **Shared interest and co-financing**: Partnerships with the private sector have to be based on cost-effectiveness, shared interest and mutual accountability for results. The risks, costs and rewards of a joint project have to be shared fairly.
- **Demonstration effect**: A supported action should aim to have a clear demonstration effect that catalyses market development by crowding in other private sector actors for the replication and scaling-up of development results.
- **Adherence to social, environmental and fiscal standards**: Private enterprises receiving support have to demonstrate that their operations are compliant with environmental, social and fiscal standards, including respect for human and indigenous rights, decent work, good corporate governance and sector-specific norms.

Source: A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries, European Commission, 2014 http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-263-EN-F1-1.Pdf.

2.9 Businesses that explicitly target the poor as consumers of essential goods or services or as employees or suppliers have a clearer line of sight to DFID's intended beneficiaries than those targeting wider social groups. While the poor may still benefit from the latter types of investment, this is likely to be indirectly as employees or suppliers, for example, of direct beneficiaries.

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2.10 The EDSF is less explicit about how its use of loans, equity investment and guarantees (LEG) will benefit the poor. The strategy states that DFID will use LEG to share risk that would otherwise slow down investment and business growth. The strategy also makes clear that by sharing risks DFID will have claims on a share of any returns generated by its investment.[19] It regards LEG as a means or tool to enable development while allowing its resources to go further. We believe this is an appropriate use of LEG (see Figure 6). The strategy is silent, however, on how LEG will reduce poverty.

2.11 While the European Commission criteria for engaging with businesses in development do not explicitly include 'do no harm', this is an important principle for DFID's work with businesses. The ESDF missed an opportunity to emphasise the application of the 'do no harm' principle to business engagement. Clearly there may sometimes be a risk that working directly with businesses to deliver benefits could undermine or be seen to undermine government efforts, in particular if they are not aligned.

Figure 6: DFID's use of LEG

We agree with DFID that LEG can be a useful way of enabling development while maximising the use of DFID's funds. It is important, however, that LEG succeeds in catalysing other investment and that DFID can show how the investment will benefit the poor.

Not all poor people are in a position to benefit from LEG. During our field visit to Pakistan for the forthcoming Impact Review we were briefed by DFID on their microfinance work and how they were leveraging additional finance in this work. DFID were clear that microfinance is more appropriate for the productive poor rather than the most vulnerable, who are more likely to require other support such as safety nets and cash transfers.

The EDSF is too inward-looking

2.12 The EDSF correctly recognises that DFID's work must align with businesses' core strategy and objectives for it to be sustainable. It also successfully identifies many of the development opportunities that exist for DFID to work with businesses, including a number which do not require the provision of DFID funding. The approach, however, is somewhat 'DFID-centric': it could have more clearly recognised that it is often businesses that are leading the way in pioneering solutions to development challenges rather than development agencies.

There is an urgent need for DFID to spell out in more detail when and why it will work with businesses

2.13 Other DFID departmental strategies highlight the role of business to varying degrees. The 'Health Position Paper – Delivering Health Results', for example, cites a number of ways in which DFID is already partnering with domestic and international providers.[20] The paper states that there are 'great potential benefits from improving [businesses'] incentives to deliver better quality services more equitably',[21] while also recognising the need to improve the quality of delivery through better regulation. DFID also sets out a role for business in its humanitarian work. 'Saving lives, preventing suffering and building resilience: The UK Government's Humanitarian Policy' proposes to engage the insurance and information, communication and technology (ICT) sectors through research and to improve collaboration between development and private sector partners.[22]

2.14 The published strategies that we have seen do not go far enough, however, in providing criteria to guide staff when and why they should engage with businesses. There is no overall direction to make clear at a corporate level when DFID should be engaging with businesses rather than working with governments to improve the business environment or pursuing alternative strategies. Nor did we see any guidance to help DFID staff understand the circumstances in which market level interventions

[19] Ibid.

[20] *Health Position Paper, Delivering Health Results*, DFID, July 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227184/Health_Position_Paper_final_formatted_version.pdf.

[21] Ibid., page 18.

[22] *Saving lives, preventing suffering and building resilience: The UK Government's Humanitarian Policy*, DFID, September 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67468/The_20UK_20Government_s_20Humanitarian_20Policy_20-_20September_202011_20-_20Final.pdf.

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might be preferable to engagement with businesses only.

2.15 We are aware that DFID has developed a draft policy framework to set out the criteria for the allocation of grants or concessional finance to for-profit firms, together with guidance for engaging with businesses and an online publication for businesses about how DFID can work with them. Although this has taken much longer than we would have expected, given that DFID first announced its intention of working with businesses in 2011, they are significant positive developments.[23] This guidance is also broadly in line with the criteria set out in Figure 5 on page 10, although the need to understand business motivations (in order to ensure sustainability) is not emphasised as much as it should be.

Below its high level strategies, DFID's operational plans to engage with businesses lack detail

2.16 The ambition to work with business, as articulated in departmental strategies, is not translated into detailed plans at the level of operational documents. The introduction of the latest Operational Plans for the Economic Development, Human Development, Climate Change and Environment and Conflict, Humanitarian and Security Departments all contain the identical phrase: 'Increasingly we will take new and innovative approaches and we will work with new partners. This will include businesses who are increasingly major development players'.[24] Beyond this, there is little detail in the body of these texts that shows how this approach will actually become operational.

2.17 We were surprised and concerned that DFID was unable to provide us with comprehensive data on its funding for LEG activities or grants provided to businesses through challenge funds on an annual basis. Without this information readily to hand it is hard to see how DFID can develop effective operational plans in this area.

2.18 At a country level, DFID is currently rolling out an 'Inclusive Growth Diagnostic' tool to all of its country offices. The first stage requires country offices to identify the factors which have led to the existing patterns of growth, the opportunities for inclusive growth and the constraints which may inhibit it. The second stage, which will be implemented later in 2015, requires the identification of opportunities for DFID intervention where it has a comparative advantage. This provides a good opportunity for – although at present does not specifically require – country offices to identify businesses with which they could partner, for example drawing on existing relationships at the corporate or country level.

Cross-departmental objectives are a complicating factor for DFID in its work with businesses

2.19 We are concerned that the floor target for 'non-fiscal' spending (which DFID now calls development capital investment) could become a driver of DFID's expenditure strategy rather than LEG simply being a tool for use as appropriate. The provision of LEG forms an important part of DFID's work with business. HM Treasury has set DFID a floor target of £692 million of 'non-fiscal' expenditure in 2015-16. The advantage to HM Treasury is that non-fiscal expenditure does not impact net public sector debt. In the context of DFID's budget, it relates to the non-fiscal portion of LEG, which is expected to generate at least some financial return to DFID in the future. Current DAC rules state that the amount that is returned to DFID will count as negative ODA and the corresponding amount spent to achieve the legally required 0.7% ODA target. Further explanation is provided in Annex A3.

2.20 This target of £692 million in 2015-16 compares with DFID's actual non-fiscal expenditure of approximately £98 million in 2013-14 and £416 million in 2014-15.[25] It represents a rapid increase

[23] *The engine of development: The private sector and prosperity for poor people*, DFID, May 2011, page 4, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67490/Private-sector-approach-paper-May2011.pdf.

[24] See also *Managing the Official Development Assistance target*, NAO, January 2015, paragraph 1.46, page 31, http://www.nao.org.uk/wp-content/uploads/2015/01/Managing-the-official-development-assistance-target.pdf.

[25] These figures include contributions to multinational development banks of £38 million and £362 million respectively which we have excluded from our totals in paragraphs 1.2, 1.15 and 1.18 and Figure 3 but which are classed as non-fiscal development capital investment, discussed further in Annex A3.

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in an area that often requires new skills on DFID's part or places new demands on DFID's resources. Doing something new is always risky. Doing so at high speed compounds the risk. DFID must manage this risk carefully in consultation with the Treasury.[26]

2.21 DFID takes the view that its non-fiscal expenditure is a means, not an end. DFID sees its access to this resource as just one of several instruments available to it for the purpose of promoting development. We agree with this view but we are concerned that the floor targets for non-fiscal expenditure may inadvertently turn a means to an end into an end in itself. We have seen, in other reviews, that significant scale-ups in committed funding, without the capacity to spend these funds well, have led to disappointing results in fragile states and the need for significant course correction in the International Climate Fund.[27] HM Treasury had set a floor target for non-fiscal expenditure in 2015-16 but no targets have yet been set for future years. At present, ministers have not yet approved additional projects that can utilise the floor target for 2015-16. Should the Treasury set floor targets in respect of future years, these may create a bias in favour of large programmes that allow DFID to deploy quickly large amounts of funding that qualify as non-fiscal. In practice, this translates into a bias in favour of increasing commitments to organisations such as PIDG and CDC Group.[28] The NAO and the Public Accounts Committee (PAC) have already expressed concerns about the rate of growth of DFID's contributions to PIDG.[29]

2.22 Most of the kinds of spending that would meet the Treasury's non-fiscal definition face an issue of absorption capacity: that is, it may be hard to spend the amounts required in the time available. We were told that DFID liaises on a regular basis with HM Treasury about its budget and other targets (such as the non-fiscal floor), in order to make sure that spending is on target. The evidence suggests that this process works well, at least in the sense that DFID has succeeded in meeting its targets. Nonetheless, there is a risk that the Treasury's requirements unhelpfully distort the way DFID spends a rapidly increasing portion of its budget. Within the space of two years, this portion will have risen from 1% to 6%.[30] We note that NAO has previously highlighted issues raised by DFID's need to meet rigid targets.[31]

2.23 Even if DFID is currently able to find appropriate destinations for this increase in spending, non-fiscal expenditure creates another issue to be managed: LEG may generate a future return of funding. If and when the development capital investment portion of DFID's LEG investments succeeds in generating a financial return, that amount will count as negative flows for ODA purposes.[32] Uncertainty over timing and amounts will need careful management in DFID's budgeting processes.

DFID's help promoting the UK's commercial interests requires staff to tread a fine line

2.24 DFID is expected to play its part in the UK Government's efforts to promote the commercial interests of the UK. For example, the Trade and Investment for Growth White Paper states that the UK must adopt a 'whole of Government approach'

[26] See also *Managing the Official Development Assistance Target*, NAO, January 2015, page 31, paragraph 1.46, http://www.nao.org.uk/wp-content/uploads/2015/01/Managing-the-official-development-assistance-target.pdf.

[27] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, ICAI, February 2015, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFID%E2%80%99s-Support-to-Fragile-States.pdf; *The UK's International Climate Fund*, ICAI, December 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/12/ICAI-Report-International-Climate-Fund.pdf.

[28] *Managing the Official Development Assistance target*, NAO, January 2015, page 31, paragraph 1.47, http://www.nao.org.uk/wp-content/uploads/2015/01/Managing-the-official-development-assistance-target.pdf. 'Options the Department were considering [at November 2014] included making new loans to the Private Infrastructure Development Group which invests in private sector companies.'

[29] *Oversight of the Private Infrastructure Development Group*, NAO, July 2014, http://www.nao.org.uk/wp-content/uploads/2014/07/Oversight-of-the-private-infrastructure-development-group.pdf; *Oversight of the Private Infrastructure Development Group*, House of Commons Committee of Public Accounts, Thirty-third Report of Session 2014-15, January 2015, http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpubacc/675/675.pdf.

[30] In 2013-14, £98 million of non-fiscal spending represented 1% of DFID's £9.9 billion total programme expenditure (see DFID Annual Report and Accounts 2013-14, page 10, paragraph 1.6, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/331591/annual-report-accounts-2013-14a.pdf). The £692 million floor target for non-fiscal spending in 2015-16 represents 6.2% of budgeted programme expenditure.

[31] *Managing the Official Development Assistance Target*, NAO, January 2015, page 7, http://www.nao.org.uk/wp-content/uploads/2015/01/Managing-the-official-development-assistance-target.pdf.

[32] See, for example, comments by Mark Lowcock at the IMF in 2013, https://www.gov.uk/government/speeches/modernising-development-finance-the-future-of-official-development-assistance-oda.

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to trade and investment policy, involving all departments and utilising overseas networks. It stresses the UK Government's effort to prioritise better integrated trade and development policy through strengthening the joint Department for Business, Innovation and Skills and DFID Trade Policy Unit.[33] This has been emphasised in DFID guidance to staff.[34] As a result, DFID is now seeking to work much more closely with UK Trade & Investment (UKTI), which works with UK-based businesses to promote their success in international markets.

2.25 Under the International Development Act (IDA) 2002, however, DFID may not use staff time or financial resources to promote UK commercial interests (this provision is referred to as 'untied aid', see Figure 7). This means that 'DFID officials should not be involved in lobbying nor should staff use development advice or funding in any way that could be construed as favouring commercial interests'.[35]

Figure 7: What is 'tied aid'?

Tied aid describes official grants or loans that limit procurement to companies in the donor country or to a restricted group of countries. In the view of the OECD, tied aid 'often prevents recipient countries from receiving good value for money for services, goods, or works',[36] acting as a form of protectionism. Untied aid means that the recipient of aid is not required to use that money to buy goods and services from the donor country.

The OECD's Development Assistance Committee has been working to encourage donors to untie aid. The UK operates a policy of untied aid which is enshrined in UK law.

The policy of untied aid makes it difficult for DFID and UKTI staff to collaborate effectively on the ground

2.26 DFID has issued guidance to staff regarding the relationship between DFID's developmental mandate and cross-government involvement to promote the UK's commercial interests.[37] The guidance states that 'if development assistance that is provided by DFID satisfies the tests in IDA [the International Development Act], it is legitimate for DFID to support spin-off commercial benefits to the UK resulting from that assistance, provided that they are not its primary purpose'.

2.27 A strict interpretation of the untied aid provision can lead to the unanticipated situation where DFID is able to work with and help non-UK businesses to make the most of development opportunities and UK development assistance but is precluded from working with UK businesses. Our discussions with DFID, FCO and UKTI staff indicate that there are ways that each party can be helpful to the other. DFID is well-placed to provide analysis of economic developments, government strategy, and procurement opportunities to UKTI colleagues. The latter, in turn, can help DFID by providing business insights into bottlenecks and opportunities. Each can provide the other with business contacts and introductions. Feedback also showed, however, that while all parties have made considerable efforts to identify further opportunities for collaboration, in practice this has often been time-consuming and frustrating. DFID India and their UKTI colleagues have undertaken to work jointly in support of a specific government initiative in one of the low income states, which is a practical and sensible approach.

High Level Prosperity Partnerships are helping to align objectives with governments in participating countries

2.28 High Level Prosperity Partnerships (HLPPs) are partnerships between DFID, the FCO and UKTI with governments in five countries, including Ghana, offering a joined-up approach to strengthen economic co-operation and trade and to target the development of priority sectors. Formally launched in 2013, the partnerships formalise the working

[33] *Trade for Investment and Growth*, Department for Business, Skills and Innovation, February 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228941/8015.pdf.

[34] *Working as one team at Post: Guidance for DFID, UKTI and FCO staff on HMG's Commercial Diplomacy and Untied Aid Agenda*, UK Government, April 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67541/gov-guidelines-commercial-diplomacy.pdf.

[36] See http://www.oecd.org/development/untyingaidtherighttochoose.htm.

[37] *Working as one team at Post: Guidance for DFID, UKTI and FCO staff on HMG's Commercial Diplomacy and Untied Aid Agenda*, UK Government, April 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67541/gov-guidelines-commercial-diplomacy.pdf.

relationships we would expect to exist between DFID, the FCO and UKTI in all countries.

2.29 HLPPs are having a positive impact on the way that DFID co-ordinates its engagement with businesses and the opportunities to feed the perspectives of businesses into DFID's work. In Ghana, we learned that HLPP meetings had allowed DFID to invite participants in their Enhancing Growth in New Enterprises (ENGINE) programme, a competition to select and support promising entrepreneurs, to an FCO Prosperity small business networking event. DFID, FCO and UKTI have now developed the Joint Africa Framework (JAF), which builds on the lessons learned from the HLPPs and has led to a commitment for the UK Government to work together in five additional markets in Africa to assist business to provide further support and realise commercial opportunities. The HLPPs remain in place and will continue to be developed with the five African partner governments. The HLPPs have now been brought within the JAF.

2.30 We agree that better co-ordination through HLPPs is useful. We note, however, that inherent tension remains between UKTI's duty to promote British business and DFID's legal restrictions around tied aid. Clearer guidance for country offices would be useful.

3 Findings: Delivery

Delivery *Assessment: Amber-Red* A R

3.1 In this section, we consider how well DFID makes use of the different mechanisms at its disposal to engage with businesses. In a few cases, typically involving large and/or strategic businesses, DFID itself manages the relationship at the operational level. In most cases, however, resource constraints mean that DFID outsources the management of its relationship with businesses. DFID has only a limited number of staff with the technical skills to oversee engagements involving businesses, such as those involving LEG. Most of DFID's engagement with businesses, therefore, is conducted through intermediaries such as networks, alliances and partnerships, challenge funds and investment intermediaries. In these cases, DFID's role is necessarily limited to strategic oversight of the relationship.

3.2 We found good examples of strong delivery but also significant gaps in DFID's strategic management of its business engagement portfolio as a whole. DFID's organisational culture, set-up and processes are improving but more could be done to make them as user-friendly for businesses as they should be.

DFID's direct engagement with strategic businesses is of mixed effectiveness

DFID's CRM system is useful but not yet a tool for developing new strategic contacts

3.3 In 2014, DFID implemented a corporate relationship management (CRM) system to facilitate the development and management of its relationships with 23 UK and international businesses which it considered to be strategic to its work. The CRM system is not intended to replace ongoing engagement centrally or at the country level. Rather, it aims systematically to assign responsibility for managing DFID's overall relationship with each of these strategic companies to DFID staff. In our meetings, both companies and DFID staff told us that they found the CRM system useful.

3.4 Businesses which do not have an existing relationship with DFID, however, told us that there is no easy way of obtaining an overview of DFID's offers or how to initiate a relationship. We note that DFID is currently preparing a statement to be published on its website, clarifying to businesses how they can work with DFID. This is a positive development, although it is disappointing that it has taken over a year since the commitment to do so was published in the EDSF.

3.5 The inclusion of companies into the CRM system has been based on pre-existing relationships. This is a pragmatic (if not a strategic) approach for the early stages of a system. Going forward, however, DFID's approach to identifying potential business partners should be more purposeful.

DFID needs a more effective 'shop window' to help new businesses understand its offer

3.6 The Business Engagement Hub (BEH) in the Private Sector Department acts as a point of contact for businesses in DFID but at present it is not visible to businesses approaching DFID for the first time. DFID currently lacks a 'shop window' that allows new businesses to understand what DFID has to offer and a front door that businesses can easily access. In practice this requires a more user-friendly website that not only sets out funding opportunities but explains when and how businesses can engage with DFID, what the benefits are and how the modalities differ. As discussed in paragraph 2.15, we understand that a new draft publication for DFID's website addressing this issue is currently being reviewed.

Stakeholder fatigue is a danger

3.7 We observed a frustration from businesses that highly-publicised initiatives sometimes do not translate into action. In Ghana, for example, we spoke to three business members about the New Alliance, a DFID-supported alliance bringing together donors, governments and the private sector. They were not clear about its agenda or approach and could not identify what difference it was making. Also in Ghana, we noted that slow progress in the Western Region Coastal Foundation has led to 'stakeholder fatigue', which might have been avoided if DFID had managed better the private sector's expectations about the likely pace of progress.

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3.8 DFID's processes also cause frustration among businesses. One business said: 'once we have sign-off, we can proceed, whereas DFID must get approval at every stage of the process'. A large multinational commented on the un-business like management of meetings with DFID. Another noted procedural inflexibility, for example in the drafting of strategic partnership contracts and an inability or refusal to share contracting models used with other businesses.

3.9 DFID is not alone in facing these challenges and some misalignment between commercial and public sector contracting practice is inevitable, given their respective reporting and accounting structures. Some businesses to which we spoke recognised that the shift in DFID, from conceiving of business engagement solely as small and medium-enterprise (SME) support programmes, to the new mode of also working directly with large multinational businesses, is relatively recent. Other donors feel that DFID is a leader in terms of business engagement and several businesses said that DFID's approach to business was gradually improving.

3.10 Nevertheless, set against DFID's own ambitions (as articulated in its corporate and departmental strategies), there is clearly room for improvement. DFID is already responding by developing guidelines for staff on how best to engage with businesses. This is timely.

Dialogue needs to be well-focussed to be an effective tool for business engagement

3.11 Centrally, DFID chairs a number of roundtables that involve senior representation from both businesses and DFID. These roundtables represent a relatively high administrative burden for DFID and are time-consuming for business. They are only effective when objectives are clear. The extractives roundtable appears to have been successful in turning discussion into action to develop vocational training capacity in East Africa through clear objectives and strong stakeholder buy-in. According to many private sector participants, however, not all roundtables have had this clarity. Momentum has been hard to maintain in some roundtables that have not developed concrete deliverables.

3.12 There is a risk that businesses will lose enthusiasm for engaging in dialogue with government unless fora such as the roundtables are perceived less as talking shops and more as a precursor to action. UN Global Compact's 2013 sustainability survey revealed that businesses wish to engage in constructive, two-way dialogue with regulators and policy makers.[38] While the survey showed that businesses expect governments to play a leading role in shaping the landscape for sustainable development, 84% of Chief Executive Officers believe that business should lead efforts to define and deliver new goals on global priority issues. The businesses we spoke to told us that DFID's approach to business did not yet recognise this shifting emphasis.

DFID makes good use of targeted business networks

3.13 DFID is a member of several business networks, including Business Action for Africa (BAA) and the UN Global Compact, which it has brought together under one programme. Separately, it also funds other business networks, such as the Business Call to Action (BCtA).

3.14 Where networks have a limited number of members and clear objectives, they are seen by all stakeholders as effective to stimulate cross-sector learning, engage in policy dialogue and tackle specific development challenges. Like roundtables, networks provide an opportunity to engage in policy dialogue with businesses, share strategies and develop approaches to specific issues. For example, the BAA has established working groups looking at very specific gaps in the evidence, such as taxes and the impact of large agro-business on smallholder farmers, which bring together DFID and private sector expertise. Business networks also create a forum where businesses can learn from one another. The BCtA is specifically designed to develop a portfolio of case studies which other businesses can refer to when looking

[38] *The UN Global Compact-Accenture CEO Study on Sustainability 2013*, Accenture and UN Global Compact, September 2013, http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-UN-Global-Compact-Acn-CEO-Study-Sustainability-2013.pdf.

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to understand how to establish inclusive business models in developing countries.

3.15 One of DFID's strengths is its convening power. Its support for business networks draws on this strength, meaning that DFID's support allows the networks to be more effective than they would otherwise be. Given the relatively low levels of funding DFID provides to these networks, we believe that its support for networks is justified. We saw good examples of DFID making use of networks at a local level, as is set out in Figure 8.

3.16 We have also seen examples of less effective alliances. Large, highly publicised 'calls to action', such as the New Alliance, which require businesses to sign up but have no means of enforcing commitments, have had little impact. Their size makes it hard to co-ordinate stakeholders and they can serve as little more than a means of promotion for the companies involved and a chance to increase their influence in policy debates. The Global Compact, which we have not reviewed, has received similar criticism in the past.[39]

Bilateral partnerships are a promising form of relationship but have yet to lead to action on the ground

3.17 DFID has developed a number of bilateral relationships with selected companies. These are intended to facilitate dialogue at various levels, including policy dialogue, knowledge sharing and exploratory discussions to identify areas of potential collaboration. We welcome these developments: in our previous review of DFID's Private Sector Development work, we recommended that DFID needed to make a greater effort to understand the barriers and business imperatives faced by the private sector in participating in development.[40]

3.18 For example, DFID has signed 'Letters of Intent' with Marks & Spencer and Unilever. Although these do not legally commit either DFID or the companies to any practical action, we were told that they have been helpful in identifying priority areas for potential collaboration and signalling top-level support for these initiatives. Businesses said that they found it useful to have a designated point of contact within DFID that can access DFID's network of advisors and stock of knowledge, as well as other parts of the UK Government.

Figure 8: Networks at the local level can be effective

DFID responded to an opportunity created by the recent passage of legislation in India requiring large companies to spend a share of their net profits on CSR.[41] It set up the **Technical Assistance Facility for Corporate Social Responsibility** in India, which is run by a local civil society organisation to foster contacts among and between companies and non-governmental delivery partners. This initiative aims to enhance the overall efficiency and effectiveness of CSR expenditure. Participating businesses reported high levels of satisfaction with the initiative. This is an effective model that could be adopted more broadly.

During our visit to India, we spoke to business members of the **Safety, Health and Education and Employment for Girls and Women** (SHE) project. SHE is a call to action, intended to galvanise large multinational businesses to pool experience and realise synergies around a common theme. The clear objectives of SHE are reflected in high levels of engagement with the initiative.

DFID has embarked on a small number of strategic partnerships with business

3.19 DFID is also piloting a new form of relationship under the Girls' Education Challenge called Strategic Partnerships. So far, DFID has established such partnerships with four businesses (Avanti, Coca Cola, Discovery Channel and Eriksson). These Strategic Partnerships provide match-funding to explore new ways of improving learning opportunities for girls in remote or marginalised communities. In several cases (including projects supported by Avanti, Discovery Channel and Eriksson) this involves use of technology to enhance learning. Coca Cola is supporting a leadership and entrepreneurship programme for girls and providing opportunities for graduates to join Coca Cola's retail network.

[39] See, for example, the Global Compact Critics blog, hosted by the Centre for Research on Multinational Companies, at http://globalcompactcritics.blogspot.co.uk/.

[40] *DFID's Private Sector Development Work,* ICAI, May 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/05/ICAI-PSD-report-FINAL.pdf.

[41] The Indian Companies Act, 2013, s135, states that any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits each fiscal year on CSR activities. The rules came into effect from 1 April 2014. 1 crore – 10,000,000. 100 rupees – approximately £1.08. Source: www.oanda.com, retrieved on 26 March 2015.

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3.20 Both Letters of Intent and Strategic Partnerships involve relationships with businesses that have the potential to address development challenges on a global scale. They may also allow DFID to work at a strategic level with businesses that offer specific assets, such as technology, which could provide solutions to difficult development challenges. We heard positive feedback about both approaches. One large business said that having an understanding with DFID that they would work together across a broad range of areas made for 'much richer conversations' than are possible, for example, where businesses are restricted to applying for grants through challenge funds.

Some of DFID's most innovative work with businesses is delivered through networks, alliances and partnerships

3.21 Several of the strongest delivery models that we saw use networks, alliances and partnerships. These can include jointly-funded delivery mechanisms and enable DFID to achieve more than it would otherwise have been able to do. The wide range of partnerships with which DFID works is highlighted in Figure 9 on page 20.

3.22 We found that DFID's engagement with businesses through not-for-profit partnerships is typically underpinned by business cases which address the criteria set out in Figure 5 on page 10 (although we believe greater understanding of businesses' motivations could be demonstrated). DFID's job in these cases is not to micro-manage the process. Rather, it is to ensure that the objectives of the partnership are clear, that management is accountable and that lessons are learned. We were satisfied that DFID takes due care to ensure that the objectives of the partnerships it supports are relevant to its overall mandate to reduce poverty.

3.23 Collaborating with others has expanded DFID's capacity to deliver programmes. Intermediaries are able to engage with large national or multinational corporations on DFID's behalf. For example, DFID's contribution to the Clinton Health Access Initiative (CHAI) has allowed it to benefit from a highly-skilled, well-connected and abundantly-resourced delivery agent. CHAI's capacity allows it to shape the global market for key pharmaceutical drugs, such as anti-retroviral drugs, in ways that DFID could not do on its own.

3.24 Smaller NGOs, with a national or even local reach, have also proved to be effective delivery mechanisms for DFID in engaging with businesses. For example, in India we saw good work being undertaken by the civil society organisation Samhita, on behalf of DFID, to broker contacts among companies and between companies and delivery partners working in the area of CSR.

We have concerns about the quality of DFID's strategic oversight of business engagement activities

LEG is an important tool for delivery

3.25 DFID holds a large and increasingly diverse portfolio of financial investments. At one time, DFID's investments were confined mostly to CDC Group. Now the portfolio also includes PIDG, AgDevCo and projects run from DFID India and DFID in London.

3.26 Both the nature of the projects and their financial profile are very varied (see Annex A2). The financial instruments within the LEG portfolio include:

- co-lending arrangements, such as DFID India's Affordable Housing fund and Infrastructure Loan fund;
- a standalone loan fund (PIDG's Emerging Africa Infrastructure Fund);
- a rated insurance company capitalised at almost £136 million (PIDG's Guarantco);
- two venture capital-like impact investment funds (DFID India's Samridhi and the DFID Ghana-funded AgDevCo Northern Ghana Catalytic Fund (NGCF));
- two specialist private equity funds (the IFC Catalyst Fund and Asia Climate Partners); and
- project development activities, such as PIDG's InfraCo Africa and DFID Ghana's Greenfields project, which are arguably more risky than venture capital.

3 Findings: Delivery

We observed some good examples of the delivery of LEG through investment intermediaries

3.27 We looked at case studies of delivery through investment intermediaries in two contrasting markets: Ghana and India. In India, the requirement to use public institutions as partners or fund managers is a potential constraint but also a capacity-building opportunity.

3.28 In both markets, we observed a good balance between development and commercial mandates. For example, we met an entrepreneur in India who had received funding from the Samridhi fund. He told us of his satisfaction in finding a backer which could understand his development aims. Another told us: 'There are plenty of funds who call themselves impact funds but when you meet them it turns out that what they're really interested in is just the financial return. They talk the talk, but they don't walk the walk'.

3.29 We were impressed by the capabilities of the people we met at project level. In India, DFID has been able to hire individuals with the right skills and contacts to be able to pursue its investment projects. In Ghana, we were struck favourably by the way that investment intermediaries for both PIDG funds and AgDevCo manage to combine technical with commercial skills.

There is a danger that DFID is ill-equipped to manage the residual but strategic risk posed by its LEG portfolio

3.30 The diversity and range of DFID's LEG instruments reflect an analysis of needs on the ground undertaken, for example, by the DFID India office, PIDG, AgDevCo and DFID centrally. This was confirmed during our visits to India and Ghana, where LEG instruments are individually well suited to local opportunities and needs.

3.31 We believe that it is appropriate for DFID to outsource the management of most or all of its LEG activities: DFID lacks sufficient staff with the skills and resources needed to manage these kinds of activities in-house. DFID's chosen approach brings other challenges, however. In particular, DFID needs the skills to choose, monitor and oversee the outsourced managers whom it appoints. This is important for many reasons, including ensuring value for money and accountability and for managing both downside risk and upside learning opportunities.

Figure 9: DFID works with a wide variety of partnerships

Partnerships range enormously in scope and in the scale and nature of businesses with which they engage. They include bilateral partnerships with individual businesses, often via a not-for-profit vehicle established by the business; multilateral partnerships with several businesses, also often delivered by a not-for profit vehicle established by one of the businesses or by a foundation or NGO.

For example, the Clinton Health Access Initiative (CHAI) is supported by DFID and other donors. This NGO works with leading pharmaceutical drug manufacturers in China, India and South Africa on the supply side, as well as with governments (in particular in sub-Saharan Africa) and global procurement bodies on the demand side. It has clear objectives to expand access to critical medical commodities to users in developing countries.

The African Health Markets for Equity (AHME), an initiative co-funded by DFID, works with small private sector providers of healthcare to improve the scale and quality of their services in poor areas of Ghana, Kenya and Nigeria. AHME, like CHAI, has clear objectives to address both demand and supply side constraints in the markets in which it operates. It is managed by the international NGO, Marie Stopes International.

DFID is also a funder of Water and Sanitation for the Urban Poor (WSUP), a non-profit partnership established by founder businesses. WSUP's members include Unilever and Thames Water, as well as academic and NGO representation. Because WSUP is a separate legal entity, it is better placed to undertake highly innovative, risky and flexible work.

The strategic partnerships under the Girls' Education Challenge are a new concept for DFID. DFID is providing a grant of £11.6 million, through the Girls' Education Challenge, to the Discovery Learning Alliance (DLA), alongside funding provided by the US firm Discovery Channel. Following a pilot in Ghana, the DLA is now working with DFID support in Ghana, Kenya and Nigeria to address student literacy and numeracy, media-based teacher materials, community education and national talk shows.

3.32 While there is merit in the diversity of DFID's LEG instruments, the overall picture is undoubtedly complex. Strategic management of the LEG portfolio requires appraising and monitoring investment activities across geographies, sectors, stages of funding and risk profiles. DFID is aware of the special needs and complexities associated with its LEG portfolio. We are concerned, however, that existing oversight mechanisms lack sufficient experienced, accountable personnel to ensure the required strategic oversight. In July 2014, DFID's Executive Management Committee tasked a sub-committee, the Investment Committee, to have

3 Findings: Delivery

oversight of the non-fiscal portfolio. The Investment Committee, which comprises ten members, includes one non-executive member with a professional background in commercial investment. A Development Capital Working Group, comprising DFID staff, supports the Investment Committee. No member of the Working Group has significant commercial investment experience. Development capital grants are not included within the formal remit of these committees and are subject to no specialist oversight arrangements within DFID. Given the already overstretched capacity of DFID's current oversight arrangements for its LEG portfolio, we are not convinced that DFID has in place the necessary depth in experience and skills needed to oversee the scale-up that the increased target for development capital investment implies.

3.33 To the extent that DFID chooses to use LEG to pursue its development aims, it necessarily takes on some of the characteristics of a large institutional investor. By way of parallel, the UK Government involuntarily became a major shareholder in several UK financial institutions following the financial crisis. Recognising that civil servants alone do not have the skills to manage this exposure effectively, the government created a mechanism (UK Financial Investments Limited) to bring relevant financial experience to bear. It is vital that DFID has people with the appropriate skills who are located and organised in the right places within DFID in terms of department, geography and seniority to set the strategic direction for its LEG activities and to aggregate and compare them at an overall level.

DFID depends on the quality of its managing agents for successful delivery of its challenge fund grants

3.34 Challenge funds (mechanisms for the competitive allocation of funding on a matched-funding basis) are used by DFID for two main purposes.[42] They promote innovation, an aspect of business development which is subject to market failure but has significant potential for development.[43] They have also been used to promote 'inclusive business'. Inclusive business can take a number of forms. First, businesses may sell products and services that are needed by the poor and that have a high developmental impact. Second, businesses may take steps to procure more locally and employ more local staff. Third, businesses may invest in improved labour standards and other business practices, as well as facilities for the local community, which increase the productivity of their workforce.[44]

3.35 The relationship between DFID and businesses financed through a challenge fund is among the most 'arm's length' of all DFID's business engagement. DFID follows a robust process for identifying opportunities and sectors in which challenge funds can be deployed. Grant recipients are selected competitively and retain significant discretion over the formulation and execution of their proposals.

3.36 We found that DFID makes good use of information and analysis when designing challenge fund programmes. For example, we were told by participating NGOs that DFID had identified the right moment to make its £2.8 million contribution to the Responsible and Accountable Garment Sector (RAGS) challenge fund in India.[45] The timing of RAGS was aligned with a drive for improvements in the sector by the Government of India. Recipients of grants confirmed that the opportunity for impact in India at this time was strong.

3.37 The Trade in Global Value Chains Initiative (TGVCI) is a successor challenge fund to RAGS, supporting initiatives that will help achieve better employment opportunities, working conditions and social outcomes. We noted that the scoping study

[42] A. Brain, N. Gulrajani and J. Mitchell, *Meeting the Challenge: How can Enterprise Challenge Funds be Made to Work Better?*, EPS PEAKS, 2014, http://www.globaleconomicgovernance.org/sites/geg/files/How%20can%20enterprise%20challenge%20funds%20be%20made%20to%20work%20better.pdf.

[43] Market failure occurs where businesses do not have the financial capacity to bring innovations to market and cannot access credit. *Promoting innovation and evidence-based approaches to building resilience and responding to humanitarian crises: A DFID Strategy Paper*, DFID, 2012, http://reliefweb.int/sites/reliefweb.int/files/resources/prom-innov-evi-bas-appr-build-res-resp-hum-cris.pdf.

[44] M. Porter and M. Kramer, *Creating Shared Value*, Harvard Business Review, January 2011, https://hbr.org/2011/01/the-big-idea-creating-shared-value.

[45] This fund awarded grants to private sector and civil society organisations which committed to demonstrating sustainable improvement in the working conditions of enterprises supplying the UK clothing market.

for this initiative is based on solid analysis of the sectors and value chains in which it operates.

3.38 Once challenge funds are established, DFID devolves almost all management to an external agent and has very little engagement with the individual partners of programme activities. The choice of managing agent has a major influence on the overall success of challenge fund programmes. In particular, strong management requires a mix of robust follow-up on reporting requirements, the ability to respond to unanticipated situations and sector specific knowledge.

3.39 We heard mixed reports about the performance of managing agents in delivering DFID's challenge funds. Feedback from grantees under the RAGS programme suggested that a lack of engagement on technical issues meant that there were missed opportunities to achieve maximum impact.

3.40 By contrast, recipients of grants from the Food Retail Industry Challenge Fund (FRICH), which provided grants to businesses to help increase routes to market for African food producers and to benefit poor farm workers and smallholders, gave universally positive feedback. They praised the managing agent's technical knowledge, flexibility and commitment and how the agent managed the process overall.

3.41 Businesses that successfully applied to challenge funds also gave mixed feedback regarding the application process and reporting requirements for these funds. In some cases, such as the FRICH Fund, businesses appeared to be satisfied. In others, notably RAGS, the process was seen as 'not worth it'.

DFID does not exercise enough strategic oversight of its challenge funds

3.42 DFID's comparative advantage, relative to other stakeholders, is not limited to its ability to distribute funds and appoint a sound managing agent but includes its local and technical knowledge and its networks. Realising the full potential of challenge fund programmes thus requires DFID to exercise some residual strategic oversight of the relationship and to add value to that of the managing agent.

3.43 In the examples that we reviewed where DFID has funded activities through challenge funds, we did not find clear evidence that DFID has added significant value, especially where funds are managed centrally rather than by a country office. There was little sharing of learning and termination of programmes was often abrupt and poorly managed. For example, in India we heard universal dissatisfaction from project beneficiaries and implementing NGOs that the RAGS programme ended when first round grantees completed their projects. The decision to adjust the focus of DFID's funding was based on a three-year research programme, Capturing the Gains, managed by the Joint Trade Policy Unit.[46] It is not clear to us, however, why the existing RAGS programme could not have been adjusted, rather than dismantling it and establishing a new fund with the attendant start-up costs. The manner of communicating the decision was also not satisfactory.

Lack of strategic management can result in missed opportunities to blend activities for better delivery

3.44 As further noted in the Impact section below, a mix of instruments is often required to optimise delivery. Where centrally managed programmes do not obtain the input of local office staff, there is a risk that the potential for synergy between activities is lost. We were concerned, for example, at the apparent lack of engagement by the Ghana office in the FRICH supply chain projects given other work ongoing in the office to foster value chains in the agricultural sector.

[46] *Capturing the Gains, Economic and Social Upgrading, Global Production Networks and Trade*, DFID, October 2013, http://r4d.dfid.gov.uk/Project/60958/ .

4 Findings: Impact

Impact *Assessment: Amber-Red*

4.1 In this section, we consider whether DFID's work with and through business is likely to have a positive and sustainable impact for the poor. DFID's funding of businesses for development should deliver outputs and achieve outcomes and impact like other aspects of its programme funding. The most important result for which all business in development projects should be aiming is a reduction in poverty either directly or indirectly. In addition, we assessed DFID's engagement with business to see if it was achieving impact through:

- direct and indirect catalytic effects – in other words, if it was stimulating further investment from other sources by demonstrating that a model or initiative works;
- additionality – in other words, if DFID's contribution was achieving impact beyond that which business would have achieved without DFID's involvement; and
- minimal crowding out – in other words, if DFID's contribution was providing an unfair advantage that prevented other businesses from exploiting the market opportunity.

4.2 DFID's business engagement activities to promote development are not separately identified in DFID's accounting system. There are no portfolio-wide targets for engagement with business. So far, DFID has captured and aggregated a few results, such as financial access, across the portfolio. This needs to be done in a more comprehensive way to assess overall effectiveness. DFID is seeking to upgrade its overall management of information as well as to set up a specialised framework for its development capital portfolio. This needs to be implemented on an urgent basis to ensure that DFID can assess its own effectiveness at a portfolio-wide level. The lack of strategic, portfolio-wide management is likely to diminish DFID's ability to get the best out of its portfolio. As noted in Learning, it also has implications for DFID's ability to learn about the effectiveness of its work with businesses more generally. Inadequate measures of performance for business engagement activities also affect monitoring at programme level.

There is little robust information available to show the impact of business in development on the poor

4.3 There is still only limited evidence available on the long term results of donor support for businesses in development.[47] Measuring the impact of large infrastructure projects, in particular, poses well-known challenges, including the lack of counter-factual scenarios and the length of time required to complete projects.[48] In addition, working with businesses is likely to have limitations in the impact that can be achieved for the poorest. Although there has been a shift in business attitude towards sustainable development, businesses will still tend to prioritise more profitable activities and areas. They are less likely to target the most remote, marginalised people.

4.4 For example, African Health Markets for Equity (AHME) operates in complex, poorly-resourced health markets in Ghana, Kenya and Nigeria. It has successfully achieved a number of its targets.[49] AHME undertook a baseline survey in 2013 to measure the share of poorest groups accessing franchised facilities and another survey in 2014. That AHME undertook the surveys is very much to its credit. The baseline survey showed that less than 1% of people using facilities supported by AHME were from the bottom income quintile in Ghana and other participating countries. The 2014 survey in Ghana showed that 8% of clients were living on $1.25 or less a day. We observed that DFID's partners are responding to the survey results. For example, in Ghana, the International Finance Corporation (IFC) is working with the Government of Ghana to try to increase the coverage of the National Health Insurance scheme to enable greater use of the private sector by the poorest.

4.5 A strategic review of the FRICH challenge fund found limited hard data on FRICH's impact on the poor. Interviews with individuals suggested that

[47] *Donor Partnerships with Business for Private Sector Development. What can we Learn from Experience?*, March 2013, http://www.enterprise-development.org/page/download?id=2147.
[48] A. Estache and C. Philippe, *The Impact of PPI on Poverty in Developing Countries*, IFC Economics Note #3, IFC 2010.
[49] AHME Global Health Progress Report Form, June 2014.

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additional income was being spent on education for their children.[50]

4.6 An independent final evaluation of RAGS found that female homeworkers reported significantly higher wages and factories noted greater worker satisfaction and increased skills as a result of investments made through the challenge fund. This contributed to higher productivity as well as to better understanding of worker rights and benefits across the board. On the other hand, the evaluation found it hard to pass judgement on the wider impact of RAGS because of a lack of data, particularly baseline data, in several of the projects. The programme had not incorporated third party verification, indicators were changed during the project without being reflected in logframes and there was no follow-on assessment after the programme had ended to assess impact or attribution.[51]

Some business engagements have had significant impact although their impact on the poor is hard to quantify

4.7 Despite the lack of systematic evaluative evidence at programme levels, we saw many examples during our field visits for this review to suggest that business in development projects have the potential to reach the poor. This includes some large infrastructure projects funded by LEG whose direct impact on the poor will depend on a number of factors, including the quality of the overall regulatory environment and the particular needs of the poor (see Figure 10 on page 25).

4.8 The impact of CHAI, which has lowered the price of anti-retroviral drugs for millions of marginalised users in poor countries, is also clear, although the precise impact on poor people within those countries has not been quantified. DFID provided £11.3 million to CHAI in Phase 1 of the programme between 2008 and 2012 to improve the affordability, availability and level of quality assurance for HIV-AIDS and malaria drugs provided by Indian and other manufacturers and to increase capacity in African countries to access these drugs. Attributing changes in the global price and supply of key medical commodities to any one player is difficult. The Phase 1 final evaluation of CHAI, however, found that CHAI's work to enhance supply side efficiency could be directly linked to price reductions in important drugs.[52]

4.9 Our visits to one manufacturer in Hyderabad confirmed that CHAI has been instrumental in managing a competitive process to identify suppliers who were able to offer products at reduced prices, in return for ensuring that procurement by the United Nations Children's Fund (UNICEF) and others became more predictable. Another manufacturer credited CHAI with brokering its entry into the market for producing key antiretroviral drugs.

4.10 DFID is now contributing £35 million over the period 2012-15 to CHAI to deliver a programme that aims to maximise the contribution of markets to better health outcomes and greater value for money across, for example, HIV-AIDS, tuberculosis, malaria, family planning and vaccines. An annual review in 2014 concluded that the programme had already contributed to the generation of £254 million in cost savings and that this was expected to increase to £1.1 billion in additional savings by 2020.[53]

Some programmes report big numbers but their real impact lies elsewhere

4.11 Some of DFID's business in development programmes are not intended to have a direct impact on the poor but are designed to build the evidence base for what works in reducing poverty or to co-ordinate better donor, government and private sector activity. Business Call to Action (BCtA) has 85 company initiatives worldwide, which – according to BCtA – collectively 'secure employment for 1.8 million people in 12 middle and low-income countries, improve healthcare outcomes of 12 million people, provide vocational training and capacity building opportunities to 3

[50] M. Winters and R. Soni, *Strategic Review of the FRICH*, November 2014.

[51] *Evaluation of the Responsible and Accountable Garment Sector Programme*, Smith et al, Oxford Policy Management, April 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/328558/Responsible-Accountable-Garment-Sector-Programme.pdf.

[52] C. Grace, and B. Caraso, *CHAI Final Evaluation*, 2011.

[53] *DFID Annual Review of Market-Shaping for Access to Safe, Effective and Affordable Health Commodities*, DFID, October 2014, http://iati.dfid.gov.uk/iati_documents/4407371.docx.

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million people, serve 2.5 million people with access to financial services, improve the nutritional outcomes of 1.2 million people, and assist 40 thousand farmers to improve their agricultural yields.'[54]

4.12 In our view, these aggregated numbers miss the point. BCtA's contribution, contrary to what its name might suggest, is not in maximising the numbers of people who benefit from its company initiatives, most of which would probably have gone ahead in any event (although BCtA does provide support to prospective members, for example in identifying the right partners for initiatives). BCtA's real impact is on developing the evidence base. It collates case studies of member initiatives and helps them to understand their impact on the poor. Its contribution towards changing perspectives and policy debates is impossible to measure but useful in understanding the developmental impact of businesses.

Evidence is mixed on whether business in development engagements catalyse investment

DFID's LEG activities are catalysing further investment

4.13 We saw some good examples of DFID investments catalysing investment from others (the 'demonstration effect'). For example, InfraCo Africa's development of the Kpone Independent Power Project in Ghana is a strong example of how investment funding from DFID can help to attract investors who would previously have hesitated to get involved (see Figure 10). DFID's original investment of £11 million has attracted an additional £612 million of public and private capital to be invested in the project. We also heard that the Kpone project has created a positive demonstration effect for the public sectors in Ghana, where civil servants in the public-private-partnership unit in the Ministry of Finance are now using the processes learned during the Kpone investment in other new projects.

Figure 10: LEG funded projects can have a mix of direct and indirect impacts on the poor

In some projects it is relatively straightforward to trace the potential impact of projects on the poor. In rural Rajasthan, for example, we visited a dairy farm project that DFID has funded through the Samridhi fund. Milk is India's largest agricultural commodity by volume. Although the industry's processing facilities are impressive, the collection system remains inefficient. The farm shows local smallholders how they can more than double their annual milk yields and cool it for collection, thus increasing the income of the smallholders and creating a profitable milk collection business as well as improving health.

Also in Rajasthan, India we were able to meet the direct beneficiaries of an affordable housing project supported by DFID. One man, a truck mechanic who works in the informal economy, currently lives with his family and two employees in a breezeblock shack on the outskirts of Jaipur that also serves as his workshop. He recently bought a new flat. DFID's loans to India's National Housing Bank have helped to finance the building of the flat and the provision of a mortgage loan from one of a fast-growing type of new housing finance companies that specialises in lending to poorer people.

Large infrastructure projects can also have a major positive impact on the poor but this may be much less direct and harder to trace. In Ghana, for example, InfraCo Africa (part of PIDG) spent nine years bringing the Kpone Independent Power Project to the point where private investors were prepared to finance its construction. Ghana has a widely-recognised shortage of power-generating capacity which is hindering economic growth and, therefore, reducing welfare for all the country's population, including the poor.

Guarantco (another part of PIDG) provided a guarantee that supported the building of a Liquid Petroleum Gas (LPG) storage facility in Ghana. Unlike Kpone, this facility has been built and is now in operation, albeit only for a few months. Like Kpone, though, the Quantum project forms part of Ghana's national energy infrastructure. That means its direct impact on the poor will always be hard to trace. Guarantco has tried to estimate as far as it can how an increased supply of LPG may affect poorer people in Ghana.

[54] *Annual Report to BCtA Steering Committee: Inclusive Business Gains Momentum*, Business Call to Action, 2013, http://www.businesscalltoaction.org/wp-content/uploads/2014/09/BCtA_AnnualReview2013_Web.pdf.

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We saw little evidence that DFID's challenge fund grants are catalysing further investment

4.14 We have already referred under Delivery to the lack of strategic added value provided by DFID to the dialogue with business recipients of challenge fund grants. This is likely to diminish impact in itself. In addition, we have concerns that challenge funds are not catalysing further investment. The DFID strategic review of FRICH tested the proposition that grantees would scale-up commercially viable innovations following support from FRICH, that they would do so commercially and that FRICH-inspired models would be replicated across Africa. The review found some limited evidence of scale-up, although little that was commercially sustainable. It found evidence that FRICH had had a demonstration effect in only one case. Other donors have similarly identified very limited evidence of demonstration effects through similar projects.[55] In the case of the RAGS challenge fund the external evaluation found limited evidence that lessons were being shared beyond the RAGS grantees.[56]

There is a risk of crowding out

4.15 DFID has to be alert to the risk that its contributions have a negative impact on businesses which are potential competitors of those that receive DFID support, even where the latter have been selected through a competitive process ('crowding out'). Some distortion is likely to occur, whether at the time of providing funding or at a future date and it is important that DFID remains alive to this risk. There is good evidence that DFID is sensitive to these issues and acting to mitigate the risk. Ministers have approved a policy framework that outlines the circumstances where it is justifiable to provide funding for for-profit companies.[57] Discussions with senior DFID staff suggested a good level of awareness and provided examples of DFID working to strengthen regulatory frameworks, especially in fragile states to minimise this risk. Other positive evidence included CHAI, where market information is regularly shared with sector participants partly to encourage market participation. The DFID office in Delhi has also shared information about the progress of its investment funds.

4.16 Although procurement processes are intended to enable all businesses to benefit from funding opportunities, we noted that, in practice, the selection process for challenge funds tends to favour partners who are experienced in carrying out due diligence and producing proposals and reports. The FRICH strategic review concluded that, while in principle the fund was based on an open and competitive process, in practice 'the playing field on which competition took place was not level'.[58]

4.17 Similar issues were confirmed to us in discussions with at least one major business that received funding from RAGS. This is a serious concern that risks favouring a small group of experienced bidders at the expense of newer and perhaps more innovative actors with potential to achieve more catalytic impact.

Evidence of additionality is also mixed

We saw signs of additionality in a number of LEG projects

4.18 A crucial consideration of the value for money of DFID's engagement with business is whether DFID's contribution achieves impact beyond what would have been achieved anyway. This is the concept of additionality. DFID's support to businesses is most likely to be additional where DFID is investing in areas, sectors or potential projects that currently are not attracting commercial investment because of the risks and/or perceived low returns involved. Testing for additionality is, however, empirically challenging.

4.19 Given the wide range of private investment funds that operate in developing countries, it is particularly important that DFID is clear when and

[55] See, for example, *Evaluation of DANIDA's Business-to-Business Programme 2006-2011*, May 2014, http://www.netpublikationer.dk/um/14_danida_btb_programme_2006_2011/Pdf/danida_btb_programme_2006_2011.pdf.
[56] *Evaluation of the Responsible and Accountable Garment Sector Programme*, Smith et al, Oxford Policy Management, 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/328558/Responsible-Accountable-Garment-Sector-Programme.pdf.
[57] Policy on Subsidies to For-Profit Firms, DFID, December 2014.
[58] M. Winters and R. Soni, *Strategic Review of the FRICH*.

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how its LEG activities can genuinely be additional. One argument is that such activities can and should be left to the private sector. In practice, we saw examples of situations, discussed below, where DFID can usefully fill a gap that is not currently being filled by the private sector. We note that these opportunities do not last indefinitely. DFID's role will often be to accelerate the private sector's reaction or to bridge a gap. Once a gap has been bridged, DFID needs to step out and leave the field to the private sector. That means DFID must constantly re-evaluate whether its LEG activities remain additional. By definition few if, any, of them should continue indefinitely.

4.20 We were able to see persuasive evidence of additionality during our field visits. In India, the active investment market means that DFID should focus – and is doing so – where it truly adds value (that is, in low income states). For example, in India, the Affordable Housing project is aimed at a well-documented shortage of affordable housing. The business case for the project notes that ownership of housing provides both direct and indirect benefits to poor households, disproportionately benefiting women and girls. The business case for the Samridhi investment fund, also in India, includes the hypothesis that there is an unmet need for capital in the poorest states.

4.21 The Northern Ghana Catalytic Fund (NGCF) is based on a detailed review of the agricultural development opportunities in the north of the country. This review benefits both from AgDevCo's existing knowledge of Ghana (via the Greenfields project) and from its experience in other countries, such as Zambia and Mozambique. One of its observations is that 'capital and talent flight from the north to the south has created a vacuum of potential entrepreneurs with capital and experience to start agricultural businesses'. We were only able to meet one of NGCF's investee companies, a guinea fowl processor in north Ghana called Gee's. It exactly matches the gap described. Its entrepreneur spotted and invested in an opportunity that benefits smallholder farmers by sourcing birds from them. The project is risky, as it should be. It is, however, more likely to be commercially sustainable and therefore able to create development impact, than a similar government-backed scheme which we were told had failed to take off at all.

Achieving additionality often requires a blend of support

4.22 We found that the ability to combine LEG with other forms of resource, notably technical assistance grants and information and co-ordination, is necessary to maximise the development impact of funds. Those overseeing LEG activities in both India and Ghana told us that the provision of LEG alone is often less powerful than the combination of LEG with other DFID inputs.

4.23 In the case of Affordable Housing in India, the other DFID contributions took the form of relationships (convening power) and policy advice. The combination helped to address market failure in a way that none of DFID's investment inputs would have done in isolation. The managers of impact investing funds have independently concluded that they should increase the proportion of technical assistance to capital investment in their funds. This is because the managers of young firms benefiting from DFID funds generally lack experience and need additional support.

The evidence of additionality in challenge funds is mixed

4.24 Our interviews with grantees of the RAGS Challenge Fund confirmed that some grantees were already implementing or had had plans to expand on relevant projects before being approached by DFID to apply for funding through RAGS. Since funding ceased in 2014, many of these projects have continued, now self-funded by grantees or brands. There is little evidence to show that DFID engagement facilitated this self-funding through demonstration and suggests instead that funding was simply interchangeable with firms' own funds. These findings are in line with the final evaluation of RAGS, which found that many grant recipients had simply continued with organisational processes that were already familiar to them.

4.25 The FRICH strategic review found that a failure to distinguish between firm- and market-level innovation had led to a portfolio that ranged from projects with the potential to instigate market-wide systemic change to others with little if any positive externalities. The review found wide variation in the portfolio from 'projects where FRICH funding made all the difference to projects where FRICH funding made little difference'. In our discussions with FRICH beneficiaries in Ghana we also found limited evidence of additionality: businesses were not able to say categorically that they would not have achieved the same results without DFID support.

Claims of additionality need to be carefully examined

4.26 The New Alliance has the potential to provide a useful framework for co-ordinating private sector investment aligned to regional agricultural policy priorities and stimulating governments into action. The 2013-14 Progress Report claims 'results' of £5.4 billion of investment commitments, 3 million smallholders 'reached' and £1.4 billion of funding disbursed from donor partners across 10 countries.[59]

4.27 In our (limited) review, we did not find any evidence of additionality in New Alliance's work. Companies are mostly submitting existing investment plans to garner favour with governments, secure a seat in policy dialogue or to win good publicity. Donors are rebranding ongoing projects as 'New Alliance' commitments while governments are disappointed that the movement has not resulted in additional funding. We heard no evidence of things being done differently in Ghana as a result of the New Alliance's efforts.

4.28 Although the purpose of the New Alliance was to provide visibility to recipient governments on support from donors and intended investment by the private sector, the reporting of these large numbers creates the sense that they are an end in themselves. Greater transparency and a clearer understanding of the impact of these investments should be prioritised, instead of the pursuit of large aggregate figures.

The quality of monitoring and evaluation frameworks in business in development projects is mixed

Development Finance Institutions are struggling to develop frameworks for LEG that are fit for purpose, although DFID has made some good progress

4.29 The LEG funds managed by DFID that we assessed have monitoring and evaluation (M&E) frameworks that were in line with frameworks used by development finance institutions (DFIs). For example, the three projects in India all have a logframe, a formal theory of change and a formal plan for external evaluation at mid-term and at completion.

4.30 DFIs in general, however, are struggling to develop M&E frameworks that are fit for purpose (see Figure 11). Such frameworks need to:

- capture additionality and direct and indirect catalytic effects;
- combine quantitative measures with qualitative methods to capture, for example, demonstration effects;
- strike a balance between commercial and development measures of success; and
- allow for differential choice of indicators that are appropriate for a power plant on the one hand and a project benefiting smallholder farmers on the other hand.

Figure 11: DFID is not the only donor facing challenges in monitoring results in its LEG operations

In 2013, the World Bank's Independent Evaluation Group reviewed the IFC's Development Outcome Tracking System (DOTS) and concluded that: 'information is limited on results for end beneficiaries of IFC's financial sector projects. In practice, DOTS tracking is based on 'proxy' figures from the financial institutions' portfolio… IFC has limited knowledge about the underlying results on its end-beneficiaries, and any claims would be difficult to attribute to the IFC intervention.' DOTS is currently being revised.

FMO, the Dutch development bank, is developing 'a new strategic impact measurement and reporting framework' to replace the previous framework'.

CDC Group hired its director of development impact in 2013 to strengthen its approach to M&E of development impact.

[59] *Progress Report, 2013-14*, New Alliance, August 2014, https://new-alliance.org/sites/default/files/resources/072814_NewAlliance_FinalC_508.pdf.

4 Findings: Impact

4.31 DFID itself has made good progress against these criteria, although there is a need to capture and circulate demonstration effects more systematically.

M&E frameworks in challenge funds are of variable quality but for partnerships generally robust

4.32 Of the ten partnerships that we reviewed, all but one, the New Alliance, had an associated logframe that set out clear targets. On the other hand, we found the quality of existing monitoring frameworks for challenge fund grants to be mixed. We saw good frameworks being used in the strategic partnerships developed through the Girls' Education Challenge (although business grantees told us that they find the reporting requirements burdensome), as well as in many of the engagements managed by not-for-profit organisations through a grant agreement.

4.33 Other monitoring frameworks suffered because it was not sufficiently clear what outputs or outcomes are expected of them, particularly in challenge funds. For example, RAGS' outcome measures were weak and did not allow an accurate assessment of desired outcomes, although there were robust logframes in place to measure outputs. Similarly, the FRICH logframe was too light and included insufficient measures of impact on end users.

5 Findings: Learning

Learning *Assessment: Amber-Red*

5.1 In this section, we discuss how DFID:

- facilitates learning among recipients of its funding in order to maximise the overall impact of these investments; and
- uses learning from its engagement with businesses to improve the design of new forms of business engagement.

5.2 Our previous review of DFID's Private Sector Development (PSD) work recommended that DFID should do more to understand business constraints and priorities. In particular, we urged DFID to make greater efforts to learn from the private sector.[60] It is also important that businesses appreciate what DFID can and cannot do: better mutual understanding between DFID and businesses is a prerequisite for stronger relationships in the future.

DFID has made progress since our review of its PSD work

5.3 We have been pleased to see a number of ongoing developments that were started in 2014 and since our review of DFID's PSD work. In particular, DFID is clearly making an effort to develop its approach towards working with businesses. The Business Engagement Hub has prepared draft guidelines for engaging with businesses, a draft policy for providing support to the private sector and a publication for its website. It has also established the CRM system, which assigns responsibility to individuals to maintain and develop relationships with the private sector, increasing DFID's understanding of businesses and providing the space to explore opportunities for collaboration. We see all of these developments as positive but overdue.

A lack of co-ordination and information sharing between central and in-country programmes inhibits learning

5.4 The separation between central and country managed programmes is a known barrier to effective learning and one that we also raised in our review of DFID's scale-up of funding to fragile states.[61] This constraint is amplified when centrally-designed programme management is outsourced, as with challenge funds and DFID's LEG portfolio.

5.5 We understand that DFID's in-country staff are under pressure to deliver high-cost projects with limited resources and must prioritise their time. The current design of targets within DFID does not provide incentives for in-country staff to follow up on centrally-managed programmes. During our visit to Ghana we learned that WSUP's Clean Team had never met with DFID's staff in Ghana because the water, sanitation and hygiene sector is not a priority for the bilateral programme. Even where centrally managed programmes are in a sector of importance for the local office, there is often very little local engagement. For example, the Discovery Learning Alliance in Ghana is an important strategic partnership for DFID in the area of education for girls. The partnership is run from DFID centrally. No staff member from DFID Ghana had yet visited the project's headquarters in Tamale at the time of our visit, despite girls' education being a priority for DFID in Ghana.

5.6 In India, DFID country staff had very little engagement with the projects that were being implemented domestically through the centrally managed RAGS Challenge Fund, despite an active PSD and investment portfolio in the country office. The same was true of FRICH in Ghana.

5.7 Local office funding for local projects appears to be a pre-requisite for local staff to engage more deeply in local projects. In Ghana we saw evidence of strong links between AgDevCo, which receives funding from DFID Ghana, and DFID country staff. We did not see as strong a relationship with PIDG projects being implemented in Ghana, where there is no local funding.

5.8 This is a significant problem which means that DFID is not fully seizing opportunities to facilitate

[60] *DFID's Private Sector Development Work*, ICAI, May 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/05/ICAI-PSD-report-FINAL.pdf.

[61] *Assessing the Impact of the Scale-Up of DFID's Support to Fragile States*, ICAI, February 2015, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFID%E2%80%99s-Support-to-Fragile-States.pdf.

5 Findings: Learning

the sharing of knowledge not only within DFID but also across DFID recipients of funding. It risks undermining part of the reason why business wants to work with DFID, because of the importance to business of DFID's network of local offices and hence access to governments and local knowledge.

The lack of any comprehensive oversight within DFID of its business engagement activities also weakens cross-departmental learning

5.9 Currently, no one part of DFID has a comprehensive overview of business engagement activity across the organisation. The Business Engagement Hub, which is located in the Private Sector Department, maintains contact with a limited number of strategically important businesses. The Hub is professionalising and seeking to embed DFID's relationship with businesses.[62] It has only limited sight, however, of business engagement activities managed in departments other than the Private Sector Department. The lack of a central team that has sight of DFID's engagement with business as a whole limits the degree to which lesson-learning from across DFID's departments is captured, stored and used to guide further interventions. More generally, given the challenge of embedding business engagement across DFID, the Economic Development Directorate could do more to drive business engagement, not just in the area of economic development but across all departments.

5.10 We recognise that DFID may sometimes face commercial confidentiality constraints that could affect its ability to share information in the form of lesson-learning. In general, however, DFID should find ways of sharing learning, either by removing sensitive information in individual case studies or by aggregating information.

Successful collaborations with businesses are generating new knowledge

5.11 In our country visits, we saw several examples of businesses actively seeking to pilot new approaches and business models which benefit the poor with the hope of catalysing broader take-up. WSUP, for example, recognises that it will not be able to meet the water, sanitation and hygiene (WASH) needs of all the urban poor in its target geographies. WSUP has contributed significantly to the evidence base of what works and what does not work in urban WASH schemes. Its model emphasises the need to demonstrate different approaches that can then be taken up either by development finance institutions or by the private sector. WSUP's Clean Team has tested a number of different sewage treatments to determine which work best in climates such as that of Kumasi in Ghana. They have also demonstrated strong learning by doing and a strategic approach to developing their service model. Further information is provided in Figure 12.

Figure 12: WSUP and the Clean Team

WSUP directly provided improved water and sanitation to almost 500,000 people in 2013. We visited the Clean Team in Kumasi in Ghana, which is one of the models being implemented by WSUP.

The Clean Team provides toilet units, which it empties every few days, to poor households in the city. Customers benefit financially – as the service is cheaper than using public toilets – and have a better quality of life. Mothers reported that they save time by not having to accompany their children to public toilets; the infirm do not have to take long walks; and women and girls felt much more secure at night compared to having to visit poorly lit, dirty public toilets. The customers we spoke to, without exception, were highly satisfied with the service and very happy to pay the monthly fees. Furthermore, there is genuine opportunity for the Clean Team to scale up their business and achieve financial sustainability.

DFID could do more to learn through business networks

5.12 Networks offer dual learning opportunities. First, the networks are making contributions to the stock of evidence about how businesses can benefit the poor in developing countries. Secondly, they provide a structure through which DFID staff are able to interact with and to learn from a number of businesses.

5.13 It was not clear to us, however, that DFID was taking full advantage of the opportunities to learn through the networks it supports. In our view, such

[62] There are other business engagement hubs in DFID including one located in the Africa Regional Department and another in the Climate and Environment Department.

5 Findings: Learning

networks may offer greater opportunities for DFID to understand the wider business perspective than the individual relationships DFID is currently fostering through its CRM system. DFID does not, however, appear to be seizing the opportunity presented by its business networks and is, instead, prioritising the development of relationships with individual companies. Whilst we do not wish to discourage these bilateral relationships, we are not convinced the right balance has yet been reached.

5.14 One example of such a business network which offers good opportunities for learning is the BCtA. We believe that publicising sustainable business models and ways of working (such as partnering with local NGOs) is a valuable contribution to knowledge sharing. BCtA is also developing a tool to help businesses to understand the impact that they are having on the people working in their supply chain and their customers. There has been a high level of demand from its members.

5.15 Another example is BAA, which works at the policy level. The network is an industry-led initiative, with DFID making a modest financial contribution. Businesses reported a high level of satisfaction with the role that BAA has taken in promoting Africa as an investment destination. At the same time, BAA convenes working groups to address specific issues that investors face in developing countries, such as taxation and land rights. Again, these working groups are valued by industry, which emphasised the importance of DFID's participation.

5.16 Both BcTA and BAA are, in our view, effective tools for disseminating knowledge between businesses about how to establish sustainable and inclusive core business models in developing countries. We consider that DFID would benefit from closer involvement in these networks in order to learn more from their work.

DFID could do more to demonstrate successes and to learn from failures

5.17 Our review of How DFID Learns[63] noted that DFID staff often feel under pressure to be positive and, conversely, can be afraid to discuss failure. We believe that failures present as many opportunities for learning as successes. Particularly in the field of challenge grants and LEG, where DFID is financing some risky ventures, it is inevitable that a proportion of initiatives will fail. For example, the BCtA focusses on collecting success stories, whilst in the case of the New Alliance DFID, as well as its partners, should be ready to embrace and learn from failure. The key in such cases is for DFID to think through the appropriate approach to mitigating risk. It is encouraging to note that DFID is preparing a risk register to manage risks relating to the development capital investments portfolio.

5.18 It is also important in this field to learn what works and to share successes widely. DFID's business in development engagements have the potential to demonstrate to other private sector organisations that investments are feasible in areas that were previously thought to be infeasible. We saw some examples of DFID's investments actively seeking to achieve this. For example, while we were in Rajasthan, we learned that the housing department from the state of Karnataka had recently visited to learn how the Affordable Housing project worked. Some funds, for example those managed by PIDG facilities and AgDevCo, publish case studies to share information, demonstrate feasibility and encourage investment.

5.19 In other cases, however, we observed a lack of active attempts to demonstrate results. The external evaluations for both RAGS and FRICH both noted a lack of active attempts to achieve demonstration effects.[64] Sometimes, for example in the case of some LEG investments, this reflects the relatively short life span of projects to date. It could also reflect confidentiality concerns. In other cases, it reflected a lack of prioritisation of this important function.

[63] *How DFID Learns,* ICAI, April 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/04/How-DFID-Learns-FINAL.pdf.

[64] M. Winters and R. Soni, *Strategic Review of the FRICH*; Smith et al. *Evaluation of the Responsible and Accountable Garment Sector Programme*.

6 Conclusions and Recommendations

Conclusions

6.1 Private capital flows are a major source of development finance, even in the least developed countries. Businesses and aid agencies increasingly see opportunities for collaborating with each other in developing countries. Realising these advantages, however, requires overcoming a number of challenges. These include aligning objectives, building trust and identifying whether, when and how collaboration benefits the poor.

DFID's overall aim of working with businesses is relevant to its overall mandate but its operational plans lack detail

6.2 DFID has clearly stated its intention to work more closely with businesses which want to make a contribution to development. This is relevant to DFID's wider goal of reducing poverty. The approach moves beyond the traditional relationships donors have established with businesses as contractors or as simple beneficiaries (normally small or medium-enterprises) and opens up possibilities for strategic and innovative engagement.

6.3 DFID's treatment of business engagement does not go far enough in some of its departmental strategies. The Economic Development Strategy Framework (EDSF) clearly sets out an overarching framework for how DFID will engage with businesses. It lacks detail, however: for example, it does not specify clearly enough how its work through loans, equity investments and guarantees will reduce poverty. Other DFID departments have also published strategies that recognise the opportunity of engaging with business to a greater or lesser extent. Operational plans, however, provide very little detail to show how DFID will translate its high-level strategic goals into practical actions. Detailed guidance on whether, when and why DFID will engage with business is also lacking.

6.4 Some cross-government objectives are a complicating factor for DFID. Rising 'non-fiscal' targets set by HM Treasury are a concern as DFID may be forced to make greater use of larger programmes and funds such as CP3 and PIDG in order to meet these targets, without having built the strategic case for doing so. Positive cash flows (funds returning to DFID) in the future resulting from LEG will count as negative ODA. DFID must also avoid infringing rules against tied aid, while playing an active part in cross-Whitehall efforts to promote UK business interests. Legitimate aligning of interests between DFID and UKTI on the ground continues to be difficult and time-consuming in practice. The High Level Prosperity Partnership is helpful in those countries where it operates.

DFID's direct engagement with strategic businesses is of mixed effectiveness

6.5 DFID is professionalising its early stage engagement with strategic businesses, for example, through a CRM system, although this is not yet a tool for developing new strategic contacts. There is a danger that some fora for engagement, such as roundtables, are losing momentum through lack of clear purpose. On the other hand, high-level bilateral relationships with strategic businesses, which enable interaction across DFID and in a number of countries, are an encouraging basis for engagement in specific cases. Recent letters of intent and the strategic partnerships developed under the Girls' Education Challenge show promise in this regard. Business networks also allow DFID to collaborate with businesses and build evidence around sustainable business models that can achieve impact. They allow DFID to play to one of its strengths: its ability to convene and co-ordinate the private sector.

Working through alliances and partnerships has expanded DFID's capacity to deliver programmes

6.6 DFID works with businesses through a variety of different mechanisms. Partnerships with businesses that co-fund not-for-profit organisations extend DFID's capacity and allow businesses to transfer some risk to these entities. They thus create an environment conducive to piloting new approaches that would otherwise not be undertaken. They can also help to avoid some of the cumbersome bureaucracy that reduces DFID's own effectiveness in dealing directly with businesses.

6 Conclusions and Recommendations

Stakeholder fatigue is a concern

6.7 We observed frustration among businesses that highly-publicised initiatives sometimes do not translate into action. DFID also does not make it easy for businesses to engage with it. It is not alone among donors in facing these challenges. Indeed, businesses see an improvement and other donors speak highly of DFID's approach to business engagement. Nevertheless, set against DFID's own ambitions to engage effectively with business, there is room for improvement.

DFID does not have strategic oversight of its business engagement activities

6.8 There are no portfolio-wide targets for engagement with business. Nor does DFID seek to capture results for this growing aspect of its work on a portfolio-wide basis. This makes it impossible for DFID to assess its own effectiveness at a portfolio-wide level.

6.9 We are concerned that DFID is failing to provide critical, strategic management of its challenge fund or LEG activities. At an operational level, outsourced management of challenge funds allows DFID to overcome both administrative and technical resource constraints. The quality and mandate of the managing agent is then a critical factor for business recipients of grants. In particular, businesses expect substantive dialogue with an agent that has significant expertise in their field. This was not available in several grants that we reviewed. Businesses also cited a lack of engagement by DFID itself, even at a strategic level.

6.10 Although DFID is aware of the complexities associated with its LEG portfolio, it lacks the capacity to manage it effectively. We are concerned that existing oversight mechanisms lack sufficient experienced, accountable personnel to ensure the required strategic oversight. Given the already overstretched capacity of DFID's current oversight arrangements for its LEG portfolio, we are not convinced that DFID has in place the necessary depth in experience and skills needed to oversee the planned scale-up of the portfolio. Not only does this create portfolio level risks, in terms of its overall exposure to certain sectors or markets, but it will inevitably lead to reduced opportunities to share experience and best practice.

There is little robust evidence to show the impact of business in development on the poor

6.11 Final evaluations of both RAGS and FRICH challenge funds cited an absence of data on the impact of the grants on the poor. This was partly due to weaknesses in the logframes. There is some evidence, however, to suggest that the grants may have had a positive impact on poor people. Results of a survey carried out by African Health Markets for Equity (AHME), on the other hand, suggested that only a very low percentage of users were from the very poorest groups, although questions have been raised about the timing of the survey and hence its reliability. DFID informs us that it has now moved away from the use of challenge funds as a business in development tool.

Some initiatives have clearly had an important impact even though their direct impact on the poor is hard to quantify

6.12 Some major infrastructure projects, usually funded by LEG, are likely to have economy-wide benefits, although direct impact on the poor through better or cheaper services can be hard to trace. In the case of some alliances, however, results being reported were not attributable to the programme. The New Alliance's focus on aggregated results is unhelpful for a platform which can claim very little.[65]

Evidence is mixed as to whether business in development engagements are catalysing investment

6.13 We saw good examples of DFID's LEG investments catalysing investment from others (the 'demonstration effect'). We saw little evidence, however, that DFID's challenge funds are catalysing further investment. DFID is aware of the risk of crowding out and takes steps to avoid this. In some cases it will inevitably provide recipients of

[65] It is important to note that these criticisms are aimed at the New Alliance as a co-ordinating mechanism rather than at the individual DFID programmes which have been (re-)branded as New Alliance programmes. We have not reviewed individual programmes, which make up the vast majority of the UK's 'New Alliance' expenditure.

6 Conclusions and Recommendations

its funding with short or long term advantages in the market.

Evidence of additionality is also mixed

6.14 We saw convincing signs in LEG projects that DFID funding was additional. We had serious questions, however, as to whether the effect of DFID's funding through enterprise challenge funds was sufficiently additional. Our review suggests that too much of the impact of these businesses would have been achieved in any event.

DFID could do more to learn through its relationships with businesses

6.15 There are many good examples of DFID learning from its existing engagement with businesses. DFID has, in several instances, targeted its support at building the evidence base. This learning has resulted in improved performance as well as feeding into the design of new initiatives. Some of the delivery weaknesses identified above, however, have prevented learning from being as effective as it could be. We noted that there were weak incentives for country offices to engage in centrally managed business engagements and thus provide on-the-ground involvement. This risks undermining one of DFID's key attractions for businesses – its local office network and development expertise – as well as the opportunities to learn from the initiatives.

6.16 We welcome the emphasis that DFID has placed on learning more from businesses through closer relationships. The balance between bilateral relationships and its relationships through business networks is not yet quite right. There are opportunities to learn through both business networks and bilateral relationships.

Recommendations

Recommendation 1: DFID should translate its high level strategies for business engagement into detailed operational plans which provide specific guidance on business engagement with a focus on the poor.

6.17 The operational plans should set out the vision, priorities and results expected of DFID's engagement with businesses. DFID should also make it easier for businesses to understand how they can engage with DFID to deliver these plans. In doing this DFID should ensure that:

- operational plans are clear how DFID's mandate to reduce poverty will be furthered by working with business and be based on clear budgets; and
- guidelines spell out when, where, why and how DFID will engage with businesses and be easily available to businesses, as well as DFID staff, including on DFID's website.

Recommendation 2: DFID should ensure better linkages between centrally managed programmes and country offices for business in development, including LEG.

6.18 This is necessary so that DFID can facilitate learning across departments, between the centre and country offices and among businesses.

Recommendation 3: DFID should pull together, synthesise and disseminate management information across all departments, including for LEG, to improve management and ensure learning is captured and used to improve performance.

6.19 This will enable DFID to establish and monitor measurable financial and development targets for this important and growing area of its work.

Recommendation 4: DFID should add suitably experienced members to the Investment Committee to enable sufficient strategic oversight of all components of its LEG portfolio.

6.20 DFID's growing investment portfolio includes, among other things, funds that are providing private organisations with loans, impact investments and private equity; an insurance company with about £136 million of capital and its own credit rating; and operations that can spend up to nine years seeding projects that might end up involving hundreds of millions of dollars. Membership of the Committee should therefore include sufficiently experienced personnel with the reach and standing within DFID to monitor and manage DFID's overall LEG portfolio. The Committee should also have sufficient sight of

6 Conclusions and Recommendations

CDC Group's investments to ensure a coherent overview.

Recommendation 5: DFID should reassess how it appraises, monitors and evaluates its engagements with business to ensure fitness for purpose and a sharper focus on the poor.

6.21 DFID should consider whether its current framework is:

- systematically capturing catalytic impacts;
- encouraging demonstration activities;
- rigorously ensuring additionality and avoiding crowding out; and
- flexible enough to cover the needs of very different scales of project, including large infrastructure projects.

Annex

This Annex provides more detailed background information to the review. This includes:

1. List of business in development initiatives (Annex A1);
2. Diagrammatic illustrations showing how LEG investments reach end recipients (Annex A2);
3. Note on terminology relating to loans, equity investments and guarantees (Annex A3); and
4. List of consultations (Annex A4).

Annex

Annex A1: List of business in development initiatives

This list is not intended to catalogue all the areas where DFID works with businesses. Rather, this is a sample of approaches, initiatives, funds, investments and programmes which we have considered during the course of our review. Our approach for this review has differed from many other ICAI reviews, in that we have not selected a small sample of programmes to examine in detail but have looked at what has worked well and what has not worked well across a much larger pool of work.

Early engagement with businesses

- **DFID corporate relationships:** various ways of working more closely with the private sector, including the introduction of a corporate relationship management system, sector roundtables, bilateral partnerships and involvement in panels.
- **High Level Prosperity Partnerships (HLPP):** Partnerships between DFID, the FCO and UKTI with governments in five countries, including Ghana, offering a joined-up UK Government approach targeting the development of priority sectors.

Networks, alliances and partnerships

- **Strategic Partnership with Discovery Channel:** An £11.6 million DFID grant (through Girls' Education Challenge) to match funding provided by Discovery Channel in Ghana, Kenya and Nigeria for student literacy and numeracy, media-based teacher materials, community education and national talk shows. It is one of four strategic partnerships (along with Avanti, Coca Cola and Eriksson).
- **Clinton Health Access Initiative (CHAI) (Phase 2):** A £35 million DFID grant to support demand- and supply-side interventions to provide critical medical supplies at reduced prices in return for more predictable demand. The DFID India contribution on the supply side is for £11 million. In Phase 1, DFID provided £11.3 million between 2008 and 2012.
- **African Health Markets for Equity:** This is led by Marie Stopes International and comprises six other organisations. DFID's contribution is £22 million, out of a total £44 million. It aims to improve the quality, scale and scope of health services available and demand-side interventions to increase purchasing power of poor beneficiaries.
- **New Alliance:** An alliance bringing together donors, governments and the private sector in ten countries to set out their commitments for funding, policy reform and investment in the agricultural sector. DFID has £600 million of commitments classed as New Alliance, although the majority of these were pre-existing programmes. DFID has not made any direct contributions to the New Alliance.
- **Water and Sanitation for the Urban Poor:** A multi-stakeholder partnership with investments from various donors, NGOs and the private sector, with the aim of developing sustainable approaches to WASH for the urban poor across six countries, including the Clean Team (a sanitation service provider) in Kumasi, Ghana. DFID's cumulative funding to WSUP by 2014-15 will be £17.25 million.
- **Western Region Coastal Foundation:** A project in the early stages of implementation to pool resources with the extractives sector to encourage positive dialogue with the local community and maximise impact of corporate social responsibility in Western Ghana. DFID will contribute £9.5 million over a five year period.
- **Business Call to Action:** A membership network which helps prospective members refine initiatives that offer the potential for commercial success and development impact and provides access to their network, knowledge sharing, helping companies understand their impacts and producing case studies. DFID's contributions to the Business Call to Action will be £4.73 million between 2008-09 and 2015-16.
- **Safety, Health and Education and Employment for Girls and Women (SHE), India:** A multi-stakeholder platform in India for companies to exchange ideas and collaborate to make a positive difference to the lives of girls and women in India. DFID will contribute £25,000.
- **Technical Assistance Facility for Corporate Social Responsibility, India:** A multi-stakeholder platform to foster contacts among companies and between companies and delivery partners to enhance the overall efficiency and effectiveness of CSR spend. DFID will contribute £25,000.

Annex

- **Business Action for Africa:** A UK network aiming to influence perceptions of Africa as a business destination and contribute to the policy debate, including building the evidence base about the impact of businesses on pro-poor development. DFID pays a membership fee of £15,000 a year to BAA as well as funding specific activities. This funding is accounted for through an allocation of funding of £150,000 each year covering a number of business networks (including Business in the Community and the International Business Leaders Forum). An additional, £100,000 each year is paid to the UN Global Compact.

Enterprise challenge funds

- **Responsible and Accountable Garment Sector (RAGS), India:** DFID provided £2.8 million from 2010 to early 2014 to improve working conditions in the ready-made garment sector in poor countries. Grants were awarded through a competitive selection process to private sector and civil society organisations which committed to demonstrating sustainable improvements in the working conditions of workers in countries supplying the UK market.
- **Food Retail Industry Challenge Fund (FRICH), Ghana:** DFID provided £7.4 million between 2008 and 2014, which was allocated to private enterprise to help increase routes to market for African food producers and to benefit poor farm workers and smallholders.
- **Girls' Education Challenge (GEC), Innovation component, Ghana:** A grant to Global Education Management Systems (GEMS) in Ghana as part of GEC (£355 million) support for projects that are able to demonstrate new and effective ways to expand education opportunities to marginalised girls.

Loans, equity and guarantees (see Annex A2 for illustrations of how LEG investments reach end recipients)

- **Samridhi Fund (India):** DFID engaged SIDBI Venture Capital Limited (SVCL) to create and manage an impact investment fund targeted at eight low income states. The fund aims to find and back businesses that seek development impact as well as profit (so that impact will be sustainable). Its likely focus sectors include agriculture, healthcare and sanitation. The fund has a seven year initial life, extendable by two years. DFID has committed to invest a maximum of £35 million, Small Industrial Development Bank of India (SIDBI) has committed £5 million, Life Insurance Corporation of India (LIC) £4 million and United India Insurance Company Ltd £1 million.
- **Northern Ghana Catalytic Fund:** DFID engaged AgDevCo to create and manage a £10 million impact investment fund to back businesses creating development impact in northern Ghana, where Ghana's poor are concentrated. The fund aims to focus on key agricultural value chains that will bring benefits to poor smallholder farmers.
- **Affordable Housing (India):** DFID has signed a £40 million loan agreement with the state-owned National Housing Bank (NHB). NHB will on-lend these funds to developers of affordable housing and to mortgage lenders, targeted at schemes which build affordable houses for low income buyers.
- **Infrastructure loan fund (India):** DFID has signed a £36 million loan agreement with an Indian institution called IDFC Limited. Under the agreement, DFID will co-lend with IDFC to infrastructure projects based in eight low income states that IDFC identifies and that meet DFID's requirements for development impact.
- **AgDevCo Greenfields (Ghana):** DFID signed a £2.6 million grant programme with AgDevCo to finance the project development of two commercial farm projects in northern Ghana that will help smallholders improve incomes and will ultimately attract private capital. This kind of project development is too risky and uncertain for the private sector but has a big potential payoff in impact.
- **Guarantco (Quantum Terminals):** Guarantco (a PIDG facility that is a standalone insurance company) provided a £3.6 million guarantee of a long-term local currency loan to help finance the building of a key element of Ghana's energy infrastructure. Ghana's poor energy infrastructure remains a key barrier to growth and a lack of long term financing is one contributing factor.
- **InfraCo Africa (Kpone power plant):** InfraCo Africa is a PIDG facility that develops risky infrastructure projects. Just as with AgDevCo Greenfields, it operates in areas where the risks and uncertainties are too great for the private sector. In this case it took nine years (2005-14) to develop a project that will see the building of Ghana's first independent power plant. This will help to address a serious economic constraint for the country. It will also see £612 million of public and private capital invested in the project. This is likely to create a demonstration effect for both private and public sectors.

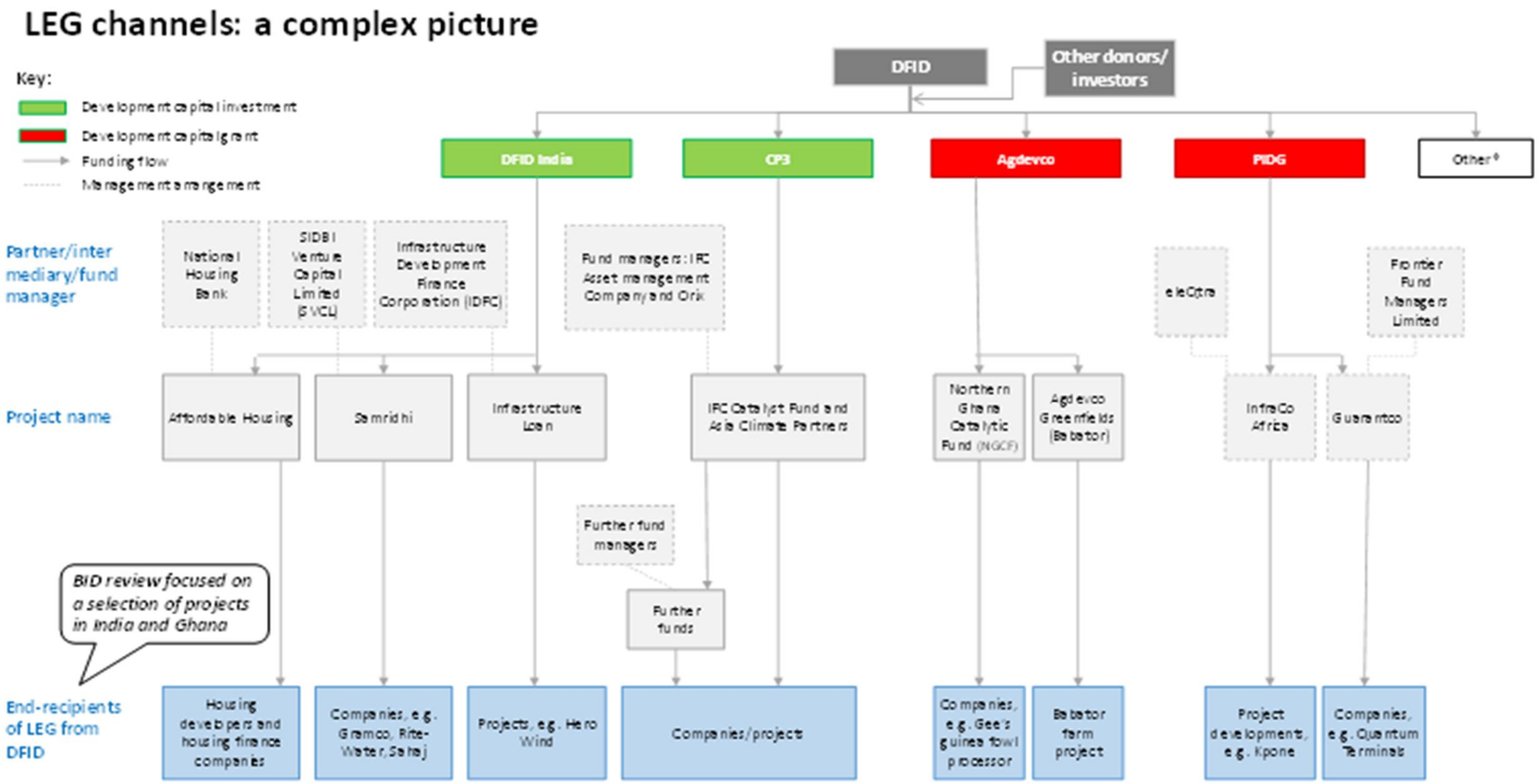
Annex

- **CP3:** DFID is a core investor (£110 million) in two ten-year investment funds that are designed to accelerate private sector green investment in developing countries in a responsible manner. The IFC Catalyst Fund will be managed by IFC Asset Management Company. Asia Climate Partners will be managed by Orix, Robeco and the Asian Development Bank.

Annex

Annex A2: Diagrammatic illustrations showing how LEG investments reach end recipients

How DFID's funding through LEG reaches end recipients is extremely diverse and complex, as this diagram shows. Solid lines represent flows of funds. Funds travel from DFID and other donors/investors (top of the diagram) to end-recipients (at the bottom) through various legal and operational vehicles (boxes with solid lines). Most of these vehicles are managed (shown by a dotted line) by third parties (boxes with dotted lines). End-recipients (shown in blue) see only LEG. LEG that arrives via a green channel will be classified as development capital investment (HM Treasury recognises this against the non-fiscal capital budget); LEG that arrives via a red channel as development capital grants (HM Treasury recognises these against the capital budget).



* Flows may be DCI or DCG. Includes the International Finance Corporation and, potentially, CDC Group. DFID has not provided funding to CDC for some years. However DFID's investment in CDC Group plc was carried at a valuation of £2.9 billion in its 2013/14 accounts (p.201, note 11). If DFID were to provide further funding to CDC in future, it would likely be classified as development capital.

Annex

Annex A3: Note on terminology relating to loans, equity investments and guarantees

The body of this report uses the term 'loans, equity investments and guarantees' (LEG) to describe the situation where DFID funding reaches an end-recipient in the form of loans, equity investments or guarantees. We use this language because we believe that what the end-recipient sees (and receives) is what matters for the purposes of development impact. It also reflects a common sense understanding of what DFID does in this area. We describe what we mean by LEG in Figure 3 on page 6.

A number of other terms are often used in relation to DFID's LEG-related activities. These include returnable capital and development capital (including development capital grants and development capital investment). HM Treasury also defines a proportion of DFID's budget as 'non-fiscal' capital. These terms address aspects of the way DFID accounts for its LEG-related activities. Although DFID's internal accounting matters very little to organisations which receive LEG from DFID, these terms have been widely and often confusingly used in commentary by and about DFID. This annex, therefore, aims to explain the relationship between those terms and what we call LEG.

Fiscal and non-fiscal expenditure

The origin of the confusion lies in the way government accounting distinguishes between expenditure that is 'fiscal' and 'non-fiscal'. Most government spending falls into a category known as 'fiscal' expenditure. Fiscal spending is non-recoverable. The UK Government will, therefore, have to find a way to fund it. So 'fiscal' spending adds to net public debt. 'Non-fiscal' spending, as the name suggests, is the opposite: it does not add to the national debt. The reason for this is that, although the government has transferred funds, it expects to recover those funds at some point in the future. Because the government thinks it will recover these funds, it does not add them to net public debt. To use an accounting analogy, fiscal spending could be viewed as an expense. Non-fiscal spending, by contrast, involves creating an asset on the government's balance sheet that will at some point turn back into cash.

A financial transfer that is LEG from the perspective of the end-recipient may be classified as either 'fiscal' or 'non-fiscal' in DFID's accounts. If DFID has funded this piece of LEG through a grant, then it will be classified as 'fiscal' because DFID does not expect to recover the money. If DFID can establish that it ultimately expects to recover its investment, then this investment will count as 'non-fiscal' expenditure. (DFID could recover the funds either through direct repayment, or through selling on the investment – see Figure 3 on page 6.)

Returnable capital (terminology now discontinued)

Until recently, DFID often referred to 'returnable capital'.[66] This term is practically unknown elsewhere in finance. We have been unable to find any occasion on which DFID ever defined what it meant. The only formal definition we have been able to find is one provided by the International Development Committee: 'Returnable capital is a term used to refer to loans, equities, guarantees and other similar financial instruments.[67] In other words, LEG.

This definition appeals to common sense. It accurately describes what DFID's end-recipients see – namely, loans, equity investments or guarantees. Unfortunately, it does not reflect the 'fiscal / non-fiscal' accounting distinction that matters within DFID. The result is that discussion of 'returnable capital' has sometimes been confusing. Some people may have understood 'returnable capital' to incorporate all LEG, no matter how it was funded. Others used 'returnable capital' to refer only to the 'non-fiscal' portion of LEG.

[66] Rt. Hon A. Mitchell MP, *UK to try 'SWF model' in aid payments to India*, Financial Times, 22 December 2011, http://www.ft.com/cms/s/0/efce1742-2972-11e1-a066-00144feabdc0.html#axzz3V8G4Qfv9. Justine Greening speeches: *Investing in growth: How DFID works in new and emerging markets*, March 2013, https://www.gov.uk/government/speeches/investing-in-growth-how-dfid-works-in-new-and-emerging-markets; *G8 Social Impact Investment Event*, June 2013 https://www.gov.uk/government/speeches/g8-impact-investment-event; *Smart aid: Why it's all about jobs*, January 2014, https://www.gov.uk/government/speeches/smart-aid-why-its-all-about-jobs). *Economic development for shared prosperity and poverty reduction: a strategic framework*, DFID, January 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276859/Econ-development-strategic-framework_.pdf; *The Future of UK Development Cooperation: Phase 1: Development Finance*, House of Commons International Development Committee, February 2014, http://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/334/334.pdf.

[67] *The Future of UK Development Cooperation: Phase 1: Development Finance*, House of Commons International Development Committee, Eighth Report of Session 2013-14, February 2014, Volume I, page 28, footnote 107, http://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/334/334.pdf.

Annex

Development capital (new terminology)

In order to improve clarity, DFID has now decided to drop the term 'returnable capital' in favour of development capital, which is subdivided into two categories. These categories reflect whether DFID owns an asset or not:

- *Development Capital Investment* describes investments through which DFID owns an asset. DFID makes a transfer that will be accounted for as an asset on DFID's balance sheet; and
- *Development Capital Grant* describes transfers that are grants for partners but which may be either grants or loans, equity or guarantees for the end recipient. It will not appear as an asset on DFID's balance sheet, however, because DFID does not own the asset. It may, however, appear as an asset on the balance sheet of intermediary organisations, if they have deployed it as a loan or equity.

Annex

Annex A4: List of consultations

During our review we met with over 100 businesses, including through a number of roundtables and one-on-one meetings. These have included businesses from the financial, consumer goods, retail, manufacturing, agricultural, ICT, extractives, health, energy, education and property sectors. We have also spoken to over 100 beneficiaries during our site visits.

Organisation	Date	Organisation	Date
United Kingdom and by telephone			
Corporation of London	17/06/2014	Individual Consultant	28/11/2014
DFID - Private Sector Department	07/07/2014	Business (retail)	02/12/2014
TCUK	09/07/2014	Individual Consultant	02/12/2014
Financial Services Business	18/07/2014	DCED	02/12/2014
International Development Committee Clerks	22/07/2014	DFID	02/12/2014
DFID - Private Sector Department	31/07/2014	Business (financial)	03/12/2014
DFID	07/08/2014	DFID	03/12/2014
DFID	08/08/2014	Agdevco	04/12/2014
DFID - Extractives Team	11/08/2014	Business (retail)	04/12/2014
DFID - Infrastructure Team	11/08/2014	Individual Consultant	04/12/2014
DFID - Humanitarian team	11/08/2014	DFID	11/12/2014
DFID	12/08/2014	Business Call to Action	12/12/2014
DFID - Africa Regional Department	14/08/2014	Business Action for Africa	16/12/2014
DFID	14/08/2014	DFID	16/12/2014
DFID	15/08/2014	DFID	18/12/2014
DFID - Private Sector Department	02/10/2014	WSUP	19/12/2014
Individual Consultant	04/10/2014	DFID	19/12/2014
DFID	07/10/2014	Discovery Learning Alliance	22/12/2014
DFID India	13/10/2014	Business (FMCG)	30/12/2014
Private sector City roundtable	29/10/2014	Business (financial)	31/12/2014
Business (financial)	30/10/2014	Business (ICT)	05/01/2015
DFID India	30/10/2014	UKTI	06/01/2015
DFID	03/11/2014	DFID	06/01/2015
UKAN NGO roundtable	03/11/2014	Business Call to Action	08/01/2015
DFID	06/11/2014	DFID - Private Sector Department	08/01/2015
Business (financial)	07/11/2014	FCO	08/01/2015
Individual Consultant	07/11/2014	Business (financial)	09/01/2015
DFID	07/11/2014	PIDG	09/01/2015
Individual Consultant	10/11/2014	International Development Committee Clerks	09/01/2015
Bretton Woods	10/11/2014	Discovery Learning Alliance	21/01/2015
Business (financial)	11/11/2014	Business (Finance)	23/01/2015
DFID	11/11/2014	DFID	23/01/2015
Business (financial)	12/11/2014	DFID	29/01/2015
DFID	13/11/2014	Business (Extractives)	29/01/2015
DFID India	17/11/2014	DFID, Bangladesh	03/02/2015
DFID	17/11/2014	DFID, Zambia	03/02/2015
DFID	18/11/2014	DFID	03/02/2015
CAFOD	21/11/2014	Business Roundtable	05/02/2015
Individual Consultant	21/11/2014	DFID Private Sector Department	05/02/2015
Ethical Trading Initiative	21/11/2014	Business (FMCG)	06/02/2015
Impact	21/11/2014	DFID	10/02/2015
Individual Consultant	25/11/2014	Business (Extractives)	25/02/2015
Business (financial)	27/11/2014	DFID – Agriculture	27/02/2015
Individual Consultant	27/11/2014		

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India			
Ethical Trading Initiative	07/12/2014	UKTI	10/12/2014
Private sector roundtable	08/12/2014	Business (Energy)	11/12/2014
DFID India	08/12/2014	Businesses (Health)	11/12/2014
Ex-National Housing Bank	08/12/2014	Ethical Trading Initiative	11/12/2014
Department of Economic Affairs	08/12/2014	Business (Financial) and beneficiaries	12/12/2014
National Housing Bank	09/12/2014	Business (Property)	12/12/2014
Business (financial)	09/12/2014	Business (financial)	12/12/2014
Business (Extractives)	09/12/2014	CDC Group	12/12/2014
Business (ICT)	09/12/2014	Indian Government	12/12/2014
IDFC Foundation	09/12/2014	Social Accountability	12/12/2014
FCO	09/12/2014	Business (FMCG)	13/12/2014
ASK	09/12/2014	Business (financial)	14/12/2014
Agrasar and beneficiaries	09/12/2014	Businesses (financial)	15/12/2014
Business (financial) and beneficiaries	10/12/2014	Business (retail)	15/12/2014
Business (ICT)	10/12/2014	Business (manufacturing)	15/12/2014
Business (Energy)	10/12/2014	Individual consultant	15/12/2014
Business (financial)	10/12/2014	SAMHITA	15/12/2014
Individual consultant	10/12/2014	Donor roundtable	16/12/2014
DFID India	10/12/2014	Indian Angel Network	16/12/2014
SEWA	10/12/2014	DFID India	16/12/2014
CHAI	10/12/2014	IFC, World Bank	16/12/2014
Ghana			
DFID Ghana	12/01/2015	Marie Stopes	15/01/2015
UKTI	12/01/2015	Kumasi Municipal Authority	15/01/2015
Business (Education)	12/01/2015	Business (Agriculture)	15/01/2015
Businesses (Extractives)	13/01/2015	Business (FMCG)	16/01/2015
Business (Energy)	13/01/2015	Business (Agriculture)	16/01/2015
FCO	13/01/2015	Discovery Learning Alliance and beneficiaries	16/01/2015
DFID	13/01/2015	Site visit - MADE	16/01/2015
QTL	13/01/2015	Business (FMCG)	16/01/2015
Business (Energy)	13/01/2015	Businesses (Finance)	19/01/2015
Business (financial)	13/01/2015	Discovery Learning Alliance	19/01/2015
Business (financial)	14/01/2015	Donor Roundtable	19/01/2015
Business (Agriculture) and beneficiaries	14/01/2015	Business (Finance)	20/01/2015
Business (Agriculture)	14/01/2015		

Abbreviations

AHME	African Health Markets for Equity
BAA	Business Action for Africa
BCtA	Business Call to Action
CHAI	Clinton Health Access Initiative
CP3	Climate Public Private Partnership
CRM	Corporate Relationship Management
CSR	Corporate Social Responsibility
DCI	Development Capital Investment
DFID	Department for International Development
DLA	Discovery Learning Alliance
EDSF	Economic Development Strategic Framework
ENGINE	Enhancing Growth in New Enterprises
FCO	Foreign and Commonwealth Office
FDI	Foreign Direct Investment
FRICH	Food Retail Industry Challenge Fund
HLPP	High Level Prosperity Partnership
IDFC	Infrastructure Development Finance Corporation
IDA	International Development Act
JAF	Joint Africa Framework
LDC	Least Developed Country
NAO	National Audit Office
NGO	Non-governmental organisation
NGCF	Northern Ghana Catalytic Fund
ODA	Official Development Assistance
PAC	Public Accounts Committee
PIDG	Private Infrastructure Development Group
PSD	Private Sector Development
RAGS	Responsible and Accountable Garment Sector
SME	Small and Medium-sized Enterprise
UKTI	United Kingdom Trade & Investment
UNCTAD	United Nations Conference on Trade and Development
VOCSET	Victims of commercial sexual exploitation
WSUP	Water and Sanitation for the Urban Poor

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