

# Outcomes of the Inclusive Markets Workshop, held from 11-14 July 2011 in Istanbul

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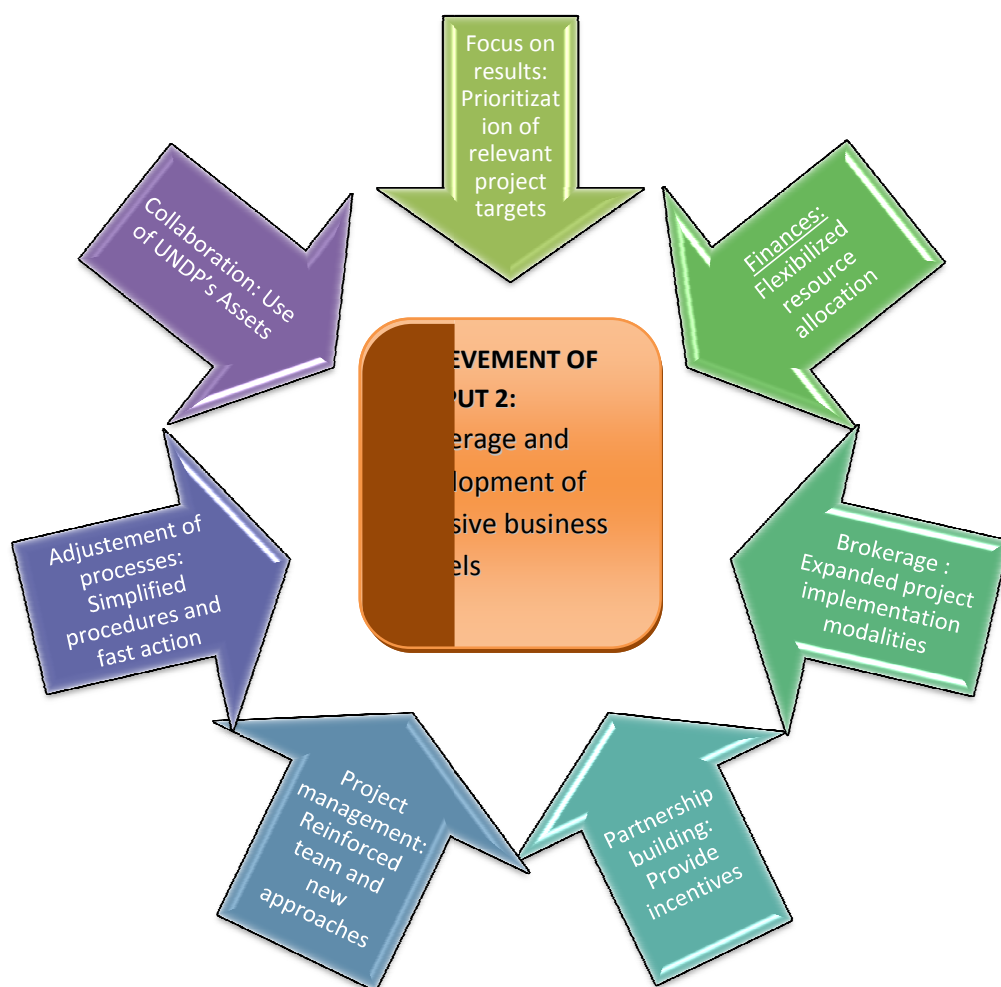
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## Background

The project workshop on feasibility studies and for the strategy adaptation of the Growing Inclusive Markets in Eastern Europe and CIS has been conducted between 11-14 July 2011 in cooperation with the Koç University Graduate School of Business and UNDP Istanbul International Centre for Private Sector for Development (IICPSD). The aim of the workshop was to equip the brokers with the necessary skills and tools for pre-feasibility analysis, and discussing the new project implementation strategies to overcome the obstacles that the brokers have been experiencing. The present document is a guideline for implementation of agreed changes in the project and should facilitate the work of the inclusive business brokers. It reviews the project strategy and the implementation processes to allow for further improvements in the project performance.

Figure 1 : Areas of change for achievement of output 2:

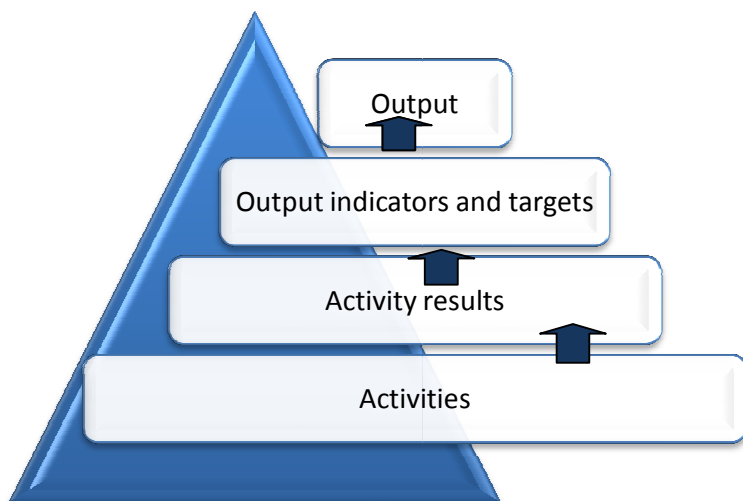


## Focus on results: Prioritization of the most relevant project indicators and targets

The ultimate goal of output 2 is the brokerage and development of inclusive business models. As such, all project activities should contribute to this aim and be centred on it.

**Expected project output 2<sup>1</sup>: Successfully brokered inclusive business model investment projects in progress in Bosnia i Herzegovina, Kosovo, Kazakhstan and Uzbekistan**

Figure 2: Relation between Activities, Activity Results, Output indicators and targets and project outputs.



The principles of UNDP's Results Based Management approach ensure that activities achieve desired results and allows for improved measurement of project/programme achievements (in the sense of performance rather than utilization of resources). It recommends the use of SMART indicators,( i.e. indicators that are specific, measurable, relevant and trackable) that are guided by the achievement of results instead of simply 'ticking activity boxes' and spending of the attributed financial resources.

### SMART INDICATORS ARE:

1. Specific:
  - Is it clear exactly what is being measured?
  - Has the appropriate level of disaggregation been specified?
  - Does the indicator capture the essence of the desired result?
  - Does it capture differences across areas and categories of people?
  - Is the indicator specific enough to measure progress towards the result?
2. Measurable:
  - Are changes objectively verifiable?
  - Will the indicator show desirable change?
  - Is it a reliable and clear measure of results?
  - Is it sensitive to changes in policies and programmes?

<sup>1</sup> Outputs are deliverables/end-project results :

- Operational changes: new skills or abilities, the availability of new products and services
- Must be achieved within the project period
- Managers have a high degree of control
- Failure to deliver is failure of the project

- Do stakeholders agree on exactly what to measure?
3. Attainable:
    - What changes are anticipated as a result of the assistance?
    - Are the result(s) realistic? For this, a credible link between outputs, contributions of partnerships and outcome is indispensable.
  4. Relevant:
    - Does the indicator capture the essence of the desired result?
    - Is it relevant to the intended outputs and outcome?
    - To judge the relevance of indicators, the CO may have to identify the target groups and their needs, expectations and criteria.
    - Is the indicator plausibly associated with the sphere of activity?
  5. Trackable:
    - Are data actually available at reasonable cost and effort?
    - Are data sources known? Establish realistic principles, mechanisms and responsibilities for data collection.
    - Does an indicator monitoring plan exist?

Applied to the GIM project, we state the existence of 8 indicators and targets as well as a wide range of activities and activity results that should ensure the achievement of the main result or output, mentioned above. However, after almost 23 months of project implementation, it has become evident that not all project indicators and targets fulfil the requirements of SMART indicators. Therefore, the current targets have been reviewed (see table below) as their relevance or their attainability were questioned. It has been decided that indicators/ targets that contribute *indirectly* to the output will be de-prioritized, leading to a categorization of project indicators (with respective targets) in two priority levels and one category of pre-requisites (or static indicators/targets):

1. **PRIMARY INDICATORS/TARGETS:** The achievement of the primary targets is first priority as it contributes directly to the output 2 of the regional project. All project staff should concentrate fully on the achievement of these targets. In consequence, the project reporting will be focused on the primary indicators. The project success will be evaluated in relation with the achievement of primary targets only. The targets of these indicators have slightly been adjusted based on their realistic attainability.
2. **SECONDARY INDICATORS/TARGETS:** The relevance of these indicators (and mapping targets) to the intended output is uncertain and a direct causal relationship between the achievement of secondary targets and project output can not always been established. Activities contributing to the achievement of secondary targets will be implemented only if they contribute directly to the primary targets according to the cost-benefit principle and will not determine the project success. In consequence, their targets might not be achieved completely by the end of the project. This is a consequence from the deliberate decision to focus our activities and resources on the overarching project indicators. Reporting on its achievement will be minimized.
3. **STATIC INDICATORS/ TARGETS (PREREQUISITES):** These are preconditions for the project implementation and being part of the project set up, they have already been achieved. Only change in staff, broker training activities and composition of NSC will be reported.

The following tables provide further details on the categorization of targets, the proposed changes and their rationale:

**Primary Indicators and Targets: - i.e. activities and budget allocation will be centred on the achievement of these targets (main focus of the project) existence of a direct link between its achievement and the achievement of the project output.**

Indicator as per Project Document	Target as per Project Document	Current Status of Achievement	Proposed Indicator	Proposed Targets	Notes
Successfully brokered investment projects in progress <sup>2</sup>	5 in each country, 20 in total	<p><u>under development</u></p> <p>4 projects are currently in its implementation phase: 2x BIH (poultry, paper collection), 1x KAZ (retail) and 1x UZB (Fair Trade).</p> <p>24 projects are in their development stage (see Figure 3 : Regional Project Progress from September 2011, Regional Project Portfolio)</p>	no change	<p><b>16 projects in total</b></p> <p><b>no change</b><sup>3</sup></p>	<p>The attainability of this target has been questioned and target has been reduced from 20 to total 16 implemented projects. As current project progress indicates, the implementation of 20 inclusive business projects will realistically not be achieved by August 2012 as most of the identified projects are still in its development stage, with various degrees of likelihood of success. The project set up phase took for most of the countries up to one year (except for BIH which could take advantage of the preparatory work done by the previous GSB project) in which the preconditions for project development were created e.g. through communication and awareness raising activities, key market selection, stakeholder identification and research of project ideas. Furthermore, the development of the business environment in certain project countries is not as favourable as initially estimated. As such, World Bank's Mapping of Business Environments<sup>4</sup> classifies Uzbekistan's business environment still as 'difficult' with an overall doing business ranking of 150 (out of 181 in 2011), whereas BIH and Kosovo fall in the category of 'moderate' and Kazakhstan in 'easy'. In 2011, the 'starting a business' ranking fell in comparison with the previous year in Uzbekistan minus 14 ranks, from rank 92 to 106<sup>5</sup>. The Business Environment Snapshots in Figure 5 also confirms the above, with Uzbekistan standing far behind the average of the region and of its income</p>

<sup>2</sup> **Definition:** 'Investment projects' are defined as "inclusive business models investments that accelerate and sustain access by the low-income and socially excluded populations, to needed and affordable goods and services, as well as employment and livelihood opportunities (through job creation and small enterprise development, including through value chain integration). GSB investment projects align commercial benefits of investors with local development needs and are carried out through multi-stakeholder partnerships." (GIM Project Document/ p.5). Projects 'in progress' are implemented projects which are defined as follows: (GSB Operations Manual 2008/57) "In the case of GSB projects, implementation is defined as the start of business operations or the realization of major investments in order to achieve the business and development objectives of the partnership with GSB. In this context, the realization of feasibility studies or the establishment of new partnerships will not be considered as project implementation".

**Role of GSB and the broker in project implementation** is (as stated in the GSB Operational manual from 2008) as follows: 'Overall, the role of GSB and the broker is to reduce the risk and support the implementation of business-led commercially viable projects with a strong development impact. Specifically, this builds on UNDP's overall neutrality and convening capacity, and takes several forms: (a) Brokerage of multi-stakeholder partnerships; (b) Brokerage of linkages with investors (both foreign and domestic) and foreign market partners; (c) Co-funding feasibility studies; (d) Supporting provision of technical assistance.

<sup>3</sup> The reduction of primary project targets was not approved by TIKa (see email from Ms. Ayse Orun dating from 15/12/2011). The primary project targets will therefore not undergo any change.

<sup>4</sup> <http://rru.worldbank.org/businessplanet>, data 2010.

<sup>5</sup> Doing Business website: <http://www.doingbusiness.org>, 2011

Facilitate linkages between external companies and entrepreneurs/SME's/producers organizations in target countries <sup>6</sup>	At least 2 projects with external companies in each of the new <sup>7</sup> target countries	<u>Under development</u> 2 projects with an external partner is currently in its implementation phase: 1x UZB, 1x BIH  6 projects with external linkages are in their development stage (see	no change	At least 6 projects with external companies in total (All four project countries combined).  <i>no change</i>	group in all 4 categories (Control of Corruption Indicator, Regulatory quality, Doing Business Ranking, Index of Economic freedom). In Kazakhstan, a business environment reformer, the project progress was delayed due to the time requirements of hiring and training of a new broker and the project relocation to Eastern Kazakhstan.  <del>For this target, the attainability of the overall target of 6 projects with external companies is judged realistic, whilst the implementation of 2 projects with external companies per new country is not likely to be achieved and has been abandoned. This is a result of the fact that</del> The business environment for foreign investment is more challenging in some project countries than in others. As such, external firms are for instance much more reluctant to invest in Uzbekistan in response to important barriers to FDI than they are in BIH. All project countries will continue their collaboration with the Outreach coordinator with the aim of establishing as many external linkages as possible. In the development of inclusive business projects with external companies, the brokers are encouraged to use the services of the Outreach broker and allocate adequate financial support to the achievement this target (e.g. through the financial support of match-making events, meeting with foreign partners or relevant studies) Considering that the brokerage of projects with external partners is potentially more expensive than the development of local inclusive business projects, the achievement of this target may take up to 40 -50% of the budget earmarked for development of inclusive business projects.
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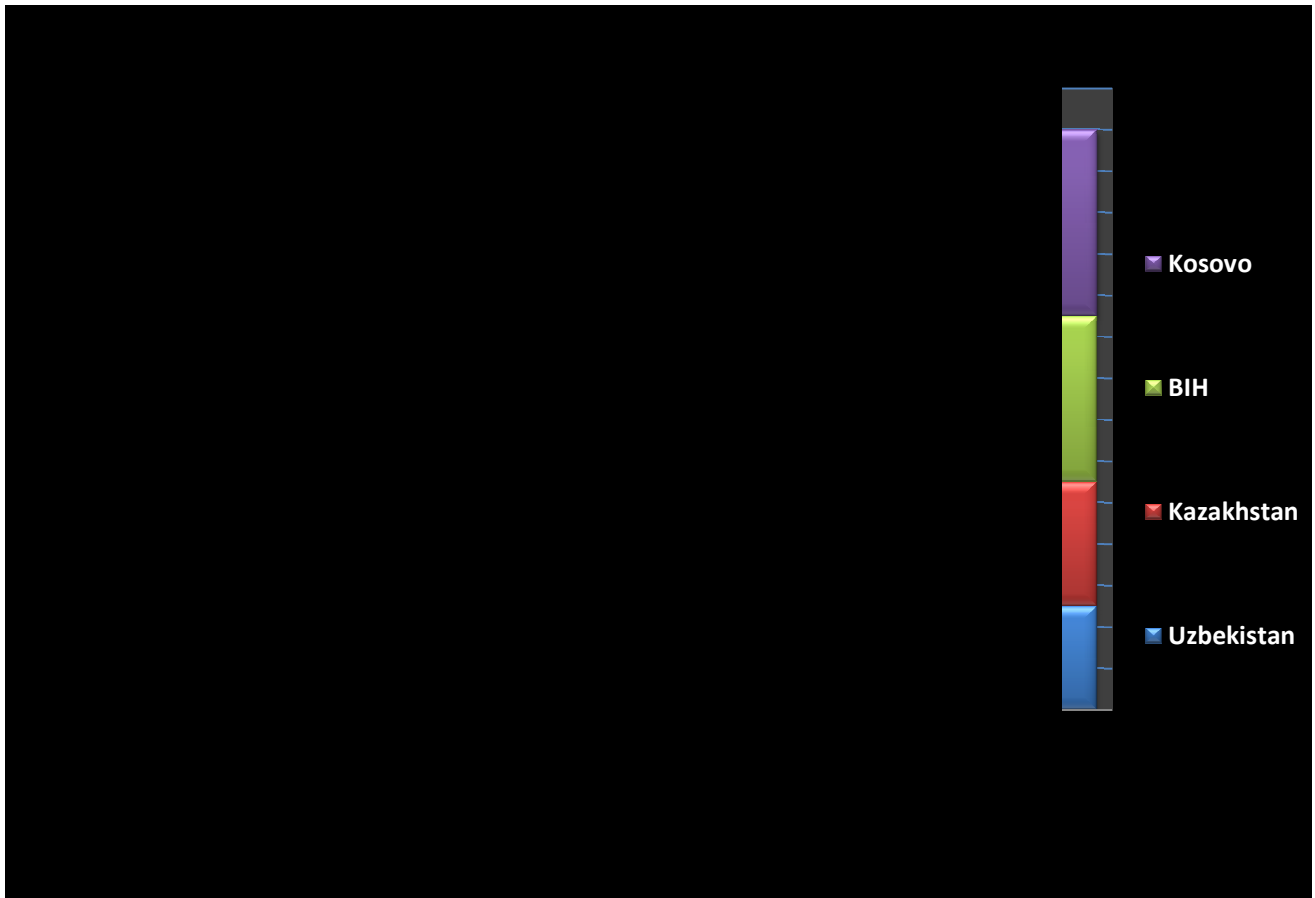
<sup>6</sup> The project setup (with the existence of a business outreach coordinator in Turkey) attributes special importance to the facilitation of linkages with external companies for the creation of inclusive business. The linkage is a meeting with a qualifying foreign investor and a CO Broker and/or a potential project partner. The Business Outreach Coordinator arranges meetings or links the foreign investors to brokers and/or potential project partners in view of potential investments in inclusive business projects and responds to demands from the country brokers.

<sup>7</sup> According to the Project Document and the Project Outline, 'new' countries are countries without previous implementation of a GSB project: In this case it refers to Kazakhstan, Uzbekistan and Kosovo (and excludes BIH, which counted with a previous 2 year GSB project).

Disclaimer to figure 3 &  
4: The data of the MIS is  
subject to change and will  
be updated on a monthly  
basis

Figure 4: Regional  
Project Progress from  
September 2011,  
Project Portfolio with  
external companies.)

Figure 3 : Regional Project Progress from September 2011, Regional Project Portfolio



Disclaimer to figure 3 & 4: The data of the MIS is subject to change and will be updated on a monthly basis

Figure 4: Regional Project Progress from September 2011, Project Portfolio with external companies.

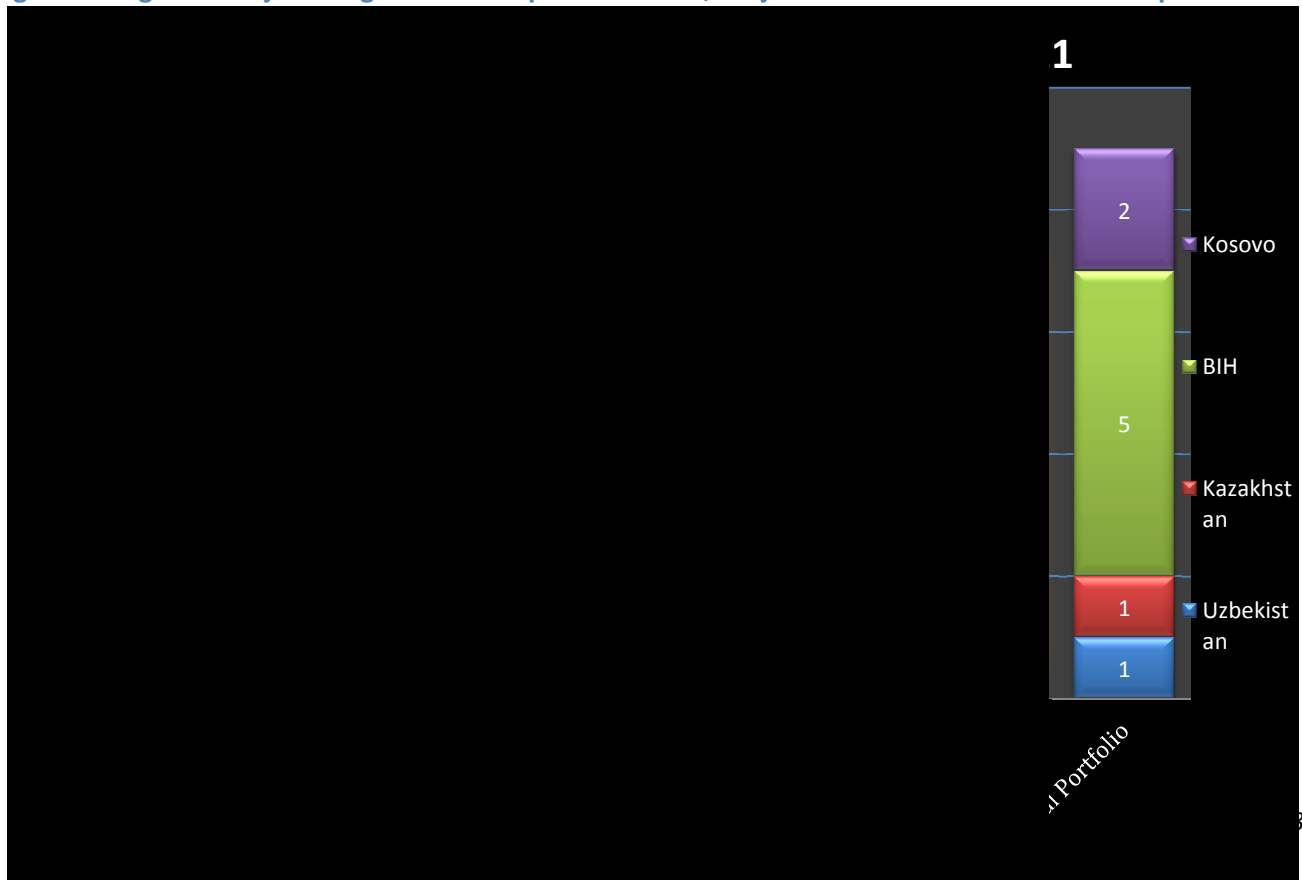
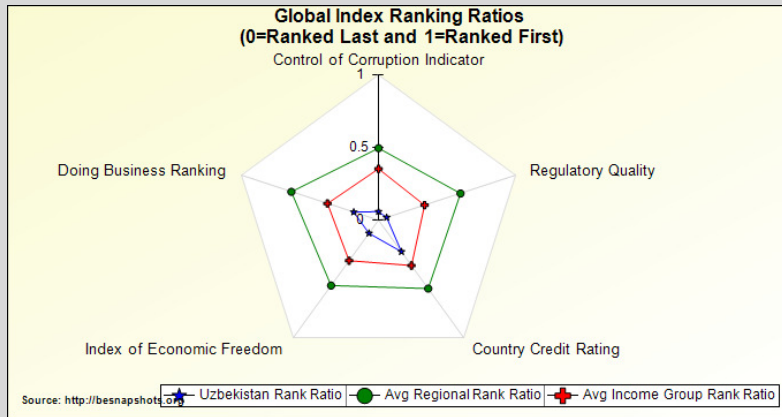


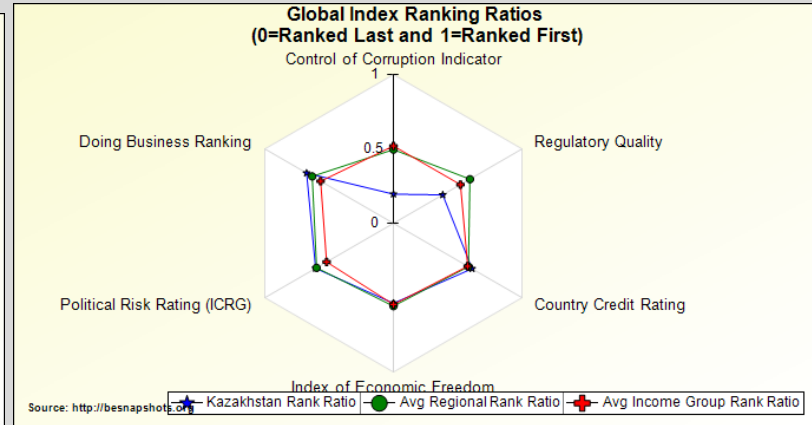


Figure 5: Business Environment Snapshots 2010

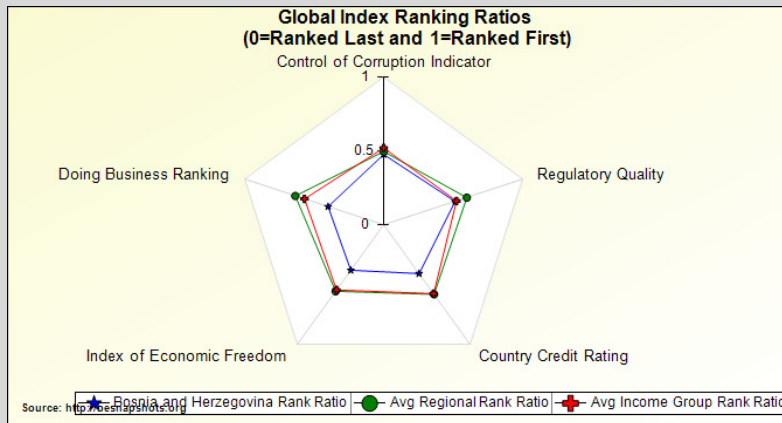
**Uzbekistan**



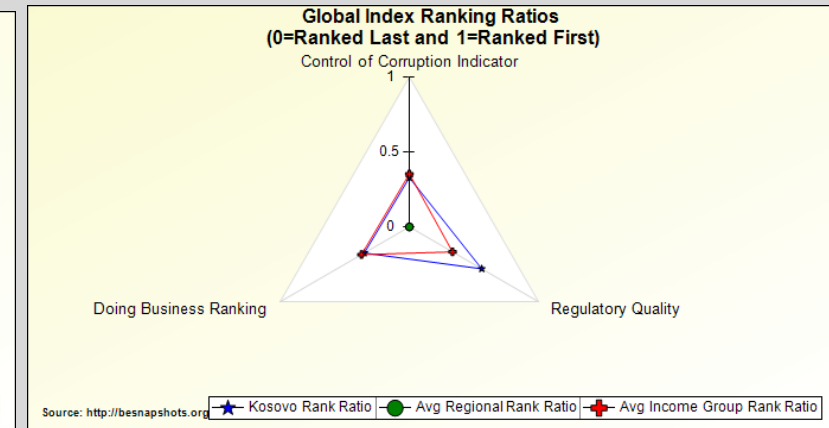
**Kazakhstan**



**Bosnia and Herzegovina**



**Kosovo**



(Source: World Bank and IFC <http://rru.worldbank.org/BESnapshots>)

**Secondary Indicators and Targets:** *i.e. The relevance of these indicators (and mapping targets) to the intended output is uncertain and a direct causal relationship between the achievement of secondary targets and project output can not always be established. Activities contributing to the achievement of secondary targets will be implemented only if they contribute directly to the primary targets according to the cost-benefit principle and will not determine the project success.*

Indicator as per Project Document	Target as per Project Document	Proposed Change	Notes
Socio-economic feasibility studies that analyse financial viability and development impact of potential investment projects	5 in each new country, 1 in BIH	No explicit project indicator/ target	As further explained in the section “Brokerage : Expanded project implementation modalities”, the project allows for different approaches of brokering inclusive business models. In some cases, it is expected that inclusive business models can be developed without a feasibility study by providing the stakeholders with other forms of support (such as technical assistance). Therefore, the existence of a feasibility study should not be a pre-requisite to achievement of the output and primary targets and should only be used where relevant. As a consequence, the current target of 16 studies will not necessarily be met if it doesn’t directly contribute to the primary targets.
Advocacy activities on the role of private sector in development	at least one activity per year and country	No explicit project indicator/ target	Advocacy events and activities can support the awareness of the role of the private sector in development and can constitute an important tool to prepare the ground for collaboration with the private sector, public actors or CSO’s in inclusive business creation. However, they should only be implemented if contributing directly to the primary target.
New companies subscribing to Global Compact principles	10 per new country, 30 in total	No explicit project indicator/ target	This target is a potential entry point or instrument to reach the primary target and will only be implemented if the cost-benefit evaluation is positive and in accordance with the situation in the target countries (minimum budget expenditures and priority are given to this target): For instance, in countries like Kazakhstan and Uzbekistan there is no functioning Global Compact network. Having companies signing the principles without any follow-up activities is not judged to be a sustainable approach and doesn’t directly contribute to the primary targets. For certain countries, the usage of Global Compact as entry point is thus not recommended. However, in countries with existing Global Compact networks, the brokers are free to use this instrument in order to reach companies for our project goals. The achievement of this project target is not compulsory as it does not necessarily directly contribute to the primary targets.
Local pacts between government, businesses, and NGO’s to work with investors	5 in each country, 20 in total	No explicit project indicator/ target	Up to date, all identified projects involve several partners and are expected to develop functioning multistakeholder alliances. It seems thus irrelevant to report on this indicator.

**Static Indicators and Targets: These are preconditions for the project implementation and being part of the project set up, they have already been achieved. Only change in staff, broker training activities and composition of NSC will be reported.**

Indicator as per Project Document	Target as per Project Document	Proposed Change	Notes
Trained GIM brokers	4 national brokers and 1 Turkey based Support Broker, 5 in total	<b>Target already achieved. Only change in staff and broker training activities will be reported</b>	A trained and qualified broker is a prerequisite for the achievement of the project targets.
Functioning national GIM Steering Committees	1 per country, 4 in total	<b>Target already achieved. Only change in NSC composition will be reported</b>	The role of the National Steering Committee is to ensure transparency, accountability and justification of inclusive projects under the GIM initiative. Its main responsibilities include the endorsement of inclusive business projects (and its legitimization in the context of the project country), oversight and issue resolution. A functioning National Steering Committee is thus essential for the GIM project and the legitimization of its activities.

## **Finances: Flexibilized resource allocation**

In accordance with the previous section, the current resource reallocation was made more flexible in order to facilitate the fast uptake of inclusive business model opportunities and prioritize the achievement of primary targets.

Brokers are given the flexibility of proposing changes in the Annual Work Plan (AWP) at any moment and shifts in budget allocations (TIKA and UNDP funds) as they see fit and according to their country and project portfolio priorities, always guided by the principle of cost-benefit, and in prioritization of the primary targets over secondary or tertiary ones<sup>8</sup>.

For shifts in budget allocations, the rules for budget revisions apply (change of AWP including budgets made by the broker, approval and signature by country office and BRC, implementation of change in Atlas by BRC). With increased flexibility comes however also increased responsibility of the broker for the project success.

## **Brokerage : Expanded project implementation modalities**

In order to further align all our activities to the output and focus on the development of inclusive business models, the project implementation modalities will be expanded to allow not only the traditional Growing Sustainable Business (GSB) approach of working with a lead firm, but also other approaches that contribute to the creation of sustainable and profitable inclusive business such as e.g. pro-poor value chain developments and micro-enterprise developments, depending of the specific circumstances in a country or sector.

The GIM brokers, working at country level and in direct contact with relevant stakeholders, are the best placed for the identification and proposal of new project opportunities and the review of existing projects.

## **Partnership building: Provide incentives**

### **Business mind-set.**

To be in line with its principal partners, the project will adopt a strict business mind set and every action in the project will be evaluated according to its cost and benefit to project results. Brokers are asked to allocate the resources in a results- oriented manner.

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<sup>8</sup> In case the broker sees the need to allocate additional funds for the brokerage of an inclusive business model - for example for technical assistance to a certain project- it is his responsibility to propose a change in the AWP and a budget revision, where he proposes to shift a certain amount of TIKA or TRAC funds from one budget line to the other (or from one activity to the other). This implies that funds (TIKA or TRAC) will no longer be tied to certain activities.

### **Increase incentives for companies to engage in inclusive business models**

To increase the incentives for companies, the brokers are encouraged to explore other mechanism to incentivize companies such as the provision of technical assistance<sup>9</sup>, the use of micro-grants<sup>10</sup> and the funding of equipment<sup>11</sup> in exceptional cases.

For all financial mechanisms related to creating incentives for companies/or contribute to the development of inclusive business, the brokers are asked to submit a proposal to the project management team, describing the objective and rationale for the support, the cost-benefit ratio, the expected results, the cost and the source of funding (TIKA, UNDP or others).

### **Project management: Reinforced team and new approaches**

#### **Enhance the backstopping and advisory services of the project management team<sup>12</sup>.**

The regional project management team intensifies its backstopping and advisory function for country projects and puts in place a system of checks and balances that empowers the broker to act in a flexible way and to take up relevant project opportunities by providing appropriate project support. The UNDP Bratislava Regional Centre has allocated additional UNDP TRAC funds to strengthen the regional project management functions. Funds will be used for backstopping, additional missions and other project management related activities.

The project will take advantage of the experience of GIM business outreach coordinator Mr. Gokhan Dikmener and utilize it to strengthen the project's management. As such, Mr. Gokhan Dikmener will take over in addition to his current functions as outreach coordinator extended technical backstopping and country portfolio management functions, and will co-manage the overall project together with Brigitte Duerr.

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<sup>9</sup> Financial support from GSB/GIM can be considered (under the same conditions as co-funding of feasibility studies) to provide technical assistance and capacity building to a specific investment, as a public sector funded and implemented component in support of the investment project. Care should be taken to ensure that this technical assistance is provided only within the framework of projects that fit the GSB/GIM criteria. In Tanzania, GSB was asked to provide funds to TechnoServe for technical support to strengthen and expand extension services to Artemisia smallholder farmers, educate district extension officers, assist in improving cultivation practices, and support nurseries. As there is no private company involved in leading the initiative, GSB support is currently on hold. In a similar venture in Madagascar, GSB has provided technical assistance funds to TechnoServe for Artemisia cultivation/ harvesting advice in the field. However, in this case there is a lead private partner, Bionexx.

<sup>10</sup> Examples of micro-grant agreements are available upon request. UNDP's rules don't allow for the provision of funds directly to the private sector. Micro-grants can be granted to CSO's or municipalities for the development of an inclusive business model.

<sup>11</sup> Funding of equipment for companies can be subject to criticism as it can be seen as an indirect subsidy to a specific firm through UNDP funds. Therefore, expenses related to purchase of equipment need a special justification and can only be approved in exceptional cases, where it is demonstrated that, without the provided equipment, the inclusive business would not materialize (condition sine qua non) and the company wouldn't have purchased the equipment from their proper means (argument of "additionality"). In addition to this, the social and developmental benefits need to be safeguarded. From the procedural point of view, UNDP is not allowed to provide direct funds to the private sector and the procurement needs thus to be done through UNDP (and following UNDP procurement rules).

<sup>12</sup> The Regional Project Management team consists of Ms. Brigitte Colarte-Duerr and Mr. Gokhan Dikmener.

The project will use UN Teamworks as the new knowledge sharing platform and oral and written communication between the project management team and the brokers will be increased.

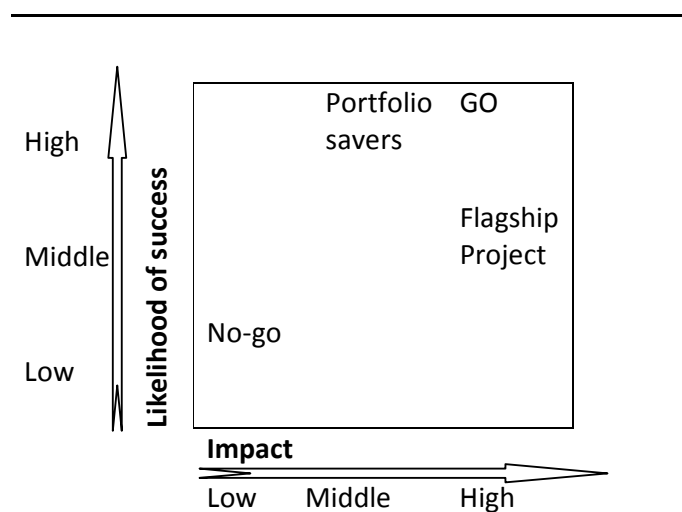
Remaining training funds from 2011 can also be allocated to relevant training of brokers in their home countries.

The project management team can be consulted on any issue and should be informed of any obstacles the brokers face and will support the brokers and COs to find solutions to the obstacles

### Implementation of a Project Portfolio Management Approach

Project portfolio management (PPM) is generally defined as a dynamic decision-making process, whereby a list of active projects is constantly updated and revised. In this process, new projects are evaluated, selected, and prioritized; existing projects may be accelerated, killed, or de-prioritized; and resources can be allocated and reallocated to the active projects.

Figure 6 : Project Portfolio Matrix



The main reason for adopting the PPM is to include providing mechanisms and procedures that would facilitate a timely, methodical, and effective project prioritization at each of the review points<sup>13</sup> and a formalized set of guidelines<sup>14</sup> for managing a group of projects in a collective fashion.

### Assessment of projects

Together with the broker, the Regional Project Management Team will continuously evaluate projects based on monthly reports and individual project evaluations, and based on the project's implementation phase. The projects will be prioritized and ranked according to its likelihood of success (affected by indicators such as progress, committed partners, country, industry, partner risk etc.) and impact (affected by selected indicators and their systemic impact, scale, replicability etc.)...

<sup>13</sup> Periodic reviews and gates of the project development process (gates, such as project proposals, NSC endorsement etc..) see ANNEX 7 : Project Stages, Responsibilities and Supporting Documents

<sup>14</sup> Risk and impact assessment and selection criteria for GSB and IMD projects.

The primary benefit of a PPM system is that only the right projects will be selected and/or an optimised portfolio of projects according to their risk and their costs and benefits continued.

According to the PPM approach, each project will be evaluated according to its:

**a.) Result /impact**, with indicators such as<sup>15</sup>:

- Scale
- Net income
- Net additional jobs created
- Provision of pro-poor goods and services
  
- Support for the MDGs
- Strong business model with potential for systemic impact
- A strong commercial partner leading the project
- Need for additional Technical Assistance (TA) and Capital
- Direct link to UN / UNDP objectives, priorities and programs in the country
- Future impact (Scalability, Replicability, )
- Commitment of partners to agreed work plan, including timelines.

**b.) Likelihood to succeed**<sup>16</sup>.

Likelihood of success is composed of two indicators: (a) the successful implementation of the inclusive business project during the project period (by August 2012) and (b) the level risks associated to each inclusive business project.

As a general rule applying to a) above, all projects should be implemented by August 2012. However, in exceptional cases, if there is a credible committed partner who will take over the implementation after August 2012, the project nonetheless could be included in the portfolio as its likelihood of success would in such case be guaranteed by the partner.

Regarding the risk management, two risk assessment templates are recommended and can be found in the annex. The first, detailed model (ANNEX 2: Risk Assessment Tool – Detailed Model A) contains a risk assessment sheet and a risk map (Figure 1) that shows at a glance the criticality of risks and the need for action. It is a comprehensive analytical model of risk and is not compulsory to be filled in for every project, but it will be an asset in the evaluation of risk in a broker's project portfolio.

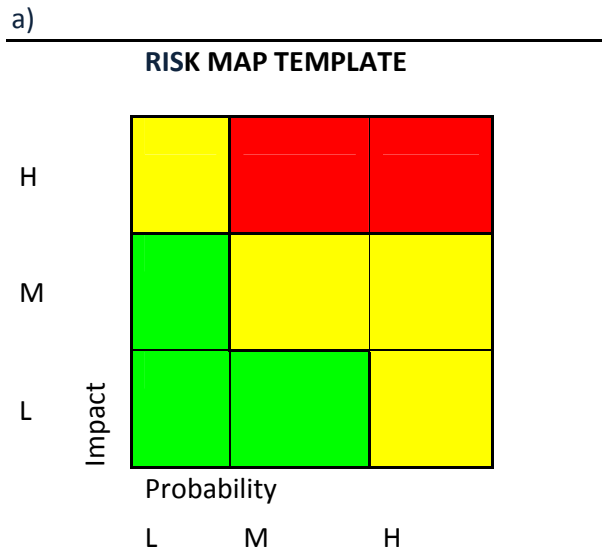
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**15 Please see**

ANNEX 1 : Project Portfolio Management for a scoring card of indicators.

<sup>16</sup> Risk evaluation forms and risk logs can be found in Annex. Each project should have at least the simplified version. Brokers are free to use the detailed version.

**Figure 7: Risk map template – Model 1**



The second risk assessment model (ANNEX 3: Risk Assessment Tool – Model B) provides an indicative list of possible risks. If the risk score is high or medium than broker should recommend a mitigation plan to pursue the project.

Please refer to

[ANNEX 1 : Project Portfolio Management](#) for more information on the PPM approach.

### **Gradual project appraisal**

Project appraisal will be gradual. Every project will be registered to the brokers’ portfolio with a Project Idea Note (see template in ANNEX 4: Project Idea Note (PIN)). The Project Idea Note together with the Results Chain (see ANNEX 5 : Results Chain Template) serve as short project presentation that can be updated and shared with relevant stakeholders and potential partners. Brokers will be fully responsible for the projects in their portfolio and report on progress regularly.

A management information system has been developed that allows easy tracking of project portfolios, expenses and project progress.

### **Adjustement of processes: Simplified procedures and fast action**

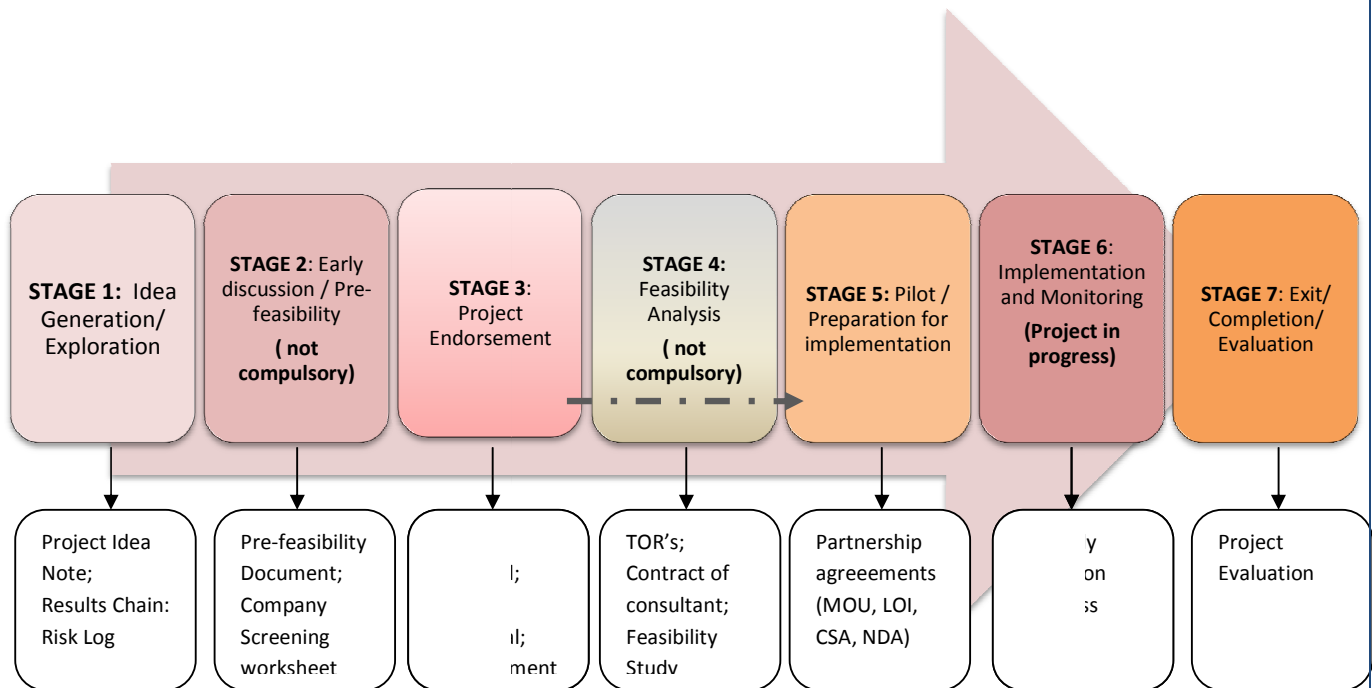
Project processes and accompanying documents will be redesigned to reflect the adoption of a strict business mind-set. The processes will be simplified and allow for faster response and a broader use of potential brokering approaches (not limited to the lead firm approach).



## Project Stages and Supporting Documents

A short overview of the project stages and supporting documents is depicted below. For more detail, see ANNEX 7 : Project Stages, Responsibilities and Supporting Documents.

Figure 8: Project Stages and Supporting Documents



### Revised monthly reporting format

The revised and simplified monthly reporting format (ANNEX 8 : New monthly reporting template) will be centred on the progress in the development of inclusive business models and reporting on the achievement of primary project targets. Brokers will report developments in their portfolio in a brief format. The monthly reports will be submitted on the fifth working day every month (no change).

The project progress will be followed-up through monthly phone calls between the project management team, the brokers and CO' representatives. These calls will take place ideally in the days following the submission of the monthly report.

### Revised procedure for the development of Terms of References (TOR's)

The Project Management will provide a Standard TOR template to ease the process<sup>17</sup>. Terms of References should not be longer than 1-2 pages and be to the point, understandable, efficient and effective.

The participants agreed on the following operating procedure for the development on Terms of References (TORs):

<sup>17</sup> The Standard TOR template is currently under development.

1. Use the standard template
2. Brokers fill in the content section of the template
3. Get expert's advice (companies, BRC, other UNDP projects, fellow IMD brokers)
4. Get clearance from the Project Management Team (response within 3- 5 working days)
5. Advertisement of the TOR's and hiring of a consultant

## Collaboration: Use of UNDP's Assets

### Use of project assets and partner resources/capabilities

To find synergies and better use of project assets to reach project targets, the brokers and the project management team will increase the level of cooperation with possible stakeholders and partners<sup>18</sup> such as:

- TIKA field offices
- Other UNDP projects, such as Aid For Trade (Aft)
- Government institutions
- NGO's
- Business associations
- Donors and implementing organization/projects<sup>19</sup>

In collaboration with other partners, it is essential for the broker to assure that the attribution of the GIM project in the inclusive business project development is recognized and can be reported as such (even if the project implementation is handed over to the identified partners).

Furthermore, the brokers should consider to use the assets already present in the project, such as other brokers expertise, expertise from other UNDP projects (Aid for Trade; country specific projects), BRC advisors (for Private Sector Development, Rural Development, MDG's, Energy and Environment ...), National Steering Committee member's resources etc..

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<sup>18</sup> Recalling the GSB Operational manual (UNDP, 2008/6):*"It is important to note that the specific niche of the GSB is coordination and facilitation of partnerships in order to support the implementation of pro-poor investment projects. Given the wide range of private sector development activities undertaken by donors, NGOs and other players, the GSB real value addition stems from collaboration with other programmes and coordination of such initiatives through partnership support and facilitation. In practice this means that GSB should be realistic about the extent of what it can offer, and should focus on making this brokerage function as effective and value-adding as possible. For example, this involves developing both broad and deep knowledge of the private sector development projects undertaken in a given country, of the key sectors of that country's economy, and the main private companies operating there. GSB should create a "bridge" between all these different categories of players and bring them together around specific projects. It is these players who would then carry out the actual implementation of the projects, with GSB's role being focused more on the initial facilitation and trust-building."* Please refer to ANNEX 6 : GSB/GIM Value Proposition along the project cycle (taken from GSB Operational Manual 2008) for more information on the GIM Value Proposition.

<sup>19</sup> In agreement with the UNDP Country Office.

### Istanbul based internship project to support the brokers

Due to limited project budgets, the brokers' human resources demand for administrative assistance and background research could not be addressed. To empower the brokers, an Istanbul based internship project, lead by the Outreach coordinator, will be initiated. Interns will provide online and onsite assistance to the brokers.

## ANNEX 1 : Project Portfolio Management

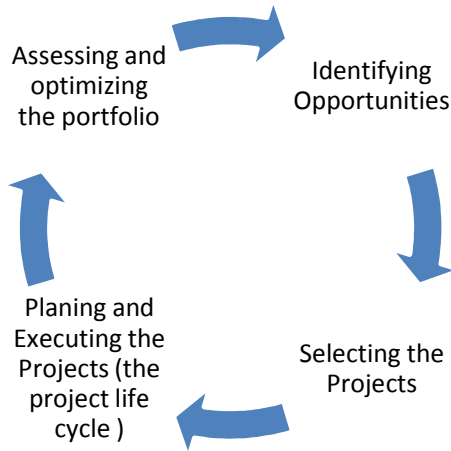
Project portfolio management (PPM) is generally defined as a dynamic decision-making process, whereby a list of active projects is constantly updated and revised. In this process, new projects are evaluated, selected, and prioritized; **existing projects may be accelerated, killed, or deprioritized; and resources can be allocated and reallocated to the active projects.**

The project life cycle generally consists of a concept phase, a planning phase, an initiation phase, an execution phase, a monitoring and controlling phase, and a closing phase. (Figure 1) However, the portfolio management life cycle is broader and has a different focus. It consists of identifying opportunities, selecting the projects to help fulfil these opportunities, planning and executing these projects, and continually assessing the benefits of these projects to the success of the regional GIM initiative. (Figure 2) Each GSB project regularly monitored to assess the project's contribution to the targets of the regional GIM initiative. ***This decision process differs from the traditional project management approach in which, once the project is selected for execution, it does not require further examination to determine whether the project should continue to be pursued. According to the PPM approach a multitude of projects are constantly evaluated and optimised according to a set of overarching criteria not only for their individual sake but also according to their contribution to the overall portfolio.***

**Figure 1: The Project Life Cycle**

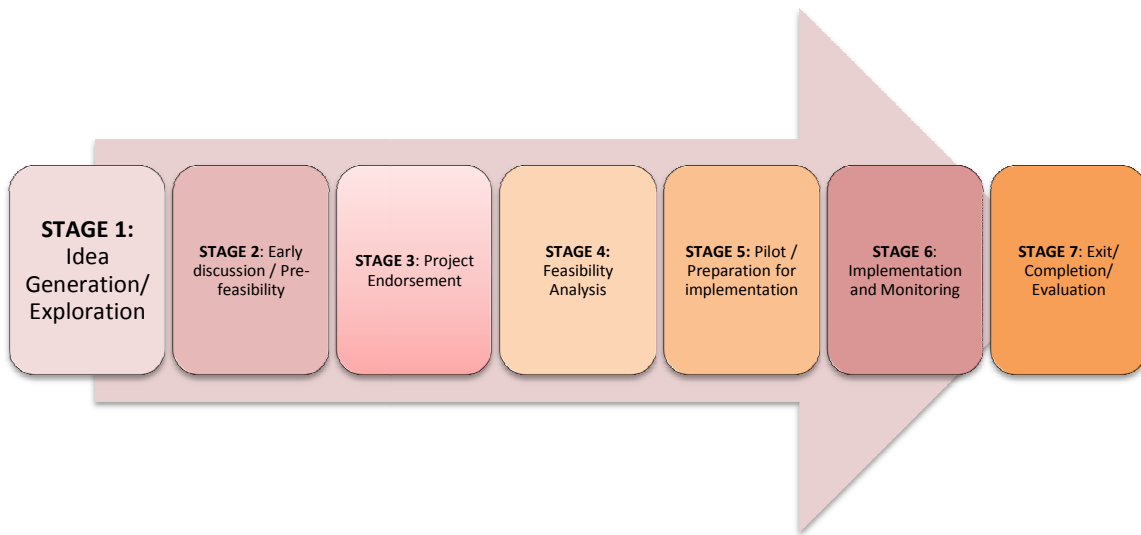


**Figure 2 : The Portfolio Management Life Cycle**



The adaptation of the PPM will bring providing mechanisms and procedures that would facilitate a timely, methodical, and effective project prioritization at each of the review points and a formalized set of guidelines for managing a group of projects in a collective fashion. The primary benefit of a PPM system is that only the right projects will be selected and/or an optimised portfolio of projects according to their risk and their costs and benefits continued. Thus, the projects in the pipeline will be fully aligned with the targets of the regional GIM initiative.

A stage-gate model will be implemented, in which the project pipeline is broken down into several review phases called stages. The milestone between two successive phases is called a gate. The validity of the project will be revisited at every gate according to criteria.



**The criteria for assessing impact could include**

Criteria	Impact (H,M,L NA)
Scale	

- 
- Growth of MSME sector

#### Net income

- Increased income received by low-income and socially-excluded people newly included in value chains through the “pro-poor” investment projects

#### Net additional jobs created

- Increased employment of low-income and socially-excluded people;

#### Provision of pro-poor goods and services

- Increased foreign direct investment in pro-poor investment projects
- Expansion of affordable products and services available to the poor

#### Support for the MDGs

#### Strong business model with potential for systemic impact

A strong commercial partner leading the project

#### Need for additional Technical Assistance (TA) and Capital

Direct link to UN / UNDP objectives, priorities and programs in the country

#### Future impact (Scalability, Replicability, )

Commitment of partners to agreed work plan, including timelines.

#### Increased number of people included in local and international markets

Increased regional cooperation through investments targeting more than one country in the region

Increased awareness of the role of business in development in each target country

#### Total

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The impact and likelihood of success the projects are graphed on the following table. Projects that have higher impact and higher likelihood of success will be prioritized and risky projects will be de-prioritized.

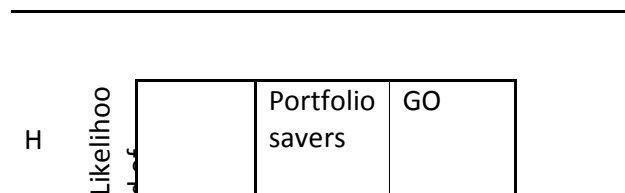
The ultimate aim is reaching a balanced portfolio, which implies a balance in the project composition and selection in terms of risk (likelihood of success), impact and cost. It should satisfy following conditions:

- a targeted number of projects (at least 16 projects in total in the 4 countries)
- that is possible to implement during the project lifecycle (31 August 2012)
- with manageable risk and adequate use of resources (stakeholder, budget, brokers time etc..),
- delivering an development impact (such as increased foreign direct investment in pro-poor investment projects; growth of MSME sector; increased employment of low-income and socially-excluded people; increased income received by low-income and socially-excluded people newly included in value chains through the “pro-poor” investment projects; increased number of people included in local and international markets; expansion of affordable products and services available to the poor; increased regional cooperation through investments targeting more than one country in the region; increased awareness of the role of business in development in each target country)
- while not overriding the project budget.

Broker should be able to facilitate the implementation of the targeted number of projects before the finalization of the regional project (August 2012), the risks associated to the projects should be manageable, and each project should deliver a measurable impact according to the scorecard criteria for assessing impact.

As an example; A portfolio could have low risk, low impact projects but this should be balanced with high impact projects. A broker may want to pursue a high impact, but risky “a flagship project”, he should balance this with medium low impact low risk projects assuring the overall implementation of at least 5 projects, two of which with external companies

Each project involves risk. Even a low risk project may not materialize due to unexpected political developments, external economic crisis etc. So brokers should allocate their budget and time considering potential unexpected failures and should aim for a portfolio composition of more promising projects than what is needed to achieve the target.



a)  
M

L

		Flagship Project
No-go		

Impact

L

M

H



**ANNEX 2: Risk Assessment Tool – Detailed Model A (Excel Worksheet for easy fill-in available)**

<b>Risk Prioritization</b>						
<b>Risk ID</b>	<b>Date Opened</b>	<b>Risk Description</b>	<b>Impact Description</b>	<b>Probability</b>	<b>Impact</b>	<b>Criticality</b>
0001	19-Dec-2007	Risk 1 e.g. “lack of commitment of lead company”	Impact 1 “slow project process”	Low	High	4-Low
0002	19-Dec-2007	Resistance to change	Lack of commitment to change	Medium	High	2-High
0003	19-Dec-2007	Risk 3	Impact 3	High	Medium	2-High
0004	19-Dec-2007	Risk 4	Impact 4	Medium	High	2-High
0005	23-Jan-2007	Risk 5	Impact 5	Medium	High	2-High
0006	23-Jan-2007	Risk 6	Impact 6	Low	High	4-Low

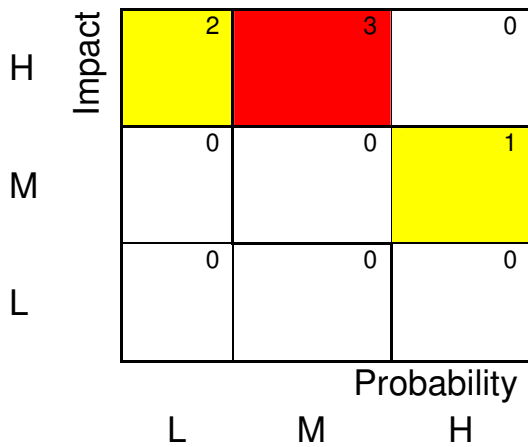
<b>Risk Mitigation Planning</b>					
<b>Quadrant on the Risk Map</b>	<b>Projected timeframe for risk to realize itself</b>	<b>Priority for mitigating action</b>	<b>Mitigating action(s)</b>	<b>Ease of implementing risk mitigating action(s)</b>	<b>Cost of risk mitigating action(s)</b>
1-3	Short term (3 months)	Medium	Get access and commitment from high level management	Medium	Medium
2-3	Medium Term (6 months)	High	Communication	High	Medium
3-2	Long Term (>6 months)	Medium	Mitigating strategy 3	Medium	Medium
2-3	Medium Term (6 months)	Medium	Mitigating strategy 4	Medium	Medium
2-3	Medium Term (6 months)	Medium	Mitigating strategy 5	Medium	Medium
1-3	Medium Term (6 months)	Low	Mitigating strategy 6	Low	Low



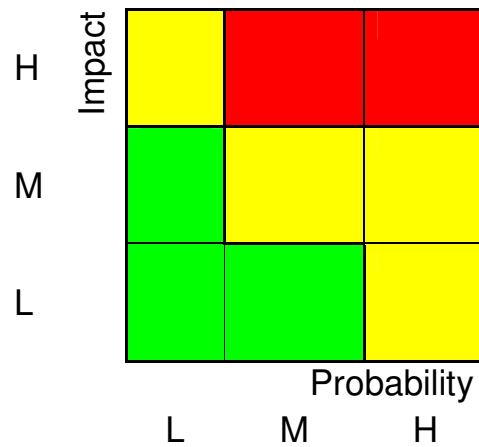
## Risk Monitoring

Expected outcome(s) of risk mitigating action(s)	Risk Manager	Target Date	Status	Last Updated	Progress / Status Comments
Renewed commitment from high level management will influence staff's actions.	GIM broker	December-08	Open	19-Dec-2007	Progress / Status Comments
	Communication Group/ RCO	June-08	Open	19-Dec-2007	Additional communication required
	PU/BS	December-08	Open	19-Dec-2007	Progress / Status Comments
	BS	December-08	Open	19-Dec-2007	Progress / Status Comments
	BS/SK	December-08	Open	19-Dec-2007	Progress / Status Comments
	BS	December-08	Open	19-Dec-2007	Progress / Status Comments

**CHANGE PROGRAMME RISK MAP**



**RISK MAP TEMPLATE**



## ANNEX 3: Risk Assessment Tool – Model B

### Risk Factors and Mitigations (Indicative list of most common risks)

			Score	
Risk	Description	Mitigation	Probability	Impact
<b>Market Risk</b>				
Market	<i>Please describe specific risks from each perspective.</i>	<i>State mitigation plan if the score is High or Medium.</i>	<i>State the score in either High, Medium or Low.</i>	<i>State the score in either High, Medium or Low.</i>
Customer				
Competition				
<b>Project Risk</b>				
Management				
Budgeting				
Planning				
Production				
Marketing/Sales				
Price				
Distribution				
Advertising				
Human Resource				
Schedule				
Finance				
<b>Regulatory Risk</b>				
Government/Policy				
Law				
Environment				
Accounting				
Tax				

## ANNEX 4: Project Idea Note (PIN)

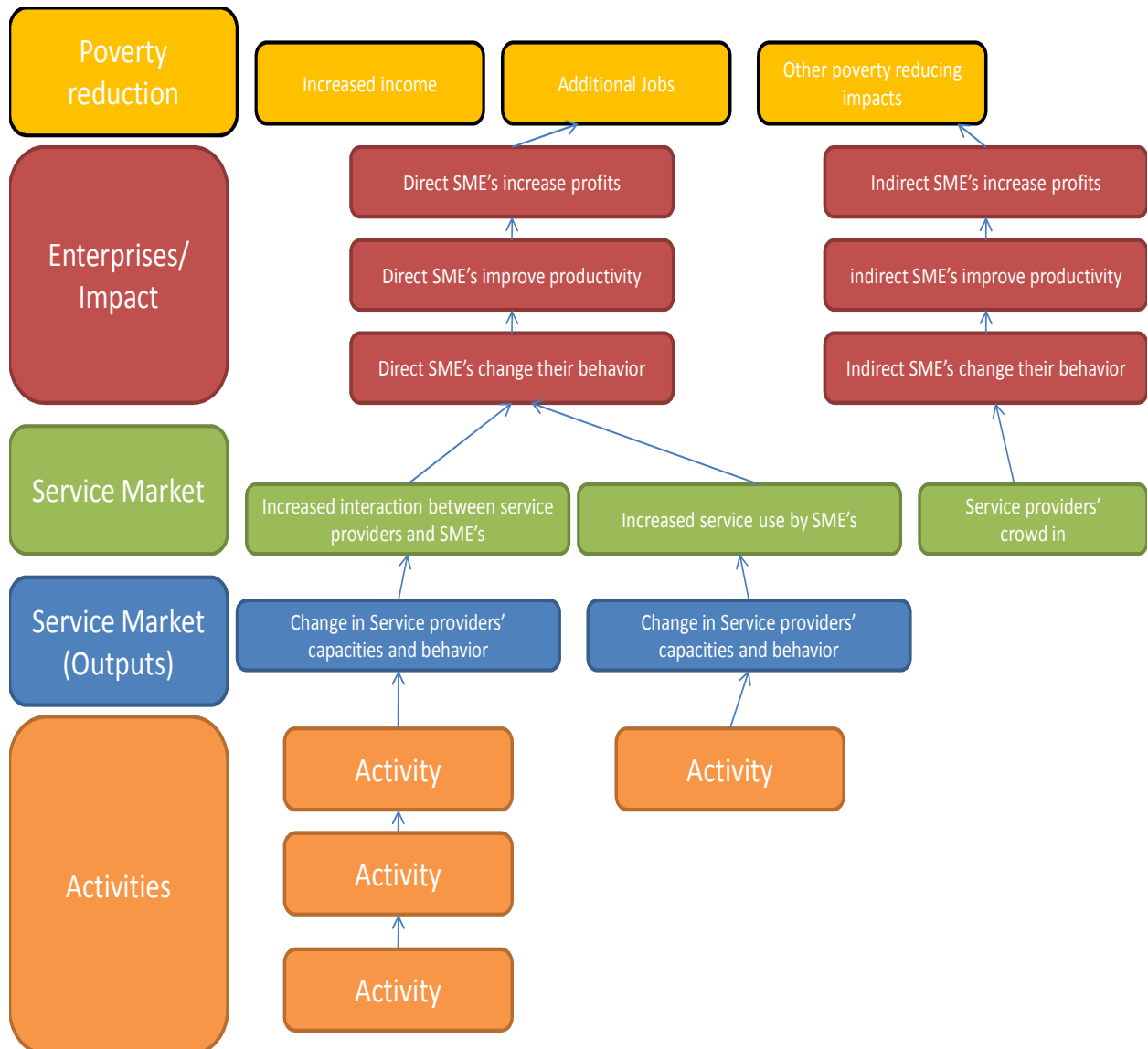
PROJECT SUMMARY				
Project name:				
Country/Region:				
Challenge-				
Beneficiaries-				
Main objective-				
Business Model-				
Intended results and impact-				
BUSINESS ANALYSIS				
Industry and Size-				
Customer-				
Competitor-				
Potential Growth-				
Marketing Strategies-				
Profitability (if possible IRR etc )-				
GSB/IMD partnership				
Lead partner-				
Other partners and their roles-				
Role of GSB/IMD-				
PROJECT PROGRESS				
Project Stage-				
Timeline-				
Project Progress-				
Achieved results-				
Next steps-				
RESOURCE NEED				
Private investment	Feasibility Study	Technical assistance	Equipment	Brokers time

## ANNEX 5 : Results Chain Template<sup>20</sup>

Name of the project:

Indicators for success:

Estimated time for realization:



<sup>20</sup> Additional Results Chain templates and examples are available upon request.

## ANNEX 6 : GSB/GIM Value Proposition along the project cycle (taken from GSB Operational Manual 2008)<sup>21</sup>



Challenge/Risk Factor	GSB Value Proposition
<b>Identification of opportunities &amp; partners</b>	
Lack of resources (e.g. no presence in country) to actively seek and respond to opportunities	Active, on-the-ground help in identifying and developing new investment opportunities
Limited ability to identify and partner with local, value-adding partners	Active, on-the-ground help in identifying and developing new partnerships with NGOs, SMEs, and financing partners
Limited access to government and development partners	Help in identifying government and donor counterparts to facilitate access & dialogue
Traditional mind-sets inhibit new models from emerging	Showcase ideas for inspiration, encourage cross-sector solutions in partnership with other GSB companies in the country or region
<b>Market Research</b>	
Limited public information about target clients; limited financial incentives where commercial viability is highly uncertain	Co-funding of research with the private sector (e.g. feasibility studies) allows for understanding of client needs & obstacles at granular level and leads to better business plans and greater buy-in
Limited knowledge of local circumstances and needs/demand	Provision of local development expertise and skills tailored for commercial purposes
Lack of coordinated involvement and feed-back from relevant stakeholders	Organize constructive feed-back and involvement through multi-stakeholder coordinating group or similar
Difficulties in ensuring alignment with national priorities and development plans	Help in active collaboration with government and development partners
<b>Business Model Development</b>	
Lack of appropriate information as foundation for sound business plan	Help in identifying existing data sources and in carrying out research directly linked to specific investment project
Limited ability to identify and partner with local, value-adding partners	Active, on-the-ground help in identifying and developing new partnerships with NGOs, SMEs, and financing partners
Limited knowledge on maximization of "business plus development" benefits	Help in investment design to ensure benefits based on international best-practice
Lack of coordinated stakeholder involvement and applicable feed-back to business ideas and plans	Organize and support multi-stakeholder investment alliance (implementation group) led by company
Lack of systematic exploration of possible cross-project synergies	Active support in identifying possible cross-sector synergies
<b>Financing</b>	
Limited internal financial resources to develop investment where commercial viability not yet proven	Help bridge access to finance to make the business case viable, including loans, grants, and development finance
Capacity building or targeted public infrastructure investments not within commercial viability of business models, yet required for success	Help bridge access to finance for key partners and infrastructure projects
<b>Implementation</b>	
Limited capacity and skills of key partners involved in planning or implementation	Active help in building capacity of key partners through technical assistance and financial support
Corruption and other obstacles such as inadequate infrastructure	Establishment of a UNDP-sponsored "comfort zone" where information can be shared, and issues raised and resolved
Political/regulatory issues or barriers to implementation	Use influence with government to actively resolve barriers, and inform policy/reform work
Limited engagement of government and other key players such as regulators and NGOs	Active brokerage to engage counterparts, showing genuine benefits and need for genuine support
<b>Monitoring &amp; Evaluation</b>	
Limited human, financial, and technical resources to do M&E	Provision of human, financial and technical resources
Limited incentive to monitor and evaluate development impacts	Actively encourage monitoring and evaluation to assist in replication and up-scaling best practices.

<sup>21</sup> This table might help the project staff to think of possible forms of support and how to overcome the barriers encountered in a project.

## ANNEX 7 : Project Stages, Responsibilities and Supporting Documents

	Stage 1	Stage 2	Stage 3
	Idea Generation/ Exploration	Early Discussion/Pre-Feasibility	Project Endorsement
<b>Status Message</b>	Project is registered to portfolio	Pre-feasibility is assessed	Project is endorsed
<b>Broker</b>	<ul style="list-style-type: none"> <li>▪ Preparation of the <b>Project Idea Note</b> (see <b>Error! Not a valid result for table.</b>)</li> <li>▪ Preparation of Project <b>Results Chain</b> (see ANNEX 5 : )</li> <li>▪ Draft Risk Log</li> </ul>	<ul style="list-style-type: none"> <li>▪ Supporting studies,</li> <li>▪ Meetings/ partnership building</li> <li>▪ prefeasibility study</li> <li>▪ company screening</li> <li>▪ update PIN, Project Results Chain and Risk Log</li> <li>▪ Due diligence of potential project partners</li> </ul>	<ul style="list-style-type: none"> <li>▪ Organize meetings with potential partners and stakeholders</li> <li>▪ Prepare project proposal,</li> <li>▪ Consultation of the National Steering Committee and endorsement of the project by NSC</li> <li>▪ Update PIN, Project Results Chain and Risk Log</li> </ul>
<b>CO</b>	<ul style="list-style-type: none"> <li>▪ Evaluation of the PIN in the local context;</li> <li>▪ Provision of relevant contacts</li> </ul>	<ul style="list-style-type: none"> <li>▪ Input to due diligence conducted by broker</li> </ul>	<ul style="list-style-type: none"> <li>▪ Participation in project appraisal discussion with BRC and broker</li> </ul>
<b>BRC/ Project Management Team</b>	<ul style="list-style-type: none"> <li>▪ Provision of case examples,</li> <li>▪ Information on existing activities in other countries and best practices,</li> <li>▪ Approval of project idea (PIN) – (2 days response time)</li> <li>▪ Project registration in GIM portfolio</li> </ul>	<ul style="list-style-type: none"> <li>▪ Evaluate prefeasibility documents, (3-5 days response time)</li> <li>▪ Support for market research(upon request) ,</li> <li>▪ Screening of international companies</li> </ul>	<ul style="list-style-type: none"> <li>▪ provide written and /or oral feedback and recommendations</li> <li>▪ Project appraisal (3 days response time)</li> </ul>
<b>Supporting Document/s (Gate )</b>	<p>Compulsory documents:</p> <ul style="list-style-type: none"> <li>▪ Project Idea Note (1 page summary)</li> <li>▪ Project Results Chain</li> <li>▪ Risk log</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prefeasibility report;</li> <li>▪ Company Screening worksheet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project Proposal document (compulsory),</li> <li>▪ Project Appraisal Memo,</li> <li>▪ Decision on endorsement by NSC</li> </ul>

	Stage 4	Stage 5	Stage 6	Stage 7
	<b>Feasibility Analysis (where relevant)</b>	<b>Pilot Phase/ Preparation for implementation</b>	<b>Implementation and Monitoring</b>	<b>Exit/ Completion/ Evaluation<sup>22</sup></b>
<b>Status Message</b>	Feasibility is assessed	Preparation for implementation	investment is in progress	Project completed or exited
<b>Broker</b>	<ul style="list-style-type: none"> <li>▪ Prepare TOR,</li> <li>▪ Manage the procurement process</li> <li>▪ Supervise feasibility study development</li> <li>▪ Revise draft feasibility study</li> <li>▪ Update PIN, Project Results Chain and Risk Log</li> </ul>	<ul style="list-style-type: none"> <li>▪ Formalize partnerships and clarify obligations and responsibilities</li> <li>▪ If applicable, prepare partnership agreements (MOU, LOI, CSA)</li> <li>▪ Update PIN, Project Results Chain and Risk Log</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monitor implementation</li> <li>▪ Provide additional support (if needed)</li> <li>▪ Update PIN, Project Results Chain and Risk Log</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement exit strategy or decide on earlier exit</li> <li>▪ Prepare justification for project exit or summary of achieved results</li> <li>▪ Share lessons learnt</li> </ul>
<b>CO</b>	<ul style="list-style-type: none"> <li>▪ Supervision of the procurement process</li> <li>▪ Provide comments on the feasibility study (non-compulsory)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review and signature of partnership agreements (RR)</li> </ul>		
<b>BRC/ Project Management Team</b>	<ul style="list-style-type: none"> <li>▪ Approve TOR, (3 days response time)</li> <li>▪ Provide comments on draft feasibility study (5 days response time)</li> <li>▪ Review final study , feasibility study (5 days response time)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monitoring of progress</li> <li>▪ Provide comment and advice on MOU's . (3 days response time)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monitoring of progress</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project Evaluation Report</li> </ul>
<b>Supporting Document/s (Gate )</b>	<ul style="list-style-type: none"> <li>▪ Feasibility study TOR,</li> <li>▪ Contract of consultant</li> <li>▪ Draft and Finalized Feasibility Study</li> </ul>	Memorandum of Understanding (MOU); Letters of Interest (LOI); Cost Sharing Agreement (CSA); Non-Disclosure Agreement (NDA)	Monthly progress report (compulsory)	

<sup>22</sup> For more information on project exit (including exit criteria), please refer to the GSB Operations Manual, Chapter 9 – Project Exit (UNDP 2008/61)

## ANNEX 8 : New monthly reporting template

### GROWING INCLUSIVE MARKETS IN EASTERN EUROPE AND CIS

#### Project Component/Output 2

#### MONTHLY PROGRESS REPORT

To: **Relevant CO managers, UNDP Country Office**

**Project Management team:**

Brigitte Colarte-Duerr [Brigitte.duerr@undp.org](mailto:Brigitte.duerr@undp.org)

Gokhan Dikmener [gokhan.dikmener@undp.org](mailto:gokhan.dikmener@undp.org) )

**Private Sector Development Specialist, BRC**

(Stephan Schmitt-Degenhardt [Stephan.schmitt-degenhardt@undp.org](mailto:Stephan.schmitt-degenhardt@undp.org))

From:

Date:

Reporting Period:

### PROJECT NAME: PROJECT 1

#### 1. Targets and Achievements:

<i>Targets for the reporting period:</i>	<i>Progress and achievements during the reporting period</i>

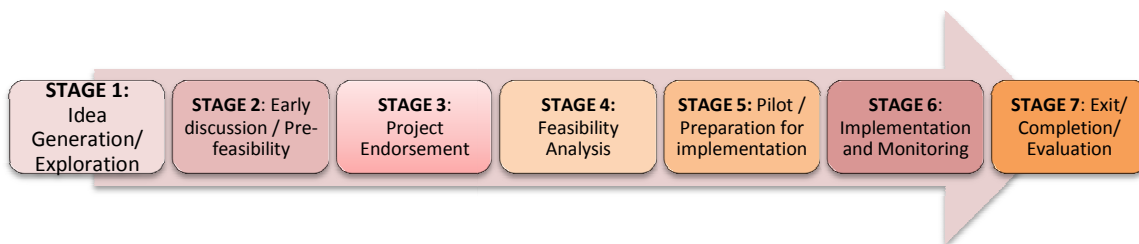
#### 2. Planned activities and targets for the next reporting period:

<i>Targets for the next reporting period:</i>



**3. Timeline:**

*(Please update expected project development phase IF CHANGES SINCE THE LAST REPORTING for each month in the table below):*



Year	2011									2012	
Month	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug
Stage											

**4. Change in likelihood of success assessment (risk and time):**

**5. Change in impact assessment:**

**6. Change in expected need of resources *(feasibility study, TA, brokers time and others):***

**7. Activities undertaken to link with foreign companies *(if any):***

**8. Open issues *(if any):***

**PROJECT NAME: PROJECT 2**

*(Please fill in for all projects in the portfolio)*

...

## **Overall Project Reporting:**

**Other activities:** *(Please report briefly on other activities as per the country AWP including GIM Steering Committee Meetings, New socio-economic studies undertaken, Advocacy activities on the role of Private Sector in Development, Yearly project review, Other remarks/encountered issue)*

**Other issues or general project risks:**

*(Please report on any other unsolved issues or general project risks if any)*