Summary of key insights from the e+i discussion on "Effective Partnership with the Private Sector" – Week 3: March 15th until March 23rd 2015

Dear colleagues, practitioners, active contributors and active readers of this discussion cycle

The summary of key insights from the third week provides a brief overview of the discussed topics, and it is a continuation of the summaries of week one and two. The summary cannot take up every element, argument or perspective posted during the discussion; nor can it focus on a specific example.

The final synthesis of the discussion cycle shall be more comprehensive and provide guidance for the forth-coming face-to-face meeting in Thun (April 2015).

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The synthesis of week one (https://dgroups.org/?5dl0d2ph) and week two (https://dgroups.org/?kgr9p46z) can be downloaded from our dgroup (https://dgroups.org/sdc/privatesectordevelopment/library).

The discussions during the third and final week were focusing on three elements:

1. What kind of **capacities** are needed by development programs in order to collaborate effectively with the private sector?
2. How to deal with **market distortions** from the public sector or from other donor programs?
3. Taking the focus away from the company: towards **systemic change**.

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1. **What kind of capacities are needed in development programs in order to collaborate effectively with the private sector?**

A general consent seems to prevail that development practitioners (on both donor and implementer level) often lack a basic understanding of how business works. Many donor/implementer staff do not have a business background and/or a so called business edge. Furthermore, the donors' and also implementers' procedures often do not allow flexible and fast adaptation and change within development programs to allow the project to react to opportunities and changing situations.

Less consent exist when it comes to potential solutions for the missing business capacities within development programs. However, a series of measures have been proposed for the improvement of skills, competences and capacities:

What needs to be improved?	How can it be improved (specific measures)?
Personal skills of staff - Understanding business; knowing how to interact; business language - Problem solving skills - Management of uncertainty and complexity - Facilitation skills - (auto-)reflection capacity - Summarizing / synthesizing skills (keep it short and simple)	**Training** of staff: in M4P/Market System Development, business management, etc. **Contract** staff with business background **But: keep a diverse mix in the team,** not only people with business background, also technical people are needed **Participate** in business meetings / events **Visit** entrepreneurs **and talk** with them (learn about their realities) **On the job** learning and introduction of a reflective culture in the project team Organize **learning and sharing events** with other programs
Procedures *that need improvement or changes* within programs, implementers and donor agencies - Rigid or inflexible program planning - Lessons learnt from successes or good practices is not enough; lessons from failures should be included - Planning procedures do not include private partners - Staff is considered overhead while it is the core asset in a facilitation program; ratios of human resources vs. fiduciary funds are not working in facilitative programs - Many quantitative indicators (number of projects, deals, interventions) lead to wrong incentives (getting the numbers in quickly) - Pressure to spend and short project durations is not conducive to the need of adopting the rhythm of the partners	Start projects with an **inception phase** for revisiting the original design while immerging the team into the sector(s) Allow for (and foster) **learning from failure** Include **visits to businesses**, during planning, monitoring and evaluation Allow for **quick pilots**, and reaction to **opportunities** Consider **staff as key value** of the program (invest into staff and allocate necessary resources) **Review your indicators**: look at systemic changes (even small ones), be modest in your targets, and add qualitative elements Log-frame (*not lock-frame*) and result chains should not "chain you to un-flexibility", but **offer guidance, logic and vision and support project learning**

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2. **How to deal with market distortions from the public sector or from other donor programs?**

<u>*Description of the problem:*</u>

Many programs invest time, money and energy for fostering markets working for the poor through facilitation, i.e. without handing out money to 'buy' the changes. Focus includes adapted service delivery mechanisms, specific products and services available for a big number of businesses, and so forth.

Progress can be jeopardized when another entity (often other donor programs, multilateral initiatives, or public programs) follow a different short-term and quick impact approach. With other words, the other program offers free-of-charge services, or pours money into markets, or finds other creative ways for "*sabotaging*" ongoing development processes.

Business consultants adapt quickly; they stop working for market actors and turn to a more lucrative market: donor or public programs with a lot of funds.

<u>*Solutions described by participants*</u>:

- **Play along.** Many times, the interventions are 'long-term' (for instance subsidies from a public program) and these become part of the "*market*". The project needs to adapt its analytical work of the market and adapt its interventions towards the new conditions and context.
- **Make use of the interventions**. Support your clients, business partners or consultants so they can access the programs and financial supports and at least invest it into something useful or long-lasting.
- **Create awareness**. If the programs create a huge market distortion or "*sabotage*" generate evidence and foster local capacity for lobbying against it.
- **Change your intervention**. Look for less "*mainstream*" markets and adapt your intervention.

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3. Taking the focus away from the company: towards systemic change.

All interactions with the private sector need to be tailored to the company, product and context. Also interactions to generate systemic change are different from case to case. Several ways were presented as options for achieving systemic change through working with individual companies:

(a) **Organic growth and expansion.** Start with small interventions, with pilots, with interested and best suited companies, or even support the start-up of private enterprises; then allow for growth and expansion. Look out for opportunities to support crowding-in of other players or response from a wider range of actors (e.g. government making policy more conducive to new business model)

(b) **Connect larger and smaller businesses.** As a means for expansion based on option (a), or as option on its own: take a facilitative role in bringing together players of different sizes, capacities and complementary offers and demands.

(c) **Work through the big players.** Again, as element in option (a) and (b), or as key strategy for reaching scale. Work with big companies that have enough market share for reaching many people (i.e. farmers, small businesses) and that can create a pull effect (i.e. others will follow).

Two concrete rules of thumb were mentioned during the discussion on how to select companies to work with:

i. Try to reach a combined market share of all partner companies of about 25 %
ii. Don't go for a fixed market share, but look for the partners' combined ability to a) reach large numbers of people directly and b) create a pull effect on other major companies in that space to follow if they are successful.

Reaching scale and systemic change cannot be planned in advance. The project needs to have a vision of where it wants to go, but detailed planning is often taking much of a project's time with reality then turning out to be different anyway. So instead of too detailed planning, the project needs to go along with and adapt to reality.

A challenging discussion emerged when ***disruptive technologies/business models*** were brought up as basis for disruptive changes. Common analytical and planning tools would only allow to invest into the known and therefore, systemic change would hardly be attained. It was argued that for real systemic change, we need *disruptive technologies*, and therefore not market research tool would ever be sufficient, nor the involvement with existing companies that look for expansion and continuity.

24.03.2015. For the summary: Daniel Roduner & Marcus Jenal