

ADVANCING GOOD GOVERNANCE in International Development

Making Market-based Approaches to Development Work for the Poor

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Rhodes House, Oxford

Breakout: How The Move From Traditional Aid-Delivery To Market-Based Approaches Impacts Engagement With Donors, And What It Means For The Poor

The panel discussed the principal ways in which market-based approaches to development arise through a wide range of actors: social enterprises, non-governmental organisations and the private sector. The panellists identified strong similarities in the ways in which donors and the private sector consider the use and impact of their funds. As such similarities continue, the panel was in agreement that efforts need to be exerted to ensure that the need for results does not lead to the setting of inappropriate targets. It was identified that strong dialogue between donors, implementing agencies, and communities are required in order that development assistance be targeted on particular aid recipients' needs, and that the activities undertaken are properly incentivised.

Key Points from the Session

- 1. Generally speaking, the private sector's outlook on community investment is that it desires to see the impact of their expenditure of time and effort.** As is common in private sector activities, efforts are made to ensure that activities that are invested in are producing a return. This is largely driven by the need of a company to be accountable for their use of funds – principally to its stakeholders that are focused on financial performance – the board and shareholders. This is manifested in a need to link community investment programmes into corporate strategy, clients, customers, and employee base. For example, a company may work to develop the technological ability of a community, which in due course may allow community members to avail more of the services of that company. In doing so, it is easier to show the value of those activities in contributing to the objectives of the company. However, where the “bottom line” is a social one, it is not always easy to measure the impact of these changes.
- 2. The need for the private sector to show the impact of its community activities is not particularly different from that of donors' requirements.** It was acknowledged that “value for money” is a measure which is expected by both the private sector and by donors. It was equally acknowledged that both actors in development face the same challenges in ensuring that the right activities are undertaken to maximise impact, which can then be measured.
- 3. Making an impact is dependent on using implementing agencies effectively.** It was noted that a key element for private sector actors and non-governmental organisations, is to recognise the capabilities of their counterparties and implementing agencies. At times, this can be challenging to donors that are used to seeking periodic reporting on measurable activities. In these circumstances it is important to ensure there is clear dialogue to ensure that measures of impact are tailored to the actual abilities of the implementing agency, the nature of the project and the timescale of the project.
- 4. “Payment by results”, the tying of aid disbursements to evidenced impact, may present risks, but the promotion of transparency and community empowerment can help ensure that results are achieved.** Two-thirds of the breakout attendees agreed that “payment by results” significantly risks incentivising the tackling of ‘easy’ challenges, and the setting of ‘achievable’ targets. The predominant factors thought by the breakout attendees to ensure that “payment by results” stretches implementing agencies and donors, and enhances aid delivery, were the empowerment of recipient communities and the use of transparent reporting. One way

in which communities can be empowered is through providing them with opportunities to understand and analyse their position. Examples were provided of organisations that place aid recipients in this position, in which they can assess aspects of their lives, such as their ability to plan for the future, in a “dashboard”. Doing so enables them to be in control of the development interventions that are provided to them.

Emerging Questions

1. Where implementing agencies are being paid by reference to the impact of their development activities, what are the best methods to ensure that the measurements of impact are correctly calibrated for the stage of the activity? How can donors and implementing agencies work better together to ensure that those measures are set correctly?
2. Some concerns were raised that there are instances of poor governance and mismanagement of development expenditure, exacerbated by the complex global nature of development. What, if not a scandal of global proportions, might provide a sufficient impetus for significant action to tackle poor governance?
3. In determining the impact of these measures on the poor, how can we directly involve the poor in understanding what poverty means to them, and consequently what alleviation can look like?