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## The challenge fund aid modality: Assessing the potential for tackling gender challenges in development

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## The challenge fund aid modality

Assessing the potential for tackling gender challenges in development

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### Abstract

This paper compares the use of Challenge Funds by the UK's Department for International Development and Sweden's International Development Agency to address gender challenges in development. Challenges Funds are meant to bring the interests of business and donors together by stimulating innovative solutions to long-standing development problems. To date, the extent to which the Challenges Funds modality integrates donor commitments to gender has not been explored. This paper begins such an analysis by examining if, and how, two .../

Keywords: foreign aid, challenge funds, gender, aid effectiveness, bottom of the pyramid, business and development

JEL classification: O1, O2, O4

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... Challenge Funds—DfID’s Business Innovation Facility and Sida’s Innovations Against Poverty—are mainstreaming gender concerns along two dimensions. First, are robust gender criteria used to identify businesses that will be selected for Challenges Fund support? Second, how is performance of Challenges Fund investments assessed, and how are gender concerns integrated into these assessments? Findings indicate that in their current form, the Innovations Against Poverty offers a more robust focus on gender challenges than the Business Innovation Fund. Nevertheless, this should not instill over-confidence in either Challenge Fund to tackle complex structural development impediments to gender equality and women’s empowerment. Policy makers must pay greater attention to the organization and management of donor–corporate partnerships if they want to make a lasting and sustainable contribution to development.

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## **1 Introduction**

Corporate actors have a growing and influential presence in international development cooperation. Not only are new actors like social entrepreneurs, venture philanthropists and multinational executives confronting development challenges ranging from malaria and HIV to corruption and girls' education, they are often doing so via unique business models, financial instruments and partnership mechanisms. Meanwhile, within the area of activity traditionally reserved for bilateral and multilateral aid donors, corporate actors are infiltrating the aid supply chain in innovative and surprising ways. Their reach now extends beyond the delivery of specific goods and services within aid projects to include global policy-setting, mobilizing financial resources and the provision of technical assistance.

This 'quiet' corporate revolution in development has been celebrated for generating greater efficiency, cutting-edge innovation, enhanced accountability and transparency, better targeting of recipients and more sustainable outcomes (Little 2010; Kapur and Whittle 2010). There is considerable optimism among aid skeptics that corporate engagement can overcome the inherent weaknesses of Overseas Development Assistance (ODA), while even those with aid sympathies suggesting it may at least rejuvenate flagging public support for ODA. Detractors, however, claim that an over-reliance on corporates is coming at the expense of real social and political transformation and generating vested interests in the 'poverty business'. Growing numbers of corporate intermediaries have also been blamed for excessive disaggregation and fragmentation within the aid chain, increasing susceptibility to corruption and reducing the ability for coherent strategic planning.

This paper subjects the role of corporates in development to greater scrutiny by examining the role of a new aid modality meant to bring together the mutual interests of business and donors in achieving development. Specifically, it focuses on 'Challenge Funds' (CFs) and the ways this mechanism is mainstreaming global gender agendas. To date, the extent to which the CF modality integrates donor commitments to gender has unexplored. In this paper, two CFs are subject to comparative analysis: the UK's Department for International Development's (DfID's) Business Innovation Facility (BIF) and Sweden's International Development Cooperation Agency's (Sida's) Innovations Against Poverty (IAP). The paper critically examines the ways donors integrate gender criteria to identify suitable investment opportunities and assess project performance. The analysis suggests there is greater consideration and integration of a holistic, multidimensional gender agenda within the IAP than in the BIF, although neither CF offers a robust response to the structural constraints on gender equality and women's empowerment. While the future of foreign aid may lie in innovative donor-corporate collaborations, these findings suggest there is an urgent need to consider the management and organization of the CF modality so that it can deliver results that tackle the root causes, not just the symptoms, of under-development.

## **2 Corporate involvement and impact in development: historical evolutions**

The role of business in international development is not a new phenomenon although the nature of its engagement has evolved with time. In the post-colonial period, commercial enterprise confined itself to wealth creation, employment and the provision of goods and services. Business was seen as a *tool* to engage in economic activity and growth creation in developing countries but with little responsibility for the social impact of these activities

(Blowfield and Dolan, forthcoming). A business climate favourable to economic growth was assumed to have positive trickle-down externalities for the poor. As questions grew about the social impacts of business however, especially in relation to human rights and environmental issues, companies signed up to voluntary codes of conduct to modify their behaviour. As this first generation of corporate social responsibility matured, it became obvious that wider development challenges strongly impinged on corporate desires to be more socially responsible. In less than two decades, companies moved from viewing developing countries as locations to do business to understanding that commercial ventures could themselves be *agents* of development in these locations. As a result, they began to consciously and explicitly seek out opportunities to contribute to international development goals (ibid. forthcoming).

The term ‘inclusive business’ recasts poverty of the ‘billion’ (or so) at the ‘bottom’ of the global capitalist system as a site of opportunity for both business and the poor. In the first generation of Bottom of the Pyramid approaches (BOP 1.0), there was active encouragement of corporates to seek their ‘fortunes at the bottom of the pyramid’ where they could also assist the poor (Prahalad 2006). Poverty impact consisted of meeting the consumption needs and wants of the poor, supplying innovative products at lower costs and widening consumer choices. The quintessential example given of bottom billion capitalism is Hindustan Lever that sought to increase the purchasing power of poor Indians and promote sanitation and hygiene standards by selling them affordable soaps and shampoo products. Positive social benefits were accompanied by access to new markets and higher commercial returns (Prahalad 2006). Inclusive businesses had seemingly endless opportunities for mutual gains by both commercial enterprises and the poor.

Nevertheless, BOP 1.0 was rightly criticized as a business model ‘selling to the poor’, even as the size and purchasing power of this market remained a matter of some debate (Karnani 2006; Karnani 2009; Munir et al. 2010). Development impact was largely viewed as a problem of satisfying basic needs through market-based systems, for example by providing safe drinking water or access to sanitation systems or sustainable electricity (Simanis et al. 2008: 61). This basic needs understanding of development sat well with the managerial logics of ‘selling’, ‘consumption’ and ‘profitability’ prevalent within corporate entities. Capitalist interventions thus turn the plight of poverty into ‘a frontier of profit and accumulation’ based on increased consumption by the poorest (Roy 2012: 110). At best, BOP 1.0 offered additional income-generating potential, providing goods more cheaply, employing (directly or indirectly) poor people to produce and sell products and services to the poor or generating eco-systems of wealth via co-operation between the public, non-profit, and private sectors (Brugman and Prahalad 2007; Prahalad 2006). Meanwhile, the potential negative development impacts of BOP 1.0 can include corporate exploitation of an illiterate ultra poor susceptible to aggressive marketing campaigns, limited value creation as consumption diverted to non-essential items and the preservation of inequalities between labour and capitalist classes (Karnani 2006; Karnani 2009; Munir et al. 2010). The consensus became the first generation of corporate BOP initiatives had under-performed, both commercially and developmentally.

These weaknesses opened up a discussion of a second generation of inclusive business strategy (BOP 2.0), in the process moving the terminology from ‘Bottom of the Pyramid’ to ‘Base of the Pyramid’. In this theorization, inclusive business targeted the poor as business partners, focusing on their role in production networks and closely engaging them in the design, launch and the evolution of a business that serves their community. The focus moved

from improving income/consumption possibilities to enhancing capabilities of both parties, creating a strong sense of mutual commitment and scaling up into additional communities (Simanis et al. 2008: 66, 81). The BOP 2.0 required business models that could involve and empower the poor as venture entrepreneurs and value producers (Arora and Romjin 2009: 15). Importantly however, the question of whether doing so required trading off the goal of profitability to achieve development benefits was left unexamined, even though the literature's most cited example is Bangladesh's non-profit Grameen Bank that only has some for-profit elements.

A new category was thus proposed of social business 'pursu[ing] goals other than making personal profit—a business that is totally dedicated to solving social and environmental problems' (Yunus 2007: 21). Social business blurs the lines between the traditional for-profit corporate sector and the non-profit third sector and represents a potential fourth sector (Tracey and Phillips 2007). This is because a 'non-loss, non-dividend' business, profits are typically reinvested into the business such that benefits are passed onto the target group of beneficiaries via lower prices, better service or improved accessibility (Yunus 2007: 32). In social businesses, the structures and motivations of business evolve to accommodate the desire to achieve development ends, with the profit motive assuring the sustainability and independence of the venture rather than excessive net revenue gain. Social business will always accept less profit to do more social good (Edwards 2009: 18), and for this reason may be more aligned to BOP 2.0 than BOP 1.0. While inclusive and social businesses may both act as development agents, social business denotes corporate attempts to generate social returns while ensuring commercial *viability* rather than profitability.<sup>1</sup> Social business is ultimately a subset, but not a synonym, for inclusive business.

### **3 The challenge fund modality: motivations and mechanisms**

Just like the role of corporates in development itself, public-private partnerships in foreign aid have evolved from being purely instrumental tools for donors to stimulate economic growth to an incentive mechanism fostering corporate innovation with dedicated interests in poverty reduction. Public-private partnerships in aid are defined as relationships where a publicly funded development agency works with a corporate entity, with each contributing resources (cash or in-kind but generally no debt or equity investment) to achieve a shared objective that has development benefit (Lawson 2011: 1). These 'development partnerships' are unique in that the corporate actor is not a vendor, contractor, grantee or government-funded implementer. Rather, they are equal partners with public sector actors involved at every stage of the collaboration (Brinkerhoff and Brinkerhoff 2011).<sup>2</sup>

The CF aid modality is a vehicle for facilitating public-private engagement between donors and corporate actors. CFs direct public aid monies to business, most commonly by outsourcing fund administration and management (Harewell International Limited 2001).<sup>3</sup>

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<sup>1</sup> This is notwithstanding the fact that the commercial impact of both types of ventures are measured using common metrics like profits, price, cost, margin, profit, revenue, market penetration, customer-base growth, number of customers, dividends, and market capitalization (Kolk et al. 2013: 20). A better understanding of the trade-offs between profitability and social impacts is a crucial area for future research.

<sup>2</sup> At the UN Millennium Summit in 2000, 11 bilateral donors issued the Bilateral Donors' Statement in Support of Private Sector Partnerships for Development at the UN Private Sector Forum, recognizing the private sector as equal partners around key development issues (Kindornay and Reilly-King 2013).

<sup>3</sup> CFs are different from donor impact investing because in the latter, donors become investors in companies, while in CFs, donors expect no financial returns.

Donor support is provided to businesses that can be classified into three categories: (1) enterprises with overseas interests located in the donor country (2) enterprises in aid-receiving countries, and; (3) enterprises in the donor country seeking to be matched with companies in aid-receiving countries (Kindornay and Reilly-King 2013: viii). Contrary to popular belief, CFs are not a new aid modality; an early example includes the Reagan administration's use of aid money to support indigenous for-profit companies to improve economic growth in developing countries. More recently, CFs have sought to advise and invest in corporate ventures wanting to accomplish social purposes in an innovative manner. To date, there are only a handful of CFs that offer direct forms of grant and loan finance to businesses working to tackle development challenges, particularly businesses that have yet reached proof of concept stage or have an existing pilot.

The rationales for aid partnerships with the private sector are both instrumental and normative. From an instrumental perspective, the private sector gives donors access to technical expertise and networks for resource sharing (Brinkerhoff and Brinkerhoff 2011). Given flat lined aid budgets in most donor countries, partnerships with the private sector are a way to use aid as a catalyst for securing corporate resources and efforts for development (Kindornay and Reilly-King 2013: 9). It is also a way to deflect perceived competitive pressures, as private channels are both growing faster than traditional aid financing and are seen to be more efficient and effective (Kharas and Rogerson 2012: 10, 22).<sup>4</sup> The soft funding of aid donors can serve long-term patient-capital needs as it tolerates lower than market returns and cushions enterprises as they develop business models to service dual social and financial imperatives (Karamchandani et al. 2009: 124). On the normative side, public private partnerships potentially introduce business-like practices and thinking into the world of aid. Although this is presented as an effort to improve efficiency and outcomes, this is also based on a strong institutionalized perception that corporate-managerial logics are the key to unlocking better performance as public bureaucracies are increasingly seen to be needing reform (Gulrajani 2011). Engagement with the corporate sector can thus lend credibility to aid donor commitments to improve and achieve results. Partnerships with aid donors may also lend legitimacy to businesses seeking to cultivate the image of socially responsible development agents.

#### **4 Assessing the development additionality of inclusive business: a gender perspective**

Notwithstanding the number of frameworks in existence to monitor, evaluate and assess the development contributions of business, aid agencies have not always specified the results sought from their CF investments. Development additionality is the term given to evaluate the degree to which business ventures sponsored by donors achieve desired development results (Kindornay 2011: 33). Some suggest that the lack of effort to capture complex development effects like those related to gender is because most initiatives are still in their infancy (Cooney and Shanks 2010). This seems somewhat disingenuous, however, given donors' long engagement with the horizontal crosscutting agendas of private sector development and gender and development. It may, however, also be because in the current paradigm of business as development agent, donors themselves are far from clear about what exactly they mean by the term 'inclusive business'.

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<sup>4</sup> This perception is notwithstanding the fact that there is no standard reporting framework that permits a robust comparison between private and official aid (Kharas and Rogerson 2012: 10).

As already mentioned, there can be considerable difference between a social and an inclusive business. Moreover, the analytical basis for distinguishing ‘inclusive businesses’ from regular ‘businesses’ must examine the causal chain between concrete business outputs and lasting development impacts. This involves understanding whether the root cause of the development problem is solved by the business idea at hand, keeping in mind any negative impacts that might also result (Wach 2012: 10-13). A key issue is to consider *who* determines how positive impacts weigh against the negative impacts and *how* they go about making this relative assessment. In most cases, development agencies, business leaders and government officials make determinations about levels of ‘inclusiveness’ with minimal input from intended beneficiaries. A robust inclusive business is one that is committed to being a development agent, as determined by the willingness to deploy company assets to benefit the poor, strong accountability to beneficiaries and the assumption of responsibility for achieving sustainable development impacts (Blowfield and Dolan, forthcoming). Strong inclusive businesses appear to be social businesses committed to the values of BOP 2.0.

Two broad categories of approaches can be identified in assessing development additionality of inclusive businesses supported through CF modalities: monitoring and evaluation (M&E) frameworks and impact evaluation frameworks. M&E approaches track CF inputs and outputs, often in relation to target objectives. Thus the degree to which gender is examined in an M&E system will require it to at least be identified as a targeted objective. M&E frameworks rely on predefined and easily measured indicators set early on in the funding process, allowing for results to be tracked over time and eventually aggregated (Wach 2012: 9). By contrast, impact evaluation assesses the longer-term holistic impacts of a programme.<sup>5</sup> Too often however, when development impact is traced, it is framed in terms of anecdotes narrating success (London 2009: 107). For this reason, multidimensional qualitative analysis and randomized controlled trials are identified as the new frontier in assessing the development additionality of business (Roll 2012).

Multidimensional qualitative analysis is the more common form of impact assessment and can take two routes. The first details how inclusive ventures affect the well-being of individuals and communities in terms of their economic situation, their capabilities and their relationships (London 2009). This approach privileges assessments of local-level development impacts and market-based understandings of poverty reduction and leaves unexamined potential contributions to wider institutional changes that improve the marginalized positions of the poor. Using gender as an example, this kind of analysis focuses on the direct and indirect benefits to women accrued via higher incomes and consumption possibilities or enhanced capabilities occurring through better market integration (Kindornay 2011: 33, 49). These impacts are often proxied in terms of instrumental variables like the number of women beneficiaries affected or growth in female income levels.

The second approach to impact assessment is more ambitious and examines three nested levels of impact, including: (1) business accomplishing a social purpose (2) business innovating for social impact (3) business catalyzing social transformation and scaling up impacts to change the distribution of power and political influence central to lasting change (Alvord et al. 2004). Ultimately, sustainable contributions from donor–corporate partnerships for the gender and development agenda will depend on simultaneous changes on all three levels, and thus involves a more holistic and multi-tiered analysis. This approach is

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<sup>5</sup> Impact assessment takes longer than M&E, incurs higher costs and ideally establishes a counterfactual that can assess impacts if the business had not been ‘inclusive’.



sometimes identified with a ‘markets for the poor’ (M4P) approach that addresses both the causes and symptoms of poverty. Most business-focused ventures in aid and development, however, do not assess impact in this wider sense. While some MNCs like Coca Cola, Unilever and Danone engage women in their distribution channels and salesforces, women’s rights are usually ignored in debates and initiatives in business and development (Kilgour 2013: 106). This may be because the technologies for intervening for gender equality and rights appear to lie beyond the expertise and competencies of most inclusive businesses. Business preferences for technical ‘magic bullet’ solutions to development challenges and the desire for rapid scaling up is also characteristic of managerial logic in development (Edwards 2008: 63-64; Gulrajani 2011). At best, business focuses on specific initiatives where there are clear linkages between inputs, outputs and measurable gender outcomes.

Valuable corporate contributions to development additionality from a gender perspective should, at minimum, seek to foster women’s economic empowerment in a holistic sense. This will, by necessity, take on multiple formats (Jones 2012: 8). At a most basic level, it would include activities that contribute to female economic advancement like increasing incomes, returns on labour and ensuring greater balance between paid and unpaid work. Higher contributions could improve access to opportunities, skill development and job openings via education, awareness raising and training. Further development additionality could involve initiatives to improve female decision-making authority in multiple spheres, including household financial decisions. Tackling deep-rooted structural changes would involve shifting the overwhelming responsibility for unpaid reproductive work away from women, enhancing maternal access to health services and reproductive rights,<sup>6</sup> removing female inequality under the law and addressing societal factors that continue to place women at a disadvantage in labour markets (Byron and Örnemark 2010: 22).

## **5 Introducing DfID and Sida gender policies and challenge fund modalities**

In order to examine the possibilities for advancing donor gender and development objectives through donor-corporate partnerships, two CFs are chosen as case studies. The Business Innovation Facility (BIF) and Innovations Against Poverty (IAP) are selected because both the UK and Sweden are highly respected bilateral donors, recognized for their strong commitments to gender as well as their willingness to use their aid to innovate, experiment and learn. Their usage of CF modalities to advance development aims is considered cutting edge within the wider bilateral donor community. This section introduces these cases by examining each donor’s policies on gender and the modalities of their CFs, while the subsequent section explores the degree to which gender is mainstreamed in project selection criteria and performance assessment. Examining how DfID’s and Sida’s gender commitments intersect with their desires to engage with inclusive businesses can further build our understanding of the CF modality and its prospects for vigorously advancing development objectives.

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<sup>6</sup> These gender objectives are embedded within the MDGs, including: Goal 3: Improving the ratios of girls to boys in primary, secondary and tertiary education; increasing the share of women in wage employment in the non-agricultural sector; increasing the proportion of seats held by women in national parliament; and Goal 5: reducing the maternal mortality ratio; increasing the proportion of births attended by skilled health personnel; increasing the contraceptive prevalence rate and antenatal care coverage, meeting the need for family planning and reducing the adolescent birth rate.

## 5.1 DfID and Sida policies on gender and development

DfID has a long-standing commitment to pursue gender equality, women's economic empowerment and to mainstream gender issues within all of its development programmes and interventions (DfID 2009: 3). Nevertheless, DfID has been criticized in the past for its commitments exceeding the reality of gender integration across the organization. In a 2006 evaluation, DfID's gender policies were said to display knowledge of the relationships between gender equality, women's rights and poverty reduction, although its gender activities were often pursued in isolation, as add-ons, or not at all (COWI Evaluation Team 2006). The only exception cited was its health and education programming, where drawing on its MDG commitments, DfID performance management frameworks appear to have institutionalized gender equality objectives. Nevertheless, the overall quality of monitoring and evaluation of gender equality was described as 'inconsistent' across programming areas, particularly in the context of newer aid modalities like budget support and sector-wide approaches. Some of the reasons given for this were the wide range of DfID's gender and development objectives, uneven leadership across the organization, poor resourcing levels for gender work and lack of strong incentives for work on gender equality (COWI Evaluation Team 2006).

In March 2011, DfID replaced their Gender Equality Action Plan with a new 'strategic vision for girls and women'. This vision has four pillars: (1) delay first pregnancy and support safe childbirth; (2) get economic assets directly to girls and women; (3) get girls through secondary school; (4) prevent violence against girls and women. There is explicit mention of wanting to encourage 'innovative approaches' to tackling these issues to deliver 'transformational outcomes for girls and women' (DfID 2011). Nevertheless, there have been several critical responses to DfID's latest strategy. The Gender and Development Network suggests the strategy takes an overly instrumental view of gender, where interventions are simply a means to economic development rather than a way to enhance the wellbeing and rights of women and girls (Gender and Development Network 2011). This tendency is partly attributed to the predilection for over-simplification and measuring quantitative results within DfID's value-for-money agenda that does not permit it to tackle the deeply embedded power structures that frame gender relations and to adopt more innovative metrics to assess changing gender dynamics.

Mainstreaming gender equality has long been considered essential in all parts of Swedish development co-operation, even if it has had mixed success. Their most recent policy on gender equality was adopted in 2005 and prioritized two areas for support: (1) strengthening rights, and (2) power structures and relations. A 2007 Budget Bill further identified four thematic priorities that all seemed to deal with women's empowerment: (i) the economic empowerment of women; (ii) sexual and reproductive health and rights; (iii) the political participation of women; and (iv) women's security. In 2009, an evaluation was commissioned to assess Sida's progress on gender. It concluded that new aid modalities posed a threat to its gender agenda, as an 'overly technocratic focus on dialogue, project implementation and monitoring risks losing sight of wider consideration of development and social justice issues. [...] Often gender is not incorporated in the results framework, and good results are invisibilised' (Byron and Örnemark 2010: 53). Sida projects and programmes might concentrate on practically helping women, but did not emphasise their longer-term strategic interests, particularly the power relations within which female interests are embedded.

Notwithstanding these criticisms, reading Sida's gender and development policies it would appear more motivated to tackle the institutional constraints on female empowerment than

DfID. Moreover, while there may be some shared weaknesses in implementing and mainstreaming gender policies within both DfID and Sida, these difficulties are not unique to these two bilateral donors and may, in fact, be less severe than in other aid agencies.

## 5.2 The business innovation facility: DfID's aid modality for inclusive business

The Business Innovation Facility (BIF) is a DfID pilot initiative running between July 2010 to June 2013 to support companies as they develop or scale-up innovative inclusive business models in ways that will 'enhance growth and wealth creation, reduce poverty, and help meet the MDGs' (Business Innovation Facility 2010b). The BIF defines inclusive business as doing business profitably but in a way that 'engages the poor as employees, suppliers or distributors across the value chain, or as customers through the development of affordable products and services that meet the needs of the poor' (DfID 2010). The BIF's definition of development is not specified, though on its website it is stated that inclusive business will have 'innovative ways to do business' that can generate 'new opportunities for the world's poorest' and 'have meaningful development impacts'.<sup>7</sup>

During the pilot phase, the BIF is supporting inclusive businesses in five countries: Nigeria, Zambia, Malawi, India, and Bangladesh. The first phase of the BIF is funded with GB£3.1 million from DfID, with this sum also including inception and facility management for the BIF via a third party contractor, in this case Price Waterhouse Coopers (PwC). PwC manages the initiatives from London though it has sub-contracts with a number of alliance partners, including Accenture Development Partners, International Business Leaders Forum and a number of national consultancy companies and domestic advisory firms. Country Management teams are based mainly within these local corporate entities, with their main role to pre-screen, implement, manage and evaluate BIF projects. The partnership between DfID and business is intermediated by the PwC Secretariat working in conjunction with alliance members. An Advisory Board that has co-ordination and oversight responsibilities but no legal accountability for outputs oversees the entire Facility. A Selection Committee composed of three senior business experts and one senior DfID representative has the final veto over project selection.

Three main objectives are identified for the BIF's pilot phase. First, it is intended as a vehicle for delivering *technical assistance* to help international and national business develop new models and partnerships that deliver positive outcomes for the poor. This assistance is sourced from BIF's alliance partners and its global networks, although this support is untied as companies will have some input into the kind of support that is provided and by whom it is delivered. Second, it is meant to *broker partnerships and relationships* between public, non-profit, corporate and other actors to match business with opportunities that can enhance investment returns and development impact. Finally, it is meant to foster a 'knowledge hub' on the web that draws together business and development related research, provides 'cutting edge thinking' on how to execute and evaluate projects and communicating lessons learned. The role of BIF finance as a business subsidy is heavily downplayed on the ground of its small figure, although it should be underlined that BIF activities do rely on public funds being transferred to PwC, alliance members and inclusive businesses themselves.

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<sup>7</sup> BIF website: <http://businessinnovationfacility.org/page/about-us-about-the-business-innovation-facility>

The BIF supports both long and short-term engagements with business. In short-term projects, smaller amounts of support is provided for one aspect of the inclusive business, for example to help them understand constraints and opportunities in certain markets, develop plans and strategies or identify useful partners and sources of further support. Approval by the Selection Committee is not necessary. Long-term engagements offer more financial support, albeit on a cost-sharing basis. Applications for this kind of support are developed with the Country Manager of each pilot country and then evaluated by the Selection Committee, although the criteria used to conduct this assessment are not publicly available. Examples of activities funded through this window include defining an inclusive business strategy, developing an internal business case for an inclusive venture, mapping value chains and options, convening partners, investors and stakeholders or providing sector specific expertise.

### **5.3 Innovations against poverty: Sida's aid modality for inclusive business**

Innovations Against Poverty (IAP) is a CF launched by Sida in 2011 under the auspices of its 2010 Business for Development Programme. The intention of the programme is to catalyse private sector innovation in products, services and business models that contribute to the fight against poverty and climate change by involving the poor as innovators, entrepreneurs, producers, consumers and distributors. In doing so, it hopes to stimulate development that would not have otherwise taken place within the private sector due to 'perceived initial commercial risk or uncertain market opportunities'.<sup>8</sup> Development is defined in terms of 'increas[ing] access to essential products and services for low income groups and reduc[ing] poverty at the base of the economic pyramid'.<sup>9</sup> IAP expects the following benefits and results from their investments by the end of the programme in 2013: access to more affordable products and services for people living in poverty; innovations in the health, infrastructure, energy, education, climate change and agriculture sectors; new sources of income for the poor through employment, subcontracting and engagement as innovators, producers and suppliers.

The IAP is open for proposals from businesses operating in any country where there are development returns to be had. There is no restriction on the sectors of activity, though companies involved in arms, tobacco and gambling are forbidden from receiving support. Two kinds of businesses are eligible. Smaller corporates that have ideas displaying potential but still needing advice and financial support to strengthen business strategy and penetrate new markets are one focus. Larger companies wanting to develop inclusive business models in their existing markets are another focus. A small grant facility provides a maximum 50 per cent of total project cost up to €20,000 for the purpose of exploring an innovation or a new market. The grant can be used for travel and pre-feasibility studies, stakeholder needs assessments, or for networking with local organizations. There is also a large grant facility that also provides a maximum of 50 per cent of project costs between €20,000 and €200,000 for the purpose of undertaking a project aimed at a new product, service, system, business model or a concept ready to be put to market test, or adaptation of existing products to be affordable and accessible by the poor. In the scale up phase, Sida will also act as guarantor to reduce risks to ventures with strong development impact, up to 50 per cent of loan value. Selected companies are also offered advice in developing and rolling out business models

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<sup>8</sup> [http://www.sida.se/Global/Innovations%20Against%20Poverty/Prodblad\\_IAP%20edition%202.pdf](http://www.sida.se/Global/Innovations%20Against%20Poverty/Prodblad_IAP%20edition%202.pdf)

<sup>9</sup> <http://businessinnovationfacility.org/page/about-us-about-innovations-against-poverty>

that engage the poor and deliver a commercial return.<sup>10</sup> IAP has also partnered with the BIF to develop its knowledge and learning strategy via an online portal, the Practitioner Hub.<sup>11</sup> Similar to the BIF, IAP is implemented by a project team led by PwC-Sweden in collaboration with Njord Consulting and ORGUT Consulting. PwC has primary responsibility for managing the IAP, handling communications, screening, application process, advisory services and knowledge sharing.

## **6 Mainstreaming gender in BIF and IAP? Examining selection criteria and performance assessment**

To what extent can the CF modality advance donors' gender and development agendas? To explore this question, we look at the ways DfID and Sida gender policies interact with their initiatives on the BIF and IAP along two dimensions, namely project selection and performance assessment. The analysis that follows mainly relies on secondary literatures, although this has been supplemented with primary telephone interviews with both management, project personnel and grant recipients wherever possible. It is worth mentioning that numerous requests for interviews with PwC personnel, the implementing agent for both the IAP and BIF, were ignored with two notable exceptions. Notwithstanding the claims of learning and openness in both CFs, there are clearly sensitivities that have left the contractor unwilling to discuss the strength of development criteria and impacts within each initiative. The reasons for this reluctance cannot be known with any certainty, although perhaps related to the fact that DfID and Sida are currently considering the future formats of their respective CFs.

### **6.1 Selection criteria**

The BIF has no clearly outlined set of eligibility criteria to assess a business in terms of its potential contributions to development and no formal open call for proposals. Moreover, it is admitted within the Facility that gender is 'not a key driver for the potential projects the BIF works with'. Rather, country managers identify inclusive projects using their personal knowledge and networks. For example, in Bangladesh a list of large local companies that 'understood inclusive business or were already doing inclusive business but didn't know the term' formed the basis for Country Managers approaching company representatives to discuss potential support from the BIF.

A BIF Briefing Note states that the Facility is best able to help companies with projects that are 'innovative; have the potential to achieve large scale development impact through benefits to poor people; are private sector-led, with clear potential for commercial viability; have a need for Facility's support to get underway, or to progress more rapidly or effectively (Business Innovation Facility 2010a: 2). While the meaning of 'large scale' development impact is not defined, there is a sense in which the implied meaning is that the business has the commercial viability and potential scalability to reach large numbers of people (Facility 2012). In Bangladesh, large scale was understood in this quantitative manner i.e. in terms of the actual numbers of poor people benefitting either directly or indirectly rather than the

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<sup>10</sup> Companies that do not apply for funding can apply for advisory support only.

<sup>11</sup> In April 2011, the BIF and IAP established a partnership to jointly manage and develop the Practitioner Hub. The Practitioner Hub was initially set up by the BIF in 2010 but now serves both programmes as an online community and knowledge-sharing platform for supported inclusive business.

depth or quality of impact obtained. This is not to say that the Country Manager did not believe that projects selected on the basis of potential ‘large scale impact’ would help poor people and, in many cases, help women. Rather, it suggests that the ambiguity around the meaning of ‘large scale development impact’ had the unintended effect of pre-selecting companies where scale is prioritized over quality. Analysis of the entire BIF project portfolio at the end of Year 2 confirmed that the majority of supported companies are medium or large, as determined by employee numbers (Business Innovation Facility 2012). This quantitative, as opposed to qualitative approach to understanding development impact is an acknowledged weakness in the BIF, attributed by some to the fact that the limited seed funding for the BIF pilots prevented more robust assessments of development potential at the selection phase.

Once it is established that there is a potential inclusive business to be funded, the BIF team will then identify constraints ‘that are preventing the inclusive business project from taking off as a mainstream new business opportunity’. Operational constraints can include high perceived risk or uncertainty about the potential profitability of the project; lack of finance for investment; lack of internal resources or know how; transaction costs of adapting production systems, marketing or products; lack of experience in engaging the poor; and the need for new partnerships with civil society or government. Country managers then work with companies to jointly develop a project opportunity that addresses the constraint, which is then proposed to the BIF Selection Committee. In other words, to be selected projects must have very specific operational constraints preventing their launch and/or their expansion. In the absence of such a clear constraint, an ambitious gender-related project would not be selected.

The IAP differs from the BIF in that it formally and openly solicits proposals from companies. For a company to be eligible for IAP funding, the proposed project must satisfy transparent, well-delineated eligibility criteria (Sida, 2011 #1672), as assessed by a Sida Selection Committee. These criteria are reproduced in Table 1. Criteria do not appear to be weighted. In the development category, the overarching focus is on the ‘net positive impact on the lives of a substantial number of poor and disadvantaged people, *particularly women*, either through *direct benefits* arising from the business or from less direct improvement to the environment *or from systemic changes*’ (Sida, 2012 #1630). The selection process thus appears to at least have some orientation to gender concerns, both in terms of accomplishing social aims as well as generating socio-political transformation. Sub-criteria reinforce this focus by asking about both the *proportion*<sup>12</sup> and the *causal mechanisms*<sup>13</sup> by which women will be affected; about *how ‘radical’ the potential benefit might be* for poor people; and about ways in which *indirect benefits* will accrue. Therefore, although the direct output effects on women are important, so too are the depth and quality of potential development benefits.

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<sup>12</sup> Both small and large grant applicants must identify who and how many poor people will benefit, with an expectation that large grant applicants will directly reach at least 1,000 beneficiaries (Sida: 3).

<sup>13</sup> There is greater onus on large grant applicants to demonstrate the mechanisms by which development impacts will be achieved.

Table 1: Eligibility criteria for IAP proposals<sup>14</sup>

Dimension	Criteria
Commercial	1. Clear commercial driver and potential for commercial viability 2. Potential to reach scale 3. Managed by a company or a market oriented organization
Development	4. Poor people benefit (income, products, environment, opportunities, gender equality) 5. Avoid negative effects (environmental, market distortion)
Cost-sharing commitments	6. Clearly defined elements of cost-sharing (with the company itself providing at a minimum 50 per cent—which should not come from other public financing)
Innovative	7. Innovative; going beyond what exists now, in terms of the product/service, the delivery mechanism/business model and/or market reach
Additionality	8. Project would not take place at the same scale or have the same development impact without IAP funding

Source: Innovations Against Poverty, Guide for Applicants (2011).

The IAP is also keen to know at the selection stage what kind of inclusive business they are potentially funding. The application for both small and large grants asks whether the applying business is one of four types: (1) a commercial profit-making business, keen to also deliver social benefits where it fits with the business; (b) a ‘social enterprise’, aiming to deliver social gain while making a profit to reinvest in business growth; (3) a company motivated by social benefit; aiming to achieve it in ways that involve cost-recovery and self-financing rather than grant-dependence; (4) none of the above (requiring an explanation). There is therefore some recognition that not all inclusive businesses are created equal. The IAP appears to be drawing a distinction between social and inclusive businesses, although no explicit preference is articulated for one over the other. Nevertheless, there is some early evidence to suggest that social businesses supported by these Challenge Funds may generate more robust development effects.

Take, for example, the BIF’s work with CARE Bangladesh. CARE sought to spin-off its Rural Sales Programme (RSP) that had originally been set up in 2004. This programme employed illiterate rural women as salespeople (*aparajitas*) for products produced by large multinationals. Nevertheless, in 2010, the transition from NGO to commercial joint venture in collaboration with Danone had stalled (Al Rashid 2012). CARE felt it lacked the capacity to develop a business case and an operational plan that could successfully monetize the RSP programme and stay true to its values and commitments to female economic empowerment (Chou and Ritchie 2012). Interestingly, as an NGO, CARE was not an obvious target for the BIF’s focus on business. After some internal debate in the Facility, a decision was made that commercializing an NGO and turning it into an inclusive business sat within the scope of the BIF’s mandate. The BIF responded to CARE’s operational constraints by funding specialist

<sup>14</sup> See IAP Guide for Applicants [http://www.sida.se/Global/Innovations%20Against%20Poverty/New%20upload%20of%20documents%20Sept%202012/Application%20guide\\_IAP%20edition%203.pdf](http://www.sida.se/Global/Innovations%20Against%20Poverty/New%20upload%20of%20documents%20Sept%202012/Application%20guide_IAP%20edition%203.pdf)

consultants to develop a business plan that could both meet investor requirements and satisfy CARE stakeholders committed to its development mission. In 2012, the RSP was successfully transformed a new social business called JITA. Early analysis suggests JITA is empowering women at the bottom of the pyramid to exercise greater agency in their lives across material, psychological and sociocultural spheres (Dolan et al. 2012: 38-39, 45). JITA has accomplished a social purpose by increasing the incomes, skills and self-respect of *aparjitas* as well as innovated for social impact by creating a female village-to-village distribution system in a conservative sociocultural context like Bangladesh. At the same time, even as a social business it has not been able to generate collective female empowerment that can confront political systems or transform power structures. Given the involvement of an NGO like CARE was critical in explaining the success of the project (Dolan et al. 2012: 38), both the IAP and BIF might benefit from considering whether selection should be based on social business models rather than generically inclusive ones.

The figures below present data on the geographic, sectoral and modes of involvement of all selected BIF and IAP projects. There are currently 27 IAP-financed projects and 79 BIF projects, with 11 large IAP investments and 26 large BIF projects. Projects are dispersed across 15 countries, with the BIF achieving concentration in its five pilot countries and the IAP remaining more diffusely oriented (Table 2). Figure 1 demonstrates the overwhelming focus on the agricultural/food sector, although the IAP has a similar number of investments in the energy and infrastructure sectors as well. While there is no aggregated data for the number of women beneficiaries, Figure 2 illustrates that BIF project selection has favoured modes of involvement that rely on the poor as suppliers and producers, whereas the IAP has a larger proportion of its total project portfolio fostering the poor as consumers. While at first glance this might indicate a more robust embrace of BOP 2.0 principles by the BIF, this may be somewhat misleading given the eligibility criteria of the IAP suggest greater interest in projects that deliver systemic change and radical benefits for the poor.

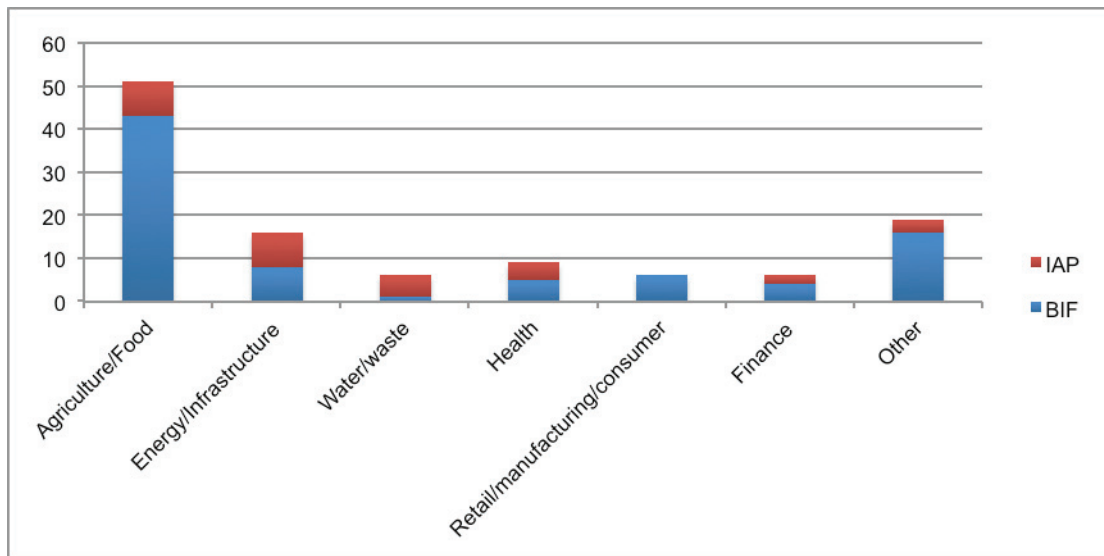
Table 2: Number of projects by country

Country	BIF projects	IAP projects	Total projects
Malawi	21		21
Bangladesh	20		20
Zambia	15	4	19
Nigeria	14		14
India	9	2	11
Kenya		5	5
Ghana		3	3
Tanzania		3	3
Madagascar		2	2
Mozambique		2	2
Uganda		2	2
Bhutan		1	1
China		1	1
Ethiopia		1	1
Nepal		1	1
Total	79	27	106

Source: <http://businessinnovationfacility.org/page/projects-landing-page-template>



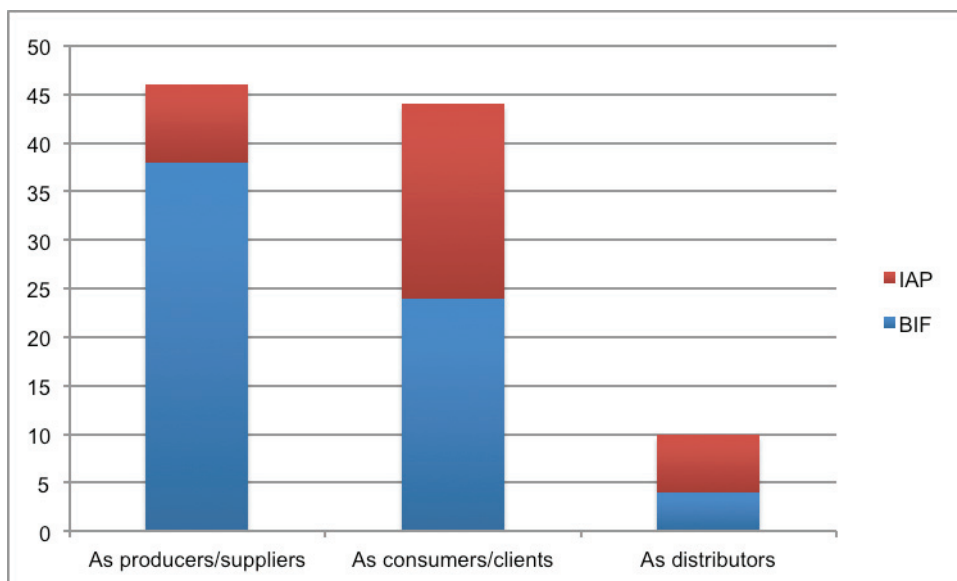
Figure 1: Number of projects by sector



Note: Of the 106 projects in total, 7 were classified as belonging to more than one sector, so the data total for Figure 1 is 113.

Source: <http://businessinnovationfacility.org/page/projects-landing-page-template>

Figure 2: Modes of involvement of low-income people (number of projects)



Note: 17 projects did not fall into any of the categories identified in Figure 2. 11 projects fell into two categories, so the data total for Figure 2 is 100.

Source: <http://businessinnovationfacility.org/page/projects-landing-page-template>

## 6.2 Performance assessment

Given the majority of BIF and IAP supported projects are still operational, it is still too early to assess in any robust fashion the overall performance of either portfolio. This section,

therefore, concentrates on the degree to which a gender and development focus is apparently mainstreamed within project performance assessment systems, both within M&E frameworks and impact assessments, as this can give some early indication of the kinds of gender impacts and effects that are expected. There is very little publicly available documentation detailing the specific metrics chosen for M&E purposes in these projects and the nature of impacts expected and/or achieved. Figure 3a and 3b below outline the key stages in performance assessment for both the BIF and the IAP.

Figure 3: Performance assessment process in BIF and IAP challenge funds

### 3a. BIF



### 3b. IAP



Source: Author's illustration.

Once BIF projects are selected, the process begins to choose baseline M&E indicators on both commercial and development dimensions. While there are a few universal indicators that apply across all BIF investments including direct output measures like profit and the number of beneficiaries reached (segmented by gender), project-specific indicators are also chosen to monitor development results (Ashley and Schramm 2012). These indicators are largely quantitative output measures, not a surprise given the BIF's focus on large-scale development impacts where quantitative scope is highly prized. Aggregated estimates of BIF impact suggest that the current project portfolio reaches 1.9 million poor people, although admittedly one project accounted for 95 per cent of this direct impact. No gender-related figures are cited in the Year 2 BIF portfolio analysis. A least one BIF Country Manager admits the BIF remains primarily interested in impact in terms of 'how many' and 'how much' rather than on rights-based approaches, livelihood option issues, and empowerment, suggesting that any progress on gender and development are likely to be largely instrumental rather than structural. Impact is measured 'in simple terms [...] by the 'number of low-income people who benefit' (Business Innovation Facility 2012). Nevertheless, this sits uncomfortably with the fact that the BIF itself acknowledges qualitative systemic change is important to track (Business Innovation Facility 2012). It remains unclear to what degree qualitative information and anecdotal evidence of systemic impacts in BIF projects will be presented in Progress Reports at the completion of BIF funding cycle, in Update Reports completed 12 months after Progress Reports, and in the final BIF evaluation. None of these reports are, as of yet, publicly available.

Interestingly, the responsibility for data collection falls on BIF-supported companies. And whether due to lack of experience or lack of interest, companies have not always been willing partners in M&E processes.

Reliance on company reporting has its limits, and generally will deliver less than donors would expect, particularly about BOP impacts. Most inclusive business projects report numbers of BOP people reached, but even that can be hard, while quantifying how much they gain is rare. Thus, either a programme's expectations have to be less ambitious or the approach has to be supplemented with additional M&E beyond the direct reporting by companies (Ashley and Schramm 2012).

The BIF has tended to supplement baseline data collection with informal sources of information collected from Country Managers and consultants familiar with projects. The BIF gives a large leash to the companies they fund, indicating M&E 'can be a burden for companies, diverting from business focus' (Ashley and Schramm 2012). Nevertheless, this lack of corporate buy-in potentially compromises the M&E framework and the ability to capture development effects, including gender-based ones. It would be far better if agreed-upon indicators were monitored meticulously to track development progress of the corporate venture. Limited support from companies for development M&E also raises questions about the motivation of BIF-sponsored business if they must be convinced of the merits of assessing development performance. Interestingly, the BIF justifies such corporate ambivalence on the grounds that their companies are at 'fairly early stages of their inclusive business development so many only have an idea of how they would like to do things'. This is suggestive, however, that the inclusive businesses that are being selected for investment may not offer significant prospects for achieving development returns.

The IAP's performance assessment cycle broadly parallels the BIF's, with the exception that an Annual Report is required for projects lasting longer than 12 months and semi-annual Progress Reports are produced for grants with multiple disbursements (Figure 3b). A Completion Report must also be submitted after finalization of IAP grant activities that identifies project developments, reasons for successes or problem and trends going forward. In 2013, all IAP projects will need to provide Update Reports for the purposes of evaluating outcomes and achievements of the IAP supported activity. Neither the IAP nor the BIF suggest that inputs from intended beneficiaries will be solicited in the performance assessment stage. The IAP selects small projects on the basis of an application where there is a requirement to consider development impacts and potential M&E indicators (Table 3).<sup>15</sup> Nevertheless, there are no specific questions about gender issues, even though gender features prominently in IAP's Guide for Applicants. Still, IAP companies must demonstrate a commitment to monitor development effects and impacts prior to their selection. Within the IAP, it is an expectation that companies receiving funding will both intimately know and be able to qualitatively and quantitatively articulate the causal chains between their expected development outputs, outcomes and impacts through the performance assessment cycle, as well as identify any potential negative consequences. This makes the choice of baseline indicators easier and also ensures company buy-in for the performance assessment process.

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<sup>15</sup> Interestingly, the IAP application for large grants has fewer questions focused on development additionality.

Table 3: IAP small grant application form

Questions about development effects
<ol style="list-style-type: none"> <li>1. Please explain how development of this business idea will benefit low-income people.</li> <li>2. If your project benefits low-income producers, distributors and/or employees, please explain and estimate their benefits (for example income).</li> <li>3. If your project benefits low income people as consumers, explain how their quality of life will be affected.</li> <li>4. Who are the likely winners and losers of this project from an ethical and social perspective? For instance, is there likelihood that the project will create tension between different local groups?</li> <li>5. Provide these specific details (where available):               <ul style="list-style-type: none"> <li>• Number of low income earning people currently benefitting</li> <li>• Estimated number in 3 and 5 years</li> <li>• Who are likely losers from a development point of view and are they low income?</li> </ul> </li> </ol>

Source: See <http://www.sida.se/English/Partners/Private-sector/Collaboration-opportunities/Challenge-Funds/Innovations-against-poverty/How-to-apply/>

For example, the IAP-funded RubyCup project has the aim of selling medical grade silicon menstrual cups to slum women in Kenya to replace their use of disposable tampons and sanitary napkins. While this is consumption-focused business, RubyCup encourages the use of a recyclable and cost effective menstrual hygiene product. Although disposable income is enhanced and environmental waste is reduced through the use of the menstrual cup, perhaps RubyCup's more significant impact is in terms of enhanced female dignity, mobility and empowerment. RubyCup improves menstrual hygiene by reducing susceptibility to yeast infections generated by slum women's use of dirty rags and cloths during menstruation. RubyCup also reduces female reliance on their menfolk for pocket money that will be used to purchase more expensive menstrual hygiene products, monies that are often achieved by trading sexual favours for additional cash. RubyCup has proven effective in improving school attendance by girls whose lack of access to sanitary products made them embarrassed and reluctant to attend. Overall, the project is a good example of one tackling gender equality and female empowerment at multiple levels and its public website proudly demonstrates this impact with heartfelt letters of thanks from product beneficiaries.<sup>16</sup>

### 6.3 Discussion

The author would be hard-pressed to claim this research offers a robust assessment of gender outcomes and impacts achieved through the BIF and IAP given projects are still ongoing . Rather, it would be better to suggest this research represents an exploratory exercise that seeks to understand if, and how, a key donor social development policy like gender is integrated within the Challenge Fund modality, using the BIF and IAP as examples.

In general, it appears that both CFs pay some attention to gender issues, albeit not to any significant degree. Table 4 summarizes the findings of the previous section, comparing the

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<sup>16</sup> See [www.ruby-cup.com](http://www.ruby-cup.com)

integration of gender concerns within the selection criteria and performance assessment systems of the BIF and IAP. Although gender objectives do feature in project selection, they are more prevalent in their instrumental economic formats in the BIF than in the IAP. This gap is accentuated by the fact that the IAP chooses projects on the basis of a transparent selection process, where applicants must clearly articulate their eligibility based on their contributions to development, including gender-related aspects, and with some attention paid to higher-level systemic effects. Nevertheless, neither CF concentrates on the socio-political transformations required to generate robust female economic empowerment through their investments. The IAP application does, however, draw distinctions between different kinds of inclusive businesses, including social businesses, which suggest a potential positive selection bias in favour of the latter. The BIF, meanwhile, selects projects facing clear operational constraints whether or not they have higher prospects for achieving development success. In terms of performance assessment, neither initiative has a particularly strong orientation towards gender. The BIF uses a universal indicator for M&E that includes the number of female beneficiaries, although this indicator is not always monitored due to limited corporate support. Assessments of development additionality in a general sense are more robust in the IAP as they take into account quantitative, qualitative and causal mechanisms for development outcomes. Requiring applicants to supply details on development outputs, outcomes and impacts ensures greater corporate buy-in for the performance assessment process as a whole, suggesting it may be easier to mainstream gender issues moving forward in the IAP as compared to the BIF. There is also greater consideration of potential negative effects of the IAP-funded business, although neither CF appears to invite the participation of intended beneficiaries in making any of these assessments. Given Sida policies offer a more holistic approach to tackling the gender and development challenge by considering both the immediate symptoms and structural causes of gender inequality, it is not wholly surprising that the IAP has made more effort to mainstream gender into project selection and performance assessment. Nevertheless, neither initiative should promote high levels of confidence in the CF modality as a vehicle for advancing a robust agenda for women's economic empowerment that considers both proximate and structural causes of gender inequality. In cases where this does happen, this is more often the result of both company founder's commitments and fortuitous circumstances rather due to a strategic policy directive.

To make the CF modality a better vehicle for tackling gender challenges in development, a number of potential modifications could, however, take place. Donors could pay greater heed to the manner in which their gender policies are embedded within their markets for poverty strategies (Lindahl 2005: 56-57; Jones 2012). They need to reassert their commitments to gender horizontally across all areas of programming, including private sector development. Donors could specify what their gender objectives are in collaboration with the poor they serve. They could ask themselves what is the root cause of the gender and development problem they seek to solve and carefully consider how business may help address this cause. Donors cannot forget that the most effective interventions for gender do not only deliver instrumental economic outputs in terms of higher incomes for more women but also change social and political dynamics in ways that enable whole communities of men and women to share in the fruits of innovation and success (Edwards 2009: 247). Without donor clarity of vision and expressed beneficiary demand, CFs risk becoming supply-side initiatives driven mainly by business interests. This will perpetuate concerns that taxpayer funds are subsidizing private companies via aid budgets (Billing et al. 2012: 42). With appropriate steers, incentives and training from donors however, business can become a real agent of gender and development that takes responsibility for addressing the structural inequalities

that disenfranchise women. This is certainly more likely if the business is socially inclined rather than disproportionately motivated by profit-maximization concerns. The muddle between what constitutes an inclusive business can ultimately delay opportunities to cultivate enterprises that can create real value as development agents.

Table 4: Comparing the integration of gender within BIF and IAP modalities

	BIF	IAP
Selection criteria	<ul style="list-style-type: none"> <li>• Highly limited gender focus, mainly output-based</li> <li>• No transparent selection process</li> <li>• No clear eligibility criteria</li> <li>• No distinction between inclusive and social business</li> <li>• Projects must address a specific operational constraint facing the business</li> </ul>	<ul style="list-style-type: none"> <li>• Specific gender objectives, output and outcome based with some focus on higher-order systemic effects</li> <li>• Transparent selection process</li> <li>• Clear eligibility criteria</li> <li>• Some distinction made between inclusive and social business</li> </ul>
Performance assessment	<ul style="list-style-type: none"> <li>• No required gender focus</li> <li>• Development additionality assessed on the basis of quantitative indicators mainly</li> <li>• Limited support by companies for M&amp;E</li> <li>• No identified input from intended beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• No required gender focus</li> <li>• Development additionality assessed on the basis of quantitative, qualitative and casual mechanisms</li> <li>• Pre-existing buy-in for M&amp;E by companies</li> <li>• No identified input from intended beneficiaries</li> <li>• Consideration of losers/negative effects</li> </ul>

Source: Author's table.

## 7 Some final words on donor-corporate engagements in development

Challenge Funds are an innovative aid modality that leverage donor money to stimulate the growth of businesses that are meant to serve as development agents. And they look poised to increase in popularity as a vehicle for delivering foreign aid (Billing et al. 2012: 26). But do donors really get the best value for money by using them? Are CFs achieving development objectives in the long-term interests of the poor or are they creating alternative objectives driven by corporate interests? Are CFs better as modalities for achieving instrumental benefits that satisfy basic-needs on a large scale or can they address the more intractable development challenges of our times? While the future of foreign aid may lie in public-private partnerships, questions remain about how to structure these relationships so they create genuine and sustainable development value (Edwards 2009: 238). This paper has sought to explore these debates by examining the ways the CF modality integrates gender and development objectives and considering modifications by which it might do this to better effect.

It is worth always remembering that aid donors will have a comparative advantage in development knowledge and its practical application. We should thus avoid blanket assumptions about the private sector's superior ability to tackle the more challenging development problems of our time. It is reasonable, however, to assume donors lack the skills, staff profiles and experience to hunt for commercial impact in the private sector (White 2012). Given this, it seems unusual that donors are actively trying to support businesses to be commercially viable and are employing corporate consultants to do this on their behalf. Donors need to be clear they are engaging with businesses to help them achieve superior development outcomes first and foremost. Donors should contract relevant commercial expertise only where it is clear there are returns to be had by investing taxpayer money into budding corporate ventures. Donors should not feel beholden to business interests because real social businesses are likely to both need and appreciate donor assistance to sponsor and service the development dimensions of their endeavours. The growth of private sector actors in development can only ever be complementary to foreign aid rather than its perfect substitute.

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