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Give enterprise challenge funds a chance: isn't 300 years enough time?

Around 18 months ago I was part of a peer review panel to a project led by Robin Davies and Kerri Elgar of the Development Policy Centre at the Australian National University. Emerging from this project came a paper and a summary blog[1], arguing two main points about enterprise challenge funds: sharpen their objectives, and give them more time; and they will prove themselves. At the time I was writing up reflections of my own experience with enterprise challenge funds, which largely countered the conclusions reached by Robin and Kerri. My arguments were that whatever objectives are signed above an enterprise challenge fund window, political motivations will always override the technical. What looks good rather than what is good. Spin over truth.

Now, I've every respect for Robin and Kerri, and for that matter anybody else's views on what's good and less good in the pursuit of improved development outcomes. But I have been reflecting on these exchanges, and some more recent developments. So, I wanted to consider here my response to the two calls from Robin and Kerri's paper: sharpen their objectives, and give enterprise challenge funds a chance.

On the former point, I very much enjoyed a subsequent blog[2] from Robin written in April 2015 and reflecting his concerns about the "new" programme being launched by DFAT (the Australian Department for Foreign Affairs and Trade, which succeeded AusAID in managing Australia's aid programmes) called 'SEED Pacific'. An enterprise challenge fund in all but name. Let me summarise some key points from his blog for you:

- The previous AusAID funded Enterprise Challenge Fund (ECF), which ran from around 2008-2013 *"has the distinction of being the most fully and transparently evaluated of the various enterprise challenge funds that have operated in recent years.";* and
- *"…was only judged to have delivered a positive return on investment across its whole portfolio thanks to a single investment in an ANZ Banking Corporation mobile money initiative in Cambodia (which, despite its success, came to be perceived as inconsistent with ANZ's business strategy and was sold off)."* Worth noting that this one project accounted for 93% of beneficiaries reached; 78% of income generated.
- Further, whilst the impact pickings were thin, the evaluation findings showed there were more of them to be found in larger Asian markets, than in the Pacific.

In spite of this, he goes on to say:

- We have 'SEED Pacific' (not Asia).
- *"…at no point in the announcement of SEED Pacific or in the RFT documentation is there a single reference to the prior experience of the ECF-PSA…nor is there any reference to the existence of a UK fund with closely related aims, the Food Retail Industry Challenge Fund."* Further*, "SEED Pacific is presented as a 'new venture for DFAT', developed in response to the motto that 'the world has changed—and our aid program must change too'"*;
- Oh, and *"With funding of $20 million over the three years to mid-2018, not including overheads, SEED Pacific is well over double the size of the ECF-PS".*

I think Robin's analysis clearly supports my view that the primary motivation behind/for enterprise challenge funds is political. The spin rather than substance point referred to earlier. Whatever you

[1] http://devpolicy.org/giving-enterprise-challenge-funds-a-fighting-chance-20140905/
[2] http://devpolicy.org/ecf-mark-ii-is-seed-pacific-a-better-enterprise-challenge-fund-20150427/

call the objectives sign hanging over the challenge fund window, what's passed through it remains coloured by domestic political interests rather than development objectives and process.

Now on to the question of giving challenge funds just a little more time to prove themselves. Let me address this question through re-presenting a post I made in response to Robin's blog that I mentioned at the start of this soapbox:

"Giving Enterprise Challenge Funds a Chance. Youthful. Promising. Almost there. Really? If we're to look forward to a glass half full, we should at least be clear that when looking back the glass wasn't actually half empty. So let's look back briefly…

Looking back a little, the ECF hangs almost entirely off its face saving mobile banking project (WING Cambodia). Evidently, this one project (of 23) accounts for 93% of total ECF beneficiaries reached, and 78% of the net income generated. Strip it out and the cupboard is almost bare.

Looking back a little further, according to a recent DFID report ("Meeting the challenge: How can enterprise challenge funds be made to work better", April 2014) at least GBP 850mn has been invested in challenge funds over recent years. AusAID should be praised for subjecting the ECF to a CBA assessment, as none of these funds have come under anything like a similar level of scrutiny. But then again, why should they when they too can hang off their face saving mobile banking project (M-PESA)?!

Looking back even further, again according to the above mentioned DFID report, challenge funds can be traced back in the UK to 1714, and the Longitude Prize. How did this perform? Well, none of the major prizes were ever awarded. John Harrison, the esteemed clock maker, cracked the challenge of measuring longitude with his sea clock, then marine watch. He did this through his, and other private investment and endeavour. He was finally awarded £10k by the British Government 50 years later in 1764, when at the ripe old age of 71 his best work was behind him. Innovation? Additionality? Leverage? Really?

Youthful. Promising. Almost there. Isn't 300 years long enough for researchers to learn something of value?

John Harrison's marine watch allowed sailors to find their way through the maritime mists. Who's finally going to step up and help the development sector navigate their way through the deep layers of Challenge Fund Fog?"

I'll end as I started. Give enterprise challenge funds a chance? I think 300 years is long enough. Don't you?