Why DFID's proposed new Start Up! programme is bunkum and should be ditched

When a donor issues a proposal of dubious development worth, the usual practice of contractors is to keep schtum, hiding any concerns beneath their commercially self-interested 'the client knows best' default position. Or not bid. However, the Start Up! programme, for which DFID has now stated that it intends to offer an invitation to tender, merits a break with traditional practice (and we at Springfield are never knowingly traditional).

Aimed at *"improving the in-country support for start-up companies in DFID focus countries"* and with an indicative value of £40-70m, the Start Up! proposal is a farrago of inaccurate analyses, regurgitation of failed 'solutions' and expedient misreading of recent development history. It will not – cannot – address the core problems which it purports to be concerned with. Indeed, it may well worsen them.

Start Up! – and yes, the exclamation mark is part of the title – is concerned with a recognised, hardly new, issue: how to develop an environment that will stimulate more and successful business start-ups and the dynamism and economic and social benefits that come from these. It proposes a range of financial and non-financial activities. These include grants for early-stage businesses, grants for investors, grants for workspace provision, training, coaching and mentoring for entrepreneurs, and networking and coordination between investors and small businesses. What's wrong with all this? Here are eight reasons[1].

1. Start Up! ignores history: the analysis and proposed solutions are a throwback to a different era, the UK in the 1980s and early 1990s when business start-up was seen to be a major problem and a bewildering variety of government schemes offered direct support (financial and non-financial) to small firms. An enterprise development industry emerged – based around local enterprise councils – focused on the individual firm, and underpinned by models of the small business development process. The UK's early forays (through the ODA, DFID's predecessor) into private sector development were essentially transfers of this experience into other countries. For example, the South African government's 1995 White Paper on Small Business was based on the UK experience, written by British consultants and supported by the ODA. All this is largely seen to have failed. Its main value is as an experience from which we can learn and improve – not to which we should return.

2. Start Up!'s view of DFID's experience is revisionist: in the above context, the claim that "*there is little or no experience of development agencies such as DFID seeking to nurture early-stage investor networks and make them work better for enterprises*" is simply incorrect. This was a key focus of much work in Eastern Europe, Latin America, and many other locations across Africa including in Ghana, where research for Start-Up! took place – where Empretec, for example, was for many years engaged in this kind of work, with DFID support.

3. Start-Up! misunderstands and misrepresents development agency learning: the proposal states that *"the BDS approach favoured by many in the development community in the 1980s and 1990s struggled to create financially sustainable services"*. BDS (business development services) as a term was actually only coined in the late 1990s. There was never a 'BDS approach' per se; the prevailing approach to non-financial services in the 1980s and 1990s was (as above) direct donor-supported delivery. And it failed. What emerged from that experience was an approach that focused first on: (a) BDS market

[1] This draws on *"Start Up! – a proposed new DFID programme"* prepared for the programme's market engagement exercise

development, and would eventually lead to some agencies seeing their wider role as focusing on the development of specific market systems (whether in finance, agriculture etc); and (b) BDS not as generic services (business training, mentoring, advice, consulting) – too abstract to be meaningful – but as business services within other markets (finance, agriculture etc). There has been a continuous if sometimes wavering line of logical learning and development – but this is lost here. Start Up!'s hazy rationale displays a depressing lack of DFID institutional memory.

4. Start Up!'s analysis is thin and confused: the level of analysis around Start Up! is, at times, startlingly shallow. Firms complain (in a survey they know is for a donor agency, remember) that they can't get external financing, ergo there is a finance problem (businesses complaining about banks… surely not?). Start-ups say, of course, that they need more specialised advice, ergo it's something that should be provided. This is 'research' as the thoughtless generation of entrepreneur wish-lists; research which sticks at symptoms, with little attempt to get to underlying causes.

5. Start Up! confuses a conducive business environment with a welfare state for business: the ethos of the programme appears to be that DFID should be providing everything, lifetime *"support"* (a word used 49 times in the proposal). Wherever there is a gap, DFID's job is to fill it directly – allowing firms to start, develop and grow in a warm bath of subsidised training and advice, in subsidised premises, supported by subsidised finance before graduating to receive DFID challenge funds. DFID, throughout, as generous giver, ironically in much the same way as the dysfunctional, government-run small business agencies of most African countries aspire to behave.

6. Start Up! has no genuine systemic ambition: Start Up! sticks to the familiar ground of small business needs – what problems do firms have? – but does not ask, let alone answer, the more important systemic question: what are the constraints that are preventing the effective functioning of the systems around businesses – information, finance, services and workspace – that could address firms' problems? Instead we have repeated (9) references to an entrepreneurial *"ecosystem",* which certainly sounds a good and wholesome thing but, without any analytical underpinning, is largely meaningless.

7. Start Up! is a collection of diverse grants and directly-funded services that add up to… what exactly? Start Up! – with money to burn, no fears over the spoiling effects of too much direct support and only the vaguest sense of the "*ecosystem*" it is trying to develop – is, and will be seen to be, another DFID grant factory. Dispensing goodies, distorting expectations and incentives, and undermining other genuine (and whisper it, sometimes successful) attempts to catalyse markets.

8. Start Up!'s rationale is to fit with DFID's realpolitik goals: ultimately the only sense of Start Up! is that it feeds into an increasingly politicised DFID's bigger purpose: looking good, looking business-like, spending (big sums of) money. The easy froth of appearance is what matters, not the difficult substance of facilitating change. And for contractors, what could be easier than setting up more grant gravy trains and taking a healthy margin in the process?

Not justified by credible analysis, unconcerned with lessons learned, with no coherent vision, this is Start Up! If DFID were true to its Evidence Based Value For Money mantra it would ditch it forthwith. Start up? Perhaps Shut Up! would be more appropriate.