Private sector development that 'Does Development Differently': DFID's Private Sector Development Programme in the DRC

An assessment of the initial programme design and its implementation

Learning brief
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Democratic Republic of Congo

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This is a 'learning briefing' produced by the UK Department for International Development's (DFID) Private Sector Development (PSD) programme in the Democratic Republic of Congo (DRC).

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The briefing is one of a series that will be published by the programme's Decision Support Unit (DSU). The briefings are designed to share information that helps others learn from the experiences gained delivering this ground-breaking programme.

The briefing notes will be published in sequence to cover each of the stages of the project delivery cycle: design, implementation, and finally a look at the approach to monitoring and evaluation.

Introduction

The design of the DFID PSD programme in the DRC was pioneering and innovative. It was created by some of the thought leaders on complexity-sensitive approaches to development, and the logic behind the design is in line with current thinking advocated by the 'Doing Development Differently' movement.[1] The design process was published as a case study by the Overseas Development Institute.[2]

This learning brief summarises the initial design and looks at how the 'best fit' idea has fared while being put into practice.

Given the pioneering character of the approach, the experiences in the DRC are a great opportunity to assess the appropriateness of this type of flexible design and the validity of the underlying assumptions. In doing so, we are hoping to provide some useful learning points for others working on similar programmes or those looking at integrating complexity thinking into programme design.

1 http://doingdevelopmentdifferently.com

2 B. Ramalingam, M. Laric, and J. Primrose (2014) 'From best practice to best fit: Understanding and navigating wicked problems in international development', *Overseas Development Institute Working Paper.*

The programme - an overview

DFID initiated an innovative £100 million PSD programme in the DRC, which is an ambitious, large-scale programme seeking to 'improve the incomes of the poor' in an extremely complex, conflict-affected environment.

What is the programme doing?

The PSD programme is working with private sector stakeholders across the DRC to create 'well-functioning markets' and deliver a 'business environment that fosters economic opportunities for poor people.'[3]

Why was the programme needed?

Development of the private sector in fragile and conflict-affected states is vital for job creation, poverty alleviation, and creating stability. If done right, inclusive development of the private sector in the DRC would provide alternative livelihoods for those that would otherwise take up arms; it would expand the economic choices of women and adolescent girls; and it would provide the state with the tax revenue it requires to deliver much-needed social services.

What was the theory of change (TOC) for this intervention?

Despite its economic potential, the DRC remains desperately poor. Decades of conflict and instability have taken their toll, and 69% of the population live in poverty[4].

The programme business case lists a number of 'constraints' that affect PSD in the DRC. These include poor access to credit, widespread corruption, high costs of compliance, and instability caused by conflict and political uncertainty. The diagram below is a snapshot of the seven key constraints presented in the original programme design, which were assumed to be holding back development of the private sector in the DRC. These issues stem from multiple market, government, and coordination failures. They are collected in the diagram around four themes: access to finance; market development; business environment; and corruption. The diagram shows a number of feedback loops generating vicious circles or traps.

The PSD programme's TOC argues that addressing these constraints will enable access to financial services, well-functioning markets, and an enabled business environment that will 'foster economic opportunities for the poor', which will in turn result in 'improved incomes of the poor'.

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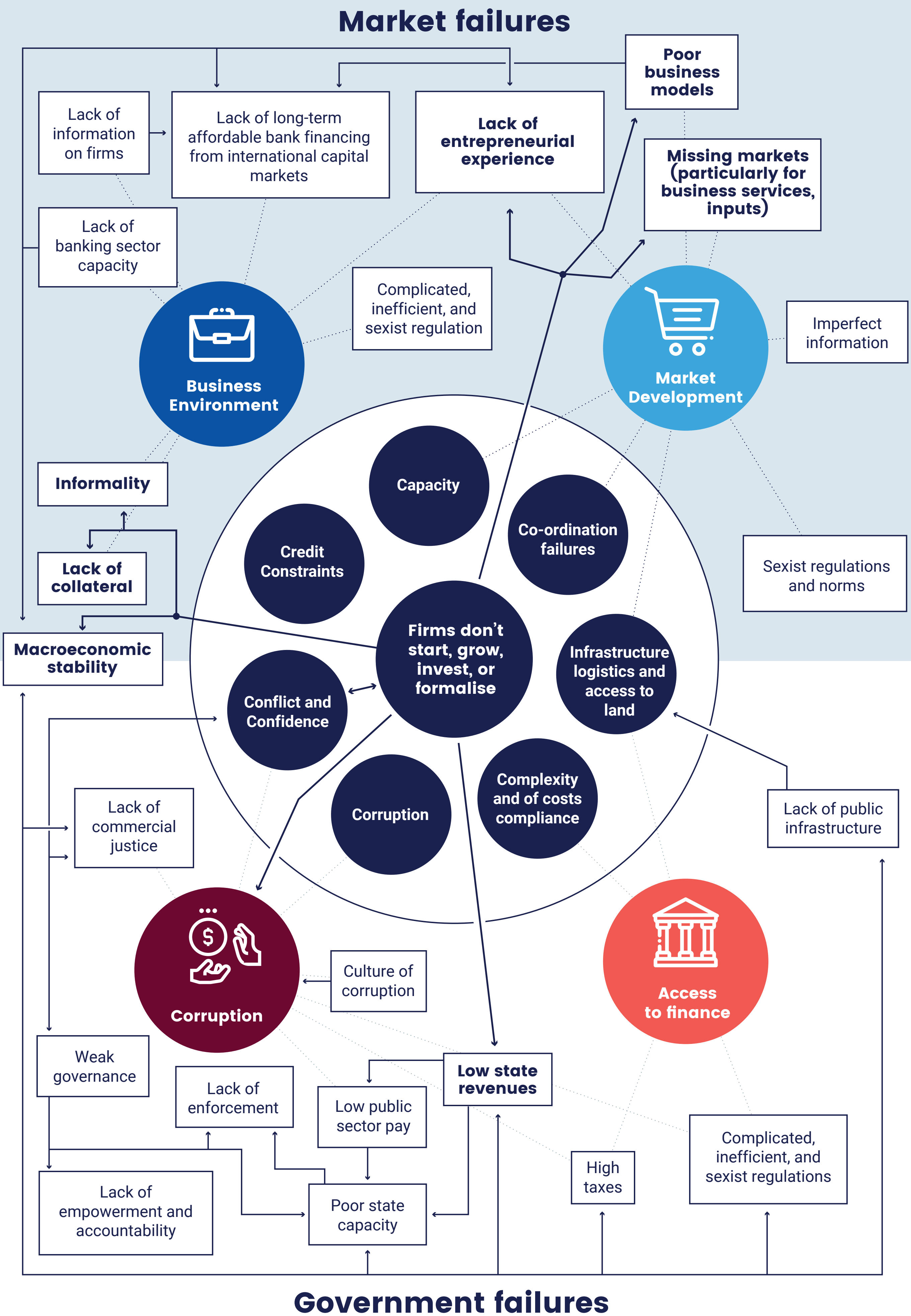
3 Business Case and Intervention Summary for Private Sector Development in DRC 2014

4 World Bank, Global Poverty Working Group, 2018

Figure 1: Constraints affecting PSD in the DRC



A design based on 'complexity thinking'

In the business case, DFID argued that PSD in the DRC is an inherently complex problem. Lots of idiosyncratic and interrelated features are both causes and effects of an underdeveloped economy. Tackling any one of these problems in isolation is, therefore, unlikely to unlock PSD. The system as a whole must change.

The programme's design, therefore, incorporated the principles of 'complexity thinking', which says that in a complex system the future is inherently unpredictable. Knowing in advance how to create wholesale change is therefore, by definition, impossible[5]. Instead, then, the programmers aimed to introduce an approach that would intervene across multiple sectors and at different levels of the economy (specifically the market system and the business environment), responding flexibly to emerging opportunities.

The original design therefore sought to move away from the standard 'linear' approach to programme management. The business case[6] provided only very broad guidance at the outset about the focus of the programme and its initial interventions. This included clear impact and outcome statements that were meant to act as a 'compass' for the projects rather than as quantified targets for delivery and performance:

Impact – reduce poverty through improved incomes of the poor

Outcome – access to financial services, well-functioning markets, and an enabling business environment that fosters economic opportunities for poor people.

[5] Adapted from W Frej and B Ramalingam (2011), 'Foreign Policy and Complex Adaptive Systems: Exploring New Paradigms for Analysis and Action', *Santa Fe Institute SFI Working Paper*

[6] Business Case and Intervention Summary for Private Sector Development in DRC (2014).

The other important principles of 'complexity thinking' incorporated in the initial design were that:

- Portfolios of context-specific, complexity-informed interventions should be developed over time to act on multiple points in interacting systems.
- No linear progression from start to end should be prescribed. Intervention planning horizons will be shorter than for stable contexts because of the greater inherent uncertainty.
- Learning at the tactical and strategic levels should be continuous and involve frequent re-assessments of the context, current interventions, interpretations of results, and brainstorming of new intervention options.
- Successes should be amplified, and failures stopped but learned from.
- Value for money requires balancing efficiency (so the programme is effective) and resilience to prevent interventions becoming obsolete as the context changes. This requires commensurate management and evaluation resources.
- Politics and technical work both matter and must be integrated.
- Strategic oversight of programmes should be kept in-house to utilise the donor's influence and to ensure programme parts are integrated.

A structure to deliver flexible programming

The business case proposed a structure to deliver this complexity-based approach that contained the following important elements, which are designed to respond to the principles outlined above:

1. A continually evolving portfolio of interventions working together to address the constraints outlined in the TOC.
2. A 'Flexible Facility' to respond quickly to emerging opportunities.
3. Flexibility to amend, augment, or abandon interventions.
4. A system for continually developing entry points and intervention plans.
5. A system for continually reviewing the constraints holding back the private sector.
6. Continual monitoring and evaluation to determine whether interventions are working.

As illustrated in the diagram below, DFID DRC would sit at the centre of four substantive components: (1) a making markets work for the poor project (M4P); (2) a Flexible Facility; (3) a DSU; and (4) an access to finance fund (FPM).

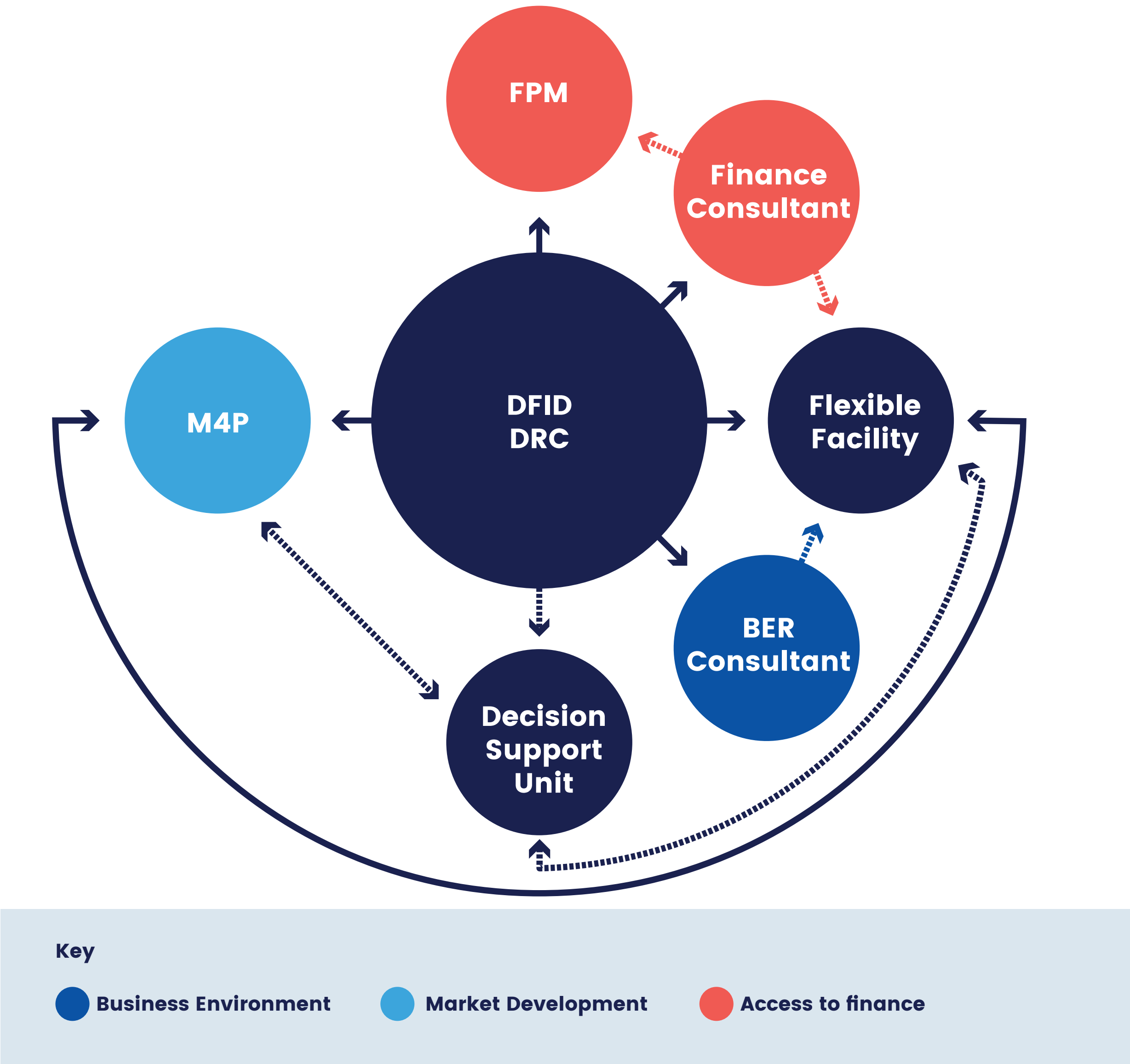
The M4P component would work directly with the private sector to deliver a range of interventions to alleviate market and coordination failures in a range of sectors.

The Flexible Facility would design and implement interventions with respect to business environment reform and anti-corruption on an as-needed basis. Entry points for these interventions would be informed by close collaboration with the Government of the DRC and be facilitated by technical consultants on business environment reform and on access to finance.

The DSU would deliver elements 5 and 6 of the complexity-based approach outlined above, providing continuous context and programme-level monitoring and evaluation, enabling DFID DRC to make informed decisions about subsequent interventions.

The access to finance fund was designed to help enable banks to lend to micro, small and medium-sized enterprises (MSMEs). However, it should be noted that this component was never introduced because of a new DFID-wide policy that required central management for this type of investment.

Figure 2: Programme Structure as conceived by the initial design



Was the design an appropriate one?

In short, yes. The initial evaluation of the programme found that the model presented in the business case was appropriate for the context, and also that the approach was coherent in its logic and in line with the most advanced thinking on how to tackle complex problems in dynamic and conflict-affected environments.

Interviews have confirmed that the diagnosis informing the business case was comprehensive, based on the most reliable data sources available at the time, and reflects a sound analytical approach. Key constraint areas were identified as part of a dynamic assessment, which took a systemic view on the DRC's economy. Importantly, the definition of constraint areas left enough room for adjustment within the scope of the project components.

How was the design put into practice?

During procurement of the programme, the three component parts were split up to be delivered by three different providers:

1. The MP4 project became **ÉLAN RDC**[7] a £50 million five-year project ending in December 2018. The project aimed to realise a cumulative net income increase of £88.4 million for 1 million low-income beneficiaries by 2020, through working across a number of sectors including agriculture, finance, renewable energy, and transport.
2. The Flexible Facility was named **Essor** post-launch and became a stand-alone five-year £35 million project aiming to improve the DRC's business environment and ending in January 2019. The initial portfolio of interventions included implementation of OHADA (a system of harmonised business laws adopted by 17 Francophone African countries), access to finance, access to electricity, and work to reduce corruption.
3. The **DSU,** a £3.5 million component ending in 2023, supports the ÉLAN and Essor projects with annual reviews, results verifications, evaluations, research, learning, and adaptation activities, intended to improve implementation and increase impact.

7 www.elanrdc.com

Lessons learned

A number of changes were made to the initial design during procurement and the initial stages of implementation. Often these were the result of pragmatic decisions taken as the initial concept came into contact with the realities of delivery. That is the nature of a flexible approach, but there are clearly lessons that can be learned about the robustness and adaptability of the original design concept.

1. 'Designing-in' the necessary management and coordination resource

It has become clear that one of the weaknesses of the design was the crucial strategic oversight and management function needed for such a flexible and adaptive programme. The original idea was that strategic oversight of the programme should be kept in-house to utilise DFID's influence and to ensure programme parts would all be integrated. It was assumed that the capacity was available in-house, which for a programme of this size was perhaps unrealistic.

LEARNING POINT: The necessity of day-to-day management functions has to be recognised from the outset with capacity built in ahead of the programme implementation. Think realistically about what will be needed. An adaptive management approach often means rapid decision making to take advantage of opportunities as they arise. How can you make sure that your oversight capability is able to facilitate that?

2. Ensuring there is an overarching TOC and opportunities for shared learning

The original programme design conceived of its TOC as acting as a 'compass' that would guide interventions across the whole programme. However, it did not specify how the programme would ensure that the 'compass' was properly embedded across each of its components.

As a result, during implementation, the elements of the programme that were thought of as being integrated were 'untangled' and each project (managed by different service providers) mandated to improve them separately. In other words, silos were created where integration was needed. This has had a huge impact on the ability to coordinate activities across component parts of the programme.

Moreover, common learning was not prioritised in the beginning. A process of joint learning is a key principle for delivering adaptability.

LEARNING POINT: Having a programme-wide TOC needs to be backed up by the way performance is monitored and managed. The results framework must ensure that component projects are incentivised to work collaboratively toward shared impact objectives whose achievement depends on cross-programme contributions. The overarching TOC should also be the basis for continuous cross-programme learning and exchange.

LEARNING POINT: It is important to consider whether your procurement strategy is compatible with your TOC. The way you 'package' the programme elements for tender will impact on delivery, so it is important to look in detail at what the consequences of the 'packaging' chosen might be.

3. Managing changes to the initial portfolio of interventions

Changes to DFID policies led to the decision to omit the access to finance fund that was a major part of the initial design.

It should be noted that the M4P project managed to partially compensate for this by providing access to finance for its pilot interventions. However, in a programme designed to make wholesale changes to a complex system, the removal of such a major component can be expected to have a knock-on effect that holds back the programme's ability to achieve its target outcome. Indeed, the initial evaluation does suggest that where there has been difficulty expanding pilot interventions to achieve system-level changes this could to some degree be attributed to the lack of access to finance for MSMEs.

LEARNING POINT: Adaptations to the design of a programme based on the principles of 'complexity thinking' can have knock-on effects that need to be assessed carefully. If you need to drop or change an element of your programme, ask yourself if it needs to be compensated for elsewhere?

4. Phasing the introduction of programme elements

The initial design argued that none of the constraints to market system development could be resolved in isolation and that the programme elements needed to work in a coordinated way to achieve impact. However, given the nature of the procurement process for a programme of this size, it was always going to be difficult to launch each of the elements at the same time.

Indeed, in reality there was almost two years between the launch of the M4P project, then the Flexible Facility, and then the DSU. This clearly was not envisaged by the initial design and has had an impact on the speed at which the programme can start to deliver effectively, as well as the ability of the projects to coordinate their activities.

LEARNING POINT: If resource constraints make parallel launch and procurement of components impossible then consider carefully how you phase the introduction of programme elements to ensure co-dependent components are being introduced at the same time.

5 Remaining adaptive throughout implementation

The business case and original design were clear that the programme should remain adaptive throughout implementation. What that meant for the set-up of the project components was, however, not well thought through. Once the logframes were in place and the contracts signed it became difficult to respond to opportunities and make adjustments. This was compounded by the component projects being contracted to different suppliers.

Notwithstanding the structures put in place, adaptation has happened within the component projects, but perhaps not to the extent expected by the original design.

LEARNING POINT: To ensure your project continues to be adaptive throughout implementation, the set-up needs to be well thought through. The arrangements need to consciously build in processes that foster adaptive programming, such as regular update meetings, shared methodologies for measurement, and coordination of incentives and targets.

Conclusion

The design of the DFID PSD programme in the DRC was pioneering, but the extent to which some of the 'adaptive management' elements of that initial vision survived implementation is mixed. It is difficult to say whether that is due to the failure of the initial design to pre-empt the challenges of procuring and launching a programme of this size, or whether the process of putting the design into practice deviated too far from the intentions of the business case. Most likely it is a combination of both factors. However, the experience in the DRC has provided clear points of learning for others considering similar 'complexity-based' approaches for their own programmes.

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