

# Report of the Task Force on Capacity for Program Delivery:

A Clinton Global Initiative Commitment

## "FROM TALK TO WALK"

IDEAS TO OPTIMIZE DEVELOPMENT IMPACT

SEPTEMBER 19, 2006



# Dalberg

*Global Development Advisors*

# TABLE OF CONTENTS

## EXECUTIVE SUMMARY

THE CHALLENGE

RECOMMENDATIONS

TAKING ACTION: WHAT NEXT?

## SECTION 1: "THE PROBLEM"

1.1 OVERVIEW

1.2 INDUSTRY TOPOGRAPHY AND DRIVERS

## SECTION 2: DEFINING THE OPPORTUNITY TO IMPROVE DELIVERY: ANALYZING THE DEVELOPMENT SUPPLY CHAIN

2.1 THE SUPPLY CHAIN APPROACH AND KEY FINDINGS

2.2 APPLYING AN ACCOUNTABILITY LENS TO SUPPLY CHAIN ANALYSIS

2.3 IMPROVING DELIVERY IN GLOBAL HEALTH: THE URGENT NEED FOR ACTION

2.4 IMPROVING DELIVERY IN ENTERPRISE FINANCING: DRIVING GROWTH HOME

## SECTION 3: A CALL TO ACTION

3.1 SHORT TERM RECOMMENDATIONS

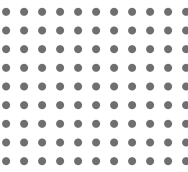
3.2 LONG TERM RECOMMENDATIONS

3.3 A PROGRAM OF ACTIONS AND INITIATIVES TO ILLUSTRATE POSSIBILITIES

3.4 RECOMMENDATIONS TO KEY PLAYERS IN DEVELOPMENT

## ACKNOWLEDGEMENTS

## BIBLIOGRAPHY



## WHY A TASK FORCE ON PROGRAM DELIVERY

Historically, the focal point of development sector dialogue has been whether or not there is enough funding for aid programs; issues concerning the effectiveness of the funding provided have taken a back seat. Today, it is increasingly clear that, while increased funding is a necessary element of the global strategy for alleviating poverty, funding alone is not enough unless there is significant enhancement in the efficiency and effectiveness of program delivery. The international community must now address these practical questions: what interventions are necessary, how should they best be implemented, and who are the stakeholders strategically and practically most suited for undertaking this work?

It is in this context that Dalberg constituted the Task Force on Capacity for Program Delivery. The Task Force is comprised of individuals with decades of experience in development. They are leaders from a broad range of institutions and communities – multi-lateral development banks, corporate foundations, developing country governments, social entrepreneurs and private sector companies – who have come together with the common commitment to take a hard look at what is not working in the delivery of development resources and to offer alternative, concrete recommendations for change.

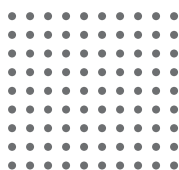
Dalberg Global Development Advisors is a professional services firm that promotes global development by helping leaders of the most significant public, non-profit and private sector institutions affecting international development to develop the right strategies, to enhance organizational and operational performance, and to introduce innovative ideas. The Task Force on Capacity for Program Delivery is Dalberg's commitment under the Clinton Global Initiative.

## MISSION OF THE TASK FORCE

*The Task Force seeks to promote a more innovative and effective global development system by exposing inefficiencies and gaps in the public delivery of goods, and by highlighting private sector models that could address these challenges.*

*Through a unique and rigorous analysis of the efficiency, accountability and scalability within supply chains in two core sectors, we demonstrate that current program delivery structures are ill-equipped to handle huge transfers of funds, goods and services, and that concrete and sustainable solutions can have a stunning impact for the better.*

*Ultimately, the lessons learned will provide actors in the fields of economic and social development with the knowledge they need to improve and expand the output of humanitarian programs.*



## TASK FORCE FOREWORD

The Members of the Dalberg Task Force on Capacity for Program Delivery come from a broad range of regional backgrounds and have extensive experience in the private sector, public development institutions and governments, and NGOs. However, we have two basic things in common: (i) we have all worked intensively for many years to address the challenge of international development; and (ii) we strongly believe that the recent global efforts to enhance the transfer of resources for poverty alleviation will not yield the necessary results without a concerted and urgent attempt to increase the effectiveness, efficiency and structure of the global development effort.

It is against this background that we have responded to Dalberg's commitment under the umbrella of the Clinton Global Initiative (CGI) to address the critical focus issue of poverty alleviation. We set an urgent timetable for our work to ensure that we are able to present our basic conclusions, recommendations and proposals for action during CGI 2006 on September 20-22, 2006.

As we present our work, we wish to acknowledge that, while many of our conclusions focus on the role of international players, we recognize the fundamental role that domestic institutions, policies and context play in development. This means that the global recommendations made in this report must always be appropriately adapted to the local environment. Most importantly we recognize that the core objective of development is always to enable all people to have the opportunities and capacity to address their own needs, and provide them with an environment that allows them to improve their standards of living.

The Members of the Task Force – both collectively and individually – invite partnerships with others working to ensure vitally needed improvements in the delivery of development assistance and to achieve a significantly expanded role for private innovation to address long-standing development problems.

**Ms. Safiatou Ba-Ndaw** Deputy Chief of Staff in the Office of the Prime Minister, République de Cote d'Ivoire

**Mr. Kurt Hoffman** Director of the Shell Foundation

**Mr. K. Vaman Kamath** Managing Director and Chief Executive Officer of ICICI Bank Limited

**Mr. Robert Litan** Vice-President of Research and Policy at the Kauffman Foundation

**Mr. Callisto Madavo** Visiting Professor, African Studies Program at Georgetown University and Former World Bank Regional Vice President for Africa

**Ms. Linda Rottenberg** Co-Founder & CEO of Endeavor

**Mr. Henrik Skovby (ex-officio)** is the Managing Director of Dalberg Global Development Advisors

**Mr. Simon Zadek** Chief Executive of AccountAbility

**Mr. David Bonbright** (Alternate to Mr. Simon Zadek) Founder and Managing Partner of Keystone

**Ms. Louise Hulme** (Alternate to Ms. Linda Rottenberg) Vice President of Finance & Administration at Endeavor

**Dr. Nachiket Mor** (Alternate to Mr. K.V. Kamath) Deputy Managing Director and responsible for the Corporate Banking Division of ICICI Bank

**DALBERG GLOBAL  
DEVELOPMENT ADVISORS**  
IS A PROFESSIONAL SERVICES  
FIRM THAT PROMOTES  
**GLOBAL DEVELOPMENT BY**  
HELPING LEADERS OF THE  
MOST SIGNIFICANT PUBLIC,  
NON-PROFIT AND PRIVATE  
SECTOR INSTITUTIONS  
AFFECTING INTERNATIONAL  
DEVELOPMENT TO DEVELOP  
THE RIGHT **STRATEGIES**,  
TO ENHANCE ORGANISATIONAL  
AND **OPERATIONAL**  
**PERFORMANCE**, AND  
TO INTRODUCE  
**INNOVATIVE IDEAS.**



*"Too often, the gains of economic growth are more accessible to the relatively advantaged sections of society, who also find it easier to participate in the growth process. Poor people wait much longer to reap the benefits of growth. Engaging them in the economic mainstream is essential to achieve inclusive growth and power ourselves to a higher growth trajectory. The involvement of private enterprises in the commercial sector has to be backed by commitment to the society."*

*Access to financial services is a key element of the process of socio-economic empowerment. At ICICI Bank, we see rural banking as the next horizon of our growth in India. A key element of our strategy is to provide micro-financial services to the rural and urban poor through partnerships with local community-based institutions.*

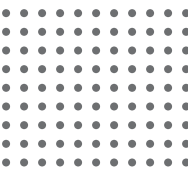
*The members of the Task Force have been able to offer some unique yet consistent perspectives to the pressing global problems. The collective experience has resulted in meaningful conclusions which have universal application with a local context."*

**K.V. KAMATH,**  
CEO of ICICI Bank



# **EXECUTIVE SUMMARY**





## EXECUTIVE SUMMARY

*Why is improving program “delivery” – all of the steps required to convert funds into products or services in the hands of recipients – important? Because getting a drug to a patient suffering from AIDS, building a power facility or setting up a microfinance program requires robust end-to-end systems, starting with decisions made in developed countries by donors and aid organizations. One must ask, if DHL can get a package from New York to Congo in three days, and Medecins Sans Frontieres can scale-up an AIDS treatment program in months, why is it that the conversion of development funds into lifesaving drugs takes, on average, 12 to 36 months? While there are many factors and complexities that slow delivery of development programs, the impact of these cannot be ignored. These delays cost lives.*

The international community has never expressed greater interest in addressing the world’s major development needs, among them increased economic opportunity, improved health, and secure access to water and electricity. This commitment is demonstrated by significant increases in public aid, dramatic growth in private philanthropy and NGO (non-governmental organization) engagement, and unprecedented investments by private firms in the developing world. Overseas development assistance (ODA) alone has now reached \$100 billion a year and there are commitments by the G-8 to increase this by \$50 billion by 2010. With these resources comes an unprecedented opportunity to improve the lives of millions. But it also comes with an enormous responsibility to ensure that these resources are spent efficiently and accountably, and that they contribute to development goals.



*“The emerging broad based consensus to scale up aid for development and poverty reduction provides a unique window for a decisive push to improve the lives of millions across the globe, including the dire situation in Sub Saharan Africa. But this window will not remain open forever; we need to produce results quickly to sustain it.”*

CALLISTO MADAVO,  
visiting Professor,  
Georgetown University,  
and Former World Bank  
Regional Vice President  
for Africa

This growth in activity has included the entry of many new, primarily private, players. For instance, the resources of world’s most successful technology companies have created the Gates Foundation and Google.org, and developing-country institutions, such as ICICI Bank in India and the Grameen Bank, are using innovative thinking and models to achieve breakthroughs in development. However, these and many other new entrants to development also create a great deal of complexity and risk. The tasks of isolating the results of any one player, identifying the best models for implementing a particular development approach, and maintaining the accountability of a diverse set of public and private players are all major challenges. Furthermore, public and private players continue to struggle to work effectively together, despite the need for the expertise of both types of organizations to effectively address poverty.



*"The international development agencies play a key role in channeling large amounts of public money and technical expertise towards tackling some of the most difficult problems of poverty in relation to health, education, access to clean water and so on. The conditions under which these efforts take place are difficult and the need for accountable, effective partnerships and efficient delivery mechanisms is paramount. The Dalberg Task Force has attempted to make a conceptual and practical contribution to helping the development agencies achieve best practice in both of these areas and Shell Foundation is honoured to have been part of that effort."*

KURT HOFFMAN,  
Director, Shell Foundation

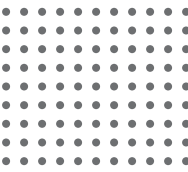


## THE CHALLENGE

The Task Force has sought to examine how this increasingly large and complex system is "delivering" the programs, products and services to support development in the world's poorest communities. The Task Force aims to raise critical questions about the effectiveness of development assistance and the roles of various players, as well as to constructively move toward answering them. Furthermore, the Task Force has sought to identify promising ways that new private players can contribute to a more dynamic and effective development sector. Through analysis of development trends and the supply chains in two important development sectors – Health and Small and Medium Enterprise (SME) financing – the Task Force finds a number of key drivers behind the poor performance of development programs, particularly in the purely public sector domain:

- 1) **Insufficient "demand" orientation** of development efforts, where objectives are framed not based on the needs of recipients, but on the priorities of donors and development organizations. Conditionalities of funding are frequently based on political interests rather than the efficiency and effectiveness of the program.
- 2) **Costly and slow system of public aid**, which needs to become much better equipped to deal with the resources that it has, let alone the massive increases in resources that are forthcoming. A huge opportunity exists to unleash this capital and redeploy it to further the real goals of development assistance – improving and saving lives. For example, in the health sector it is estimated that a 15-25% increase in the amount of committed capital going to products and services for recipients could be achieved through fairly straightforward improvements in fund dis-





tribution procedures, procurement practices and financial management. Furthermore, the rate of approving projects, disbursing capital and implementing projects is extremely slow, with at least \$13 billion undisbursed in EU development aid resources alone. Similarly, it has been estimated that the major multilateral development banks have about \$181 billion in unutilized capital.

- 3) **Lack of innovation** in development programs, with insufficient investment in scaling-up effective models and few successful examples of public-private engagement. Even as new and innovative private models emerge for tackling major development challenges, the efforts are fragmented and there are few resources to invest in bringing those innovations to scale.
- 4) **Insufficient accountability** embedded in the system, intensified by the new players, resources, and complexities of the development arena. Mechanisms to ensure responsiveness to donors and beneficiaries are not designed into programs, but instead are treated as passive afterthoughts. The lack of national accountability systems or failing that, of narrower accountability compacts at project or sector levels between recipients, implementing organizations and donors, often dooms programs to ineffectiveness from the beginning.



*"The development supply chain approach allows us to: (i) gain the visibility to pinpoint inefficiencies and the capabilities to transform them into competitive advantage; (ii) develop the foresight to identify the needs of recipients and the agility to respond; and (iii) derive the functionality to optimize missions and resources to extend best practices to your entire value chain."*

SAFIATOU BA-NDAW,  
Deputy Chief of Staff in  
The Office of  
The Prime Minister  
République de Côte d'Ivoire



## RECOMMENDATIONS

What is ultimately required to address delivery challenges and significantly increase the impact of every dollar invested in development? The Task Force has identified several short term actions that could yield immediate savings in terms of time and cost, and several long term changes in the operations of the development sector that would create a truly sustainable and accountable system of delivery. These recommendations require a significant restructuring of the public sector providers, better incentives for private sector engagement, and more room and encouragement of innovation and experimentation.

### Short Term Actions to Achieve Immediate Improvements in Delivery Performance

1. **Create transparent reporting and standards for program delivery and supply chain performance:** Create meaningful measures of operational performance for all major development sectors. Create indices of performance that are reported on consistently and frequently. Define optimal performance for development supply chains in terms of cost and speed.
2. **Stop rewarding failure:** Direct resources to governments willing to set up appropriate policies and institutions for sustained development and to programs that show strong operational efficiency, build scalable programs, and make long

term investments in building human and institutional capacity. This must be paired with reducing or discontinuing resources devoted to programs that show few results relative to their goals. Political considerations from the resource allocation process must be removed to enable this true focus on results.

3. **Use accountability to create a system that is responsive and dynamic:** Accountability to the needs of recipients must extend equally across donor countries, international development agencies, NGOs and national governments. Mutual accountability mechanisms that build coherence and alignment between increasingly diverse partners in development urgently need to be better understood and advanced, for example through “Accountability Compacts.”
4. **Leverage the expertise and dynamism of NGOs and companies to address urgent delivery challenges:** Private organizations – both companies and NGOs alike – have made great strides in improving program delivery through analyzing and restructuring their own supply chains. There is a need to immediately provide them the necessary funding and space to innovate, enabling the development of new and better programs and services.
5. **Set a bold goal to reduce inefficiencies and improve share of capital directed to prod-**

**ucts and services:** Within 5 years, the development community should aim to unleash at least \$10 billion in capital per year from the public development aid system by eliminating inefficiencies, creating scalable models, and improving the accountability of the system.



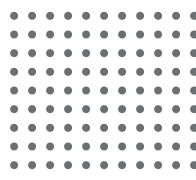
*“The great challenge for foreign aid today, more than ever, is to make it work. This report provides a roadmap for how to get that done.”*

ROBERT LITAN,  
VP for Research and  
Policy at the Kauffman  
Foundation,  
and Senior Fellow,  
Economic Studies,  
The Brookings Institution

#### Long Term Transformational Change to Achieve Sustained Impact and Development

In the long term, the incentives in the system must be aligned to focus on clearly defined operational and development goals. This approach requires significant engagement by beneficiaries in the design and implementation of policies and programs. The Task Force recommends an “Accountability Compact” that creates a new DNA for program design and implementation applicable to private, public and public-private initiatives. An Accountability Compact would include beneficiaries in program definition, potential suppliers in program design, and the public sector in incentive creation.

Effective accountability mechanisms would also aim to lead to sustained operational improvements in terms of delivery. For example, such a mechanism should create incentives for development institutions to develop cost-effective programs and invest in scaling-up the best performing ones. Furthermore, significantly increasing the information available for all stakeholders in the supply chain to make decisions and monitor performance would be a critical component of this new, more accountable system.



### TAKING ACTION: WHAT NEXT?

While the recommendations above are far reaching, the Task Force aims to be action-oriented and is proposing a set of specific initiatives to encourage innovation that can support radical improvement in program delivery by engaging the private and public sector alike. Many of the participants in the Clinton Global Initiative Summit could be important partners in these new initiatives which are being explored or are already underway.

### NEW TOOLS AND APPROACHES

- **Independent Review and Survey of Development Institutions:** Introduce a standardized rating of donors and multilateral institutions in terms of their perceived relevance, effectiveness and efficiency.
- **Initiative for Development Efficiency, Accountability and Scalability (IDEAS):** This initiative, which Dalberg is exploring through its Global Development Incubator, will research and disseminate findings on opportunities to increase the cost-effectiveness and speed of development aid through rigorous supply chain analysis in critical sectors such as health care and infrastructure provision.
- **Applying Private Sector Management Tools:** Shell Foundation has adapted and will make available “opportunity framing,” value assurance and risk management techniques developed by various Shell Group businesses for wider use by the development community.



*“The Task Force highlights that accountability to intended beneficiaries of our development efforts is the need, and also the challenge in practice. Accountability Compacts seem to be a fantastic way to make this happen in ways that connect the key players in a virtuous cycle of learning, trust and mutual respect.”*

DAVID BONBRIGHT,  
Chief Executive,  
Keystone

### NEW INCENTIVES

- **Portfolio of Development Prizes:** Create international awards to address discreet development needs such as clean water, distributed energy and infrastructure. Build on the successful model created by the X-Prize Foundation to foster a culture of innovation and problem-solving in the development arena.

### NEW PRODUCTS

- **ICICI Bank – “Banking the Unbanked” Rural Banking Initiatives Replication:** Replicate ICICI Bank’s India-based rural banking model in selected countries in Africa.

### NEW PARTNERSHIPS

- **Accountability and Innovation:** AccountAbility, Shell Foundation and one or two major development agencies will explore the feasibility of applying supply chain approaches and Accountability Compact principles developed by the Task Force to select programs.
- **Private Sector Development Coalition:** This initiative, which is being explored by Dalberg and the Aspen Institute, will facilitate sharing of experience, replication and scaling-up of successful private sector and NGO models.

These findings are a call to action to the entire international community. No actor should be willing to accept that additional millions are not being treated for HIV/AIDS or lack access to economic opportunity because there is insufficient attention to making programs truly efficient, scalable and accountable.

Our analysis shows that the need to improve aid delivery requires immediate action from public aid organizations, NGOs, foundations and companies alike. However, given the dynamic nature of development and accountability issues, one should consider this report and its recommendations as “work in progress.” As this complex system of international institutions evolves and the context within individual countries shifts, we must continue to focus on delivery and seek innovative approaches to winning the fight against poverty.

## SECTION 1: “THE PROBLEM”<sup>1</sup>

*Resources and expectations are growing rapidly; the roles and approach of all players in development – public and private – need to evolve to have a real impact on poverty*

### 1.1. OVERVIEW

The Task Force considers poverty conditions around the world appalling. Almost 3 billion people live on less than \$2 a day, 840 million do not have enough to eat, 10 million children die every year from preventable diseases and a billion people lack access to clean water. Recent global commitments by the G-8 to increase development aid by \$50 billion by 2010, paired with unprecedented engagement of private resources and players in development activities, provides an unprecedented opportunity to change the lives of the world’s

poorest. The Task Force believes that the global community can and must fulfill this potential, and hopes to make a contribution to doing so.



*“Barriers to entrepreneurship in low and middle-income nations are unimaginable. At Endeavor, we support entrepreneurs with the biggest ideas to create thousands of jobs and accelerate the spread of innovations that will improve the quality of life in the developing world. Dalberg is doing a tremendous job in identifying innovative approaches to development and we are proud to be part of their team.”*

LINDA ROTTENBERG,  
Co-founder &  
CEO of Endeavor

The Task Force efforts are focused particularly on understanding the potential to improve “program delivery,” or the delivery of products and services that have the potential to contribute to the social and economic development of communities in the developing world. This focus is based on the recognition that how well resources are spent is critical. The overwhelming focus on how much resources are available, though also imperative, risks overlooking the important question of how to best translate these funds into products and services that bring sustainable benefits to the poor. The Task Force is most concerned with those countries that derive a significant share of their GDP from aid (typically 20% or more),<sup>2</sup> as they are the main recipients of development resources and are most influenced by the effectiveness, or ineffectiveness, of development efforts.

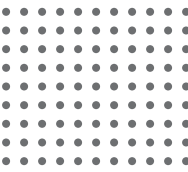
With resources growing and many new players engaging, the complexity of the development landscape is only multiplying. It is also exacerbating many of the tensions between public and private players that have historically impeded development efforts:<sup>3</sup> distinct organizational cultures (making money vs. “doing good”),<sup>4</sup> distrust, inherently different goals, and misaligned incentives

Thus, while this new context holds a great deal of potential for alleviating poverty, there are 5 major challenges that urgently need to be addressed:

<sup>1</sup> UN Millennium Project Report to the Secretary General, “Investing in Development: A Practical Guide to Achieve the Millennium Development Goals.” New York, January 2005.

<sup>2</sup> Simon Maxwell: What’s Next in International Development? Overseas Development Institute, Working Paper 270. London, June 2006.





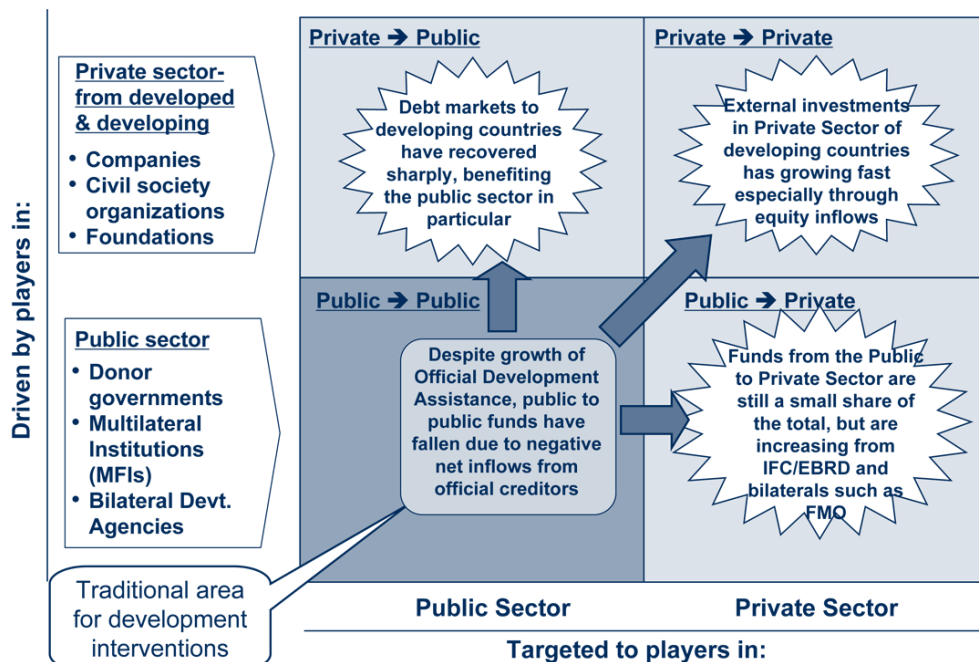
- 1) **An insufficient “demand” orientation** of development efforts, where objectives are framed not based on the needs of recipients but on the priorities of donors and development organizations.
- 2) **A costly and slow system of public aid**, which needs to become much better equipped to deal with massive increases in resources.
- 3) **A lack of innovation** in development programs, with insufficient investment in scaling-up effective models, and creating effective models for private engagement.
- 4) **Insufficient accountability** embedded in the system, exacerbated by the new players, resources, and complexities of the development arena.

In response to this situation, the Task Force is calling for urgent actions to ensure that recent increases in development assistance lead to real improvements in the day-to-day lives of the poor in developing countries.

## 1.2. INDUSTRY TOPOGRAPHY AND DRIVERS

The development industry has over the past decade seen a significant shift both in terms of funding and service provision. In both instances it has moved from mainly public funding and service provision towards more private sector funding and solutions.

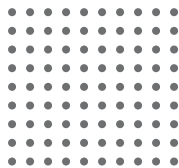
### Changing financial dynamics



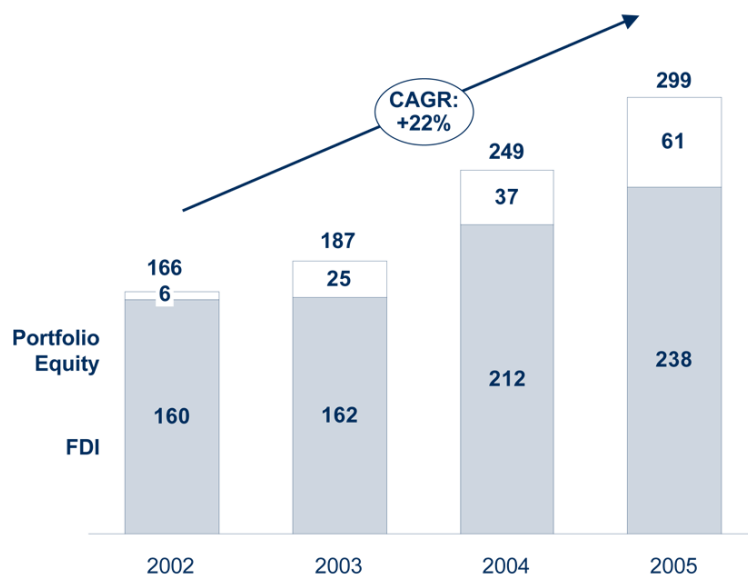
Source: Adapted from *Unleashing Entrepreneurship: Making Business Work For The Poor*, UN Commission on the Private Sector & Development

<sup>3</sup> Shell Foundation: “Enterprise Solutions to Poverty: Opportunities & Challenges for the International Development Community & Big Business.” London, March 2005.

<sup>4</sup> Dalberg-Aspen Institute Conference: “Bringing the Best of the Private Sector to Development.” Aspen, Colorado, July 2006.

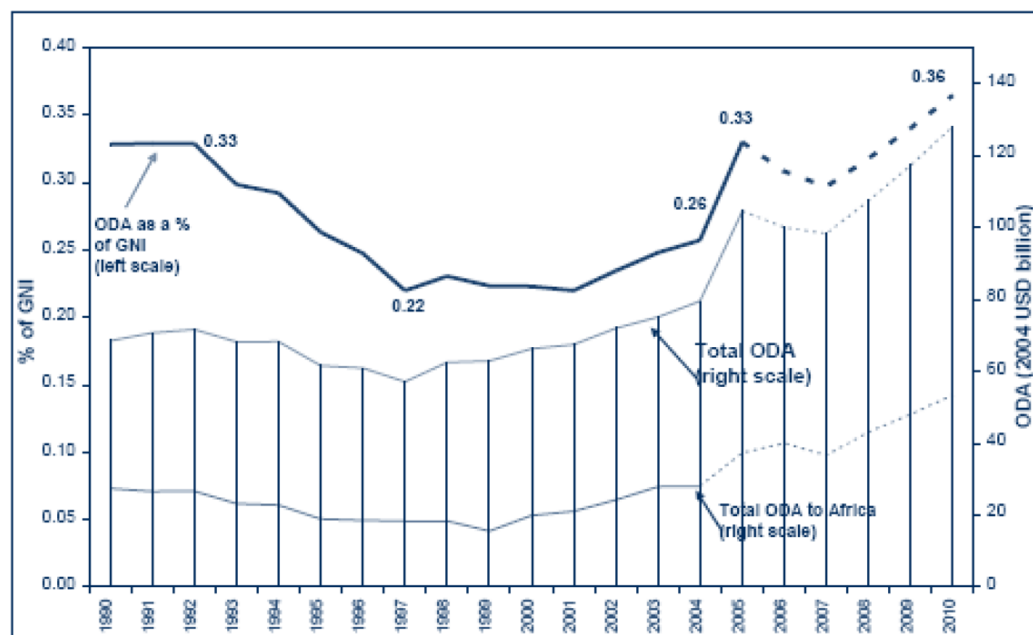


### Private inflows of equity in developing countries



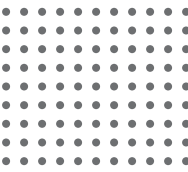
Source: Global Development Finance 2006

### DAC Members's net ODA 1990 – 2005 and DAC Secretariat simulation of net ODA to 2010



Source: OECD DAC





### CHANGE IN FUNDING PATTERNS

Some of the major trends and drivers have been:<sup>5 6</sup>

- 1) **A sharp increase in private flows into developing countries.** Net private financial capital flows (debt plus equity) to developing countries have increased from \$186.7 billion in 2000 to \$490.5 billion in 2005. Worker remittances increased from \$85.2 billion to \$166.8 billion.
- 2) **A conversion of public flows.** Net Overseas Development Assistance (ODA) rose from \$53.7 billion in 2000 to \$106.5 billion in 2005. However, net official flows (aid plus debt) have declined from \$23 billion in 2000 to negative \$18.8 billion in 2005 due to debt repayment.
- 3) **A new set of South-South players are increasingly a source of investment and development resources.** South-South FDI increased from \$24.8 billion in 2000 to \$47.4 billion in 2003, the latest year for which any official or unofficial source reports such flows. In terms of share of total FDI to developing countries, South-South FDI has increased from 25% in 2000 to 36.6% in 2003. The extensive Chinese investments in Africa have attracted particular attention recently.

As shown in the charts, this has led to significant financial transfers and activities that involve private players, outstripping activity driven solely by public institutions.

Paired with these changes in the sources of financing, there has been a dramatic shift in

participation from primarily public institutions to a wide range of private actors including NGOs, private foundations, and individual corporations. The Gates Foundation, with its new capital infusion from Warren Buffet, will disburse more resources yearly than many bi-lateral donors, for example. The two charts at left show the changing activities of public and private players:

These new groups offer major opportunities to utilize new and innovative approaches that are demonstrating success and could make a much more significant contribution to development goals if effectively expanded. At the same time this rapid shift requires building effective and accountable interactions between the public and private sector. While such links are actively sought by many actors, they do not yet appear to exist in a sustainable and high impact manner.

The change in funding sources and the shift in service provision and interventions have resulted in a strong trend of movement away from the pure public-public interface in the development sector. This is accompanied by a major expansion in the range of players involved, to include developed and developing country private companies, foundations, and in NGOs. There is also significantly greater interaction between the public and private sectors, and emergence of new players such as the Global Fund and the aforementioned Gates Foundation.

<sup>5</sup> World Bank. 2006. Global Development Finance. Washington, D.C., 2006.

<sup>6</sup> Institute of International Finance. Capital Flows to Emerging Market Economies. Washington D.C., 2006.

## Changing mix of development interventions

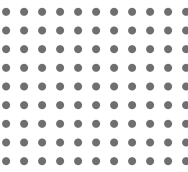


Source: Adapted from *Unleashing Entrepreneurship: Making Business Work For The Poor*, UN Commission on the Private Sector & Development

## Changing mix of players- Illustrative

|   | Targeted at public sector players  | Targeted at private sector players  |
|---|--|---|
| <b>Driven by developed &amp; developing country private sector players</b> <ul style="list-style-type: none"> <li>Companies</li> <li>Civil society organizations</li> <li>Foundations</li> </ul>                      | <ul style="list-style-type: none"> <li>Gates Foundation</li> <li>Rockefeller, Carnegie</li> <li>World Economic Forum</li> <li>Shell Foundation</li> <li>AccountAbility</li> <li>Transparency Internat.</li> <li>Clinton Global Initiative</li> <li>IFMR-Chennai</li> </ul> | <ul style="list-style-type: none"> <li>ICICI Bank</li> <li>Grameen Foundation</li> <li>Citigroup</li> <li>Shell Foundation</li> <li>SEAF</li> <li>Endeavor &amp; Acumen</li> <li>Accion Microfinance</li> <li>Gates Foundation</li> </ul> |
| <b>Driven by public sector players</b> <ul style="list-style-type: none"> <li>Donor governments</li> <li>Recipient governments</li> <li>Multilateral Institutions (MFIs)</li> <li>Bilateral Devt. Agencies</li> </ul> | <ul style="list-style-type: none"> <li>World Bank/IMF</li> <li>ADB/IADB/AfDB/IsDB</li> <li>USAID, DfID</li> <li>UN/UNDP</li> <li>UNIDO</li> <li>OECD</li> <li>WHO/UNICEF/ILO</li> <li>PEPFAR</li> <li>Global Fund</li> </ul>   | <ul style="list-style-type: none"> <li>IFC &amp; EBRD</li> <li>IIC/AFIC</li> <li>FMO/CDC/FinnFund</li> <li>USAID/DfID</li> <li>USEXIM</li> <li>Global Fund</li> <li>Global Compact (UN)</li> <li>PharmAccess</li> </ul>                   |

Source: Adapted from *Unleashing Entrepreneurship: Making Business Work For The Poor*, UN Commission on the Private Sector & Development



The traditional development sector has been unable to engage the forces unleashed by swift technological change and massive trade, financial, and human resources flows. The system includes a multitude of international conventions, principles, standards, and general agreements and is built on institutions that need greater flexibility to operate in today's more dynamic, agile and creative world. The framework shows signs of now being "mismatched"<sup>7</sup> in terms of the global challenges in effectiveness (delivering the right aid programs) and efficiency (delivering aid quickly) it faces. It is also marked by insufficient attention to the two ends of the spectrum where accountability needs to be most clearly demonstrated: the taxpayer in donor countries and the recipients in developing countries.

These strains, however, are not unique to public development aid institutions. Private players also demonstrate challenges in playing a sustainable role in delivering products and services that support development goals. Important experiments such as the private provision of water infrastructure services appear to have failed for multiple reasons, often because of underestimation of the social, political and institutional implications of such changes – and a lack of full understanding of the need to ensure accountability to final users.

These rapid changes in the development industry have challenged the way many established institutions have been doing business. During this time of transition, the result has

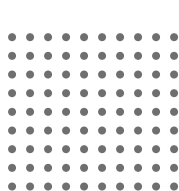
been the emergence of a number of contradictions that must be resolved immediately (see text box below).

#### AN INDUSTRY FULL OF CONTRADICTIONS

1. **Consensus to increase resource transfers accompanied by growing stock of undisbursed aid commitments** and unutilized capital (estimated at \$181 billion)<sup>8</sup> in the major multilateral development banks (MDBs), as lending volumes remain essentially stagnant and net disbursements decline. There are strong indications that the operations of the MDBs are at levels significantly below what could be safely sustained by their capital base. At the EU undisbursed aid commitments amount to approximately \$13 billion.
2. **Need for change in the way development resources are deployed is recognized, but not acted upon:**
  - Growing internal<sup>9</sup> and external evaluation of efficiency of public aid efforts points to the need for change, but there is limited indication of any rapid directional shifts or willingness of shareholders to embark on structural solutions. The recent showdown at the UN over basic management reforms is a case in point, where politics and different institutional interests lock down an initiative to enhance the organization's efficiency, and ultimately impact aid relevancy.
  - There is an extensive and rapidly growing inventory of good practice ap-

<sup>7</sup> Prime Minister Tony Blair, Foreign Policy Speech at Georgetown University, Washington D.C., May 26, 2006.

<sup>8</sup> World Economic Forum: "Building on the Monterrey Consensus: The Untapped Potential of Development Finance Institutions to Catalyze Private Investment." April 2006.



proaches and solutions being pioneered by private sector players, but the traditional public players seem unable to adequately acknowledge and catalyze these developments.<sup>10</sup>

**3. Growing emphasis on accountability, but much of the focus is on preventing corruption by recipient governments, rather than insuring accountability of donors, NGOs and governments alike to the ultimate recipients of aid:**

- Commitment to local empowerment is regularly discussed, but recipients of developmental interventions are often least able to provide effective feedback – and their voice is often overpowered by institutional interests during the design and implementation of developmental interventions.
- Many large donor institutions advocate strongly for accountability for their grantees, but their own accountability systems are often weak; few have thus far engaged in peer reviews and benchmarking.

**4. Private sector actors – both companies and NGOs – are insufficiently engaged, despite the potential they demonstrate to drive innovation and improve delivery of development resources:**

- Global aid effort<sup>11</sup> (\$106 billion of ODA in 2005) is still concentrated in the public sector.

- Private sector investments and market-led development are central to rapid economic growth, but multilateral development banks only allocate about a quarter of their new financial commitments to the private sector.<sup>12</sup>
- Innovative approaches by numerous private sector actors, many of them still small, offer major avenues to effect rapid change, but they lack the major convening power to move to scale. Public players also lack the willingness or ability to provide active and effective support.

## SECTION 2: DEFINING THE OPPORTUNITY TO IMPROVE DELIVERY: ANALYZING THE DEVELOPMENT SUPPLY CHAIN

*“Many of today’s companies struggle with the task of delivering products to customers when and where they want them. Using tactics from Supply Chain Management, any company can... learn how to strip waste from each step in their value-delivery process.”* -Harvard Business Review

### 2.1 THE SUPPLY CHAIN APPROACH AND KEY FINDINGS

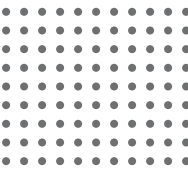
Supply chain analysis is a powerful tool, invested in because it uncovers costly inefficiencies and delays in product and service delivery system, and has been credited with unlocking billions of dollars of capital in the private sector. Similarly, there are trapped resources

<sup>9</sup> World Bank, Independent Evaluation Group: “From Schooling Access to Learning Outcomes: An Unfinished Agenda – An Evaluation of World Bank Support to Primary Education.” July 2006.

<sup>10</sup> OECD Development Assistance Committee.

<sup>11</sup> World Economic Forum and estimates by Nissim Ezekiel (based on MDB Annual Reports and web site information).

<sup>12</sup> Dalberg-Aspen Institute Conference: “Bringing the Best of the Private Sector to Development.” Aspen, Colorado, July 2006.



in development supply chains that could significantly increase the resources available for achieving development goals. Within the broad scope of the development problem, the Task Force applied the supply chain analysis approach against the operational delivery capability of institutions and mechanisms. As shown in the diagram below, operational delivery capacity is only one part of the overall system of development institutions and programs, but it plays a fundamental role in the ability of the international community to achieve development goals.

In its essence, the supply chain is the map of the flow of resources from the initial sources of capital to the final delivery of products or services. The ways in which various actors in the supply chain are linked, and the processes within each step, determine the efficiency and

effectiveness of the supply chain. A development supply chain is composed of the steps used to convert resource investments into development programs (in this Report, health services and enterprise financing) and on-the-ground implementation.

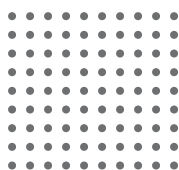
Applying the supply chain analysis approach to the development sector yields a number of attractive propositions. This approach focuses on the practical realities of implementation and breaks down a relatively complex world into a number of steps, issues and opportunities for improvements. Finally, supply chain analysis enables one to understand accountability of various actors and how they impact of the system.

It is important to note that the development supply chain analysis is not region or country

**Linking key capabilities in development**







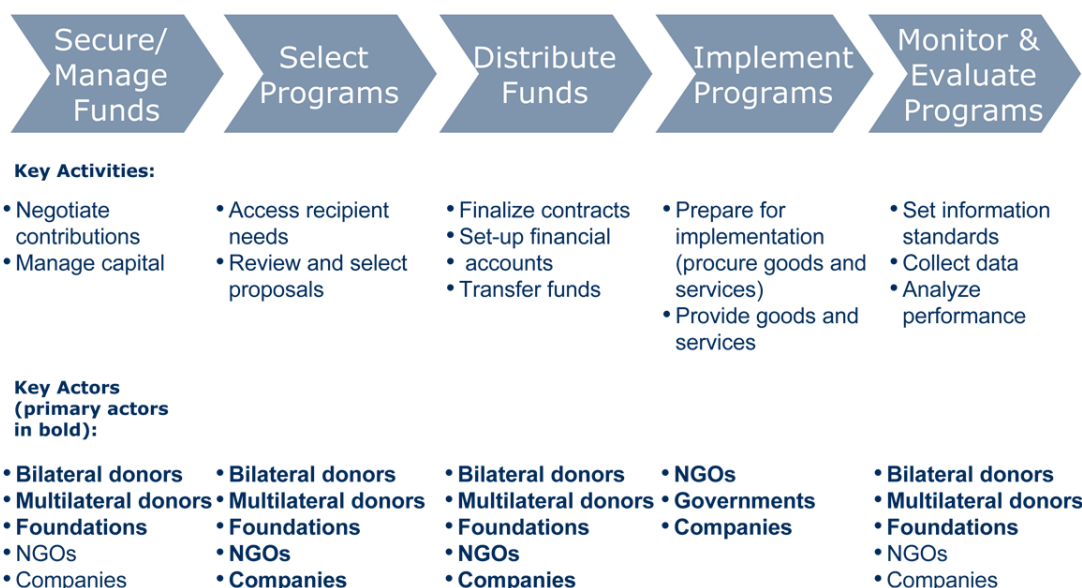
specific. Therefore, one will need to marry the insights of the supply chain analysis with the facts on-the-ground in each country before applying the lessons from these exercises. The Task Force recognizes that many corrective actions hinge on country level actions, but it is focusing here on program level measures given the significant investment and near term potential for impact. They are, however, not the substitute for what needs to be done at the county level, and if anything they should be oriented towards setting examples that get eventually mainstreamed into each country's development efforts.

The chart below shows a generic view of the development supply chain, following the flow of resources from the funding institution to the ultimate recipient. Even this highly simplified chart demonstrates the many diverse activities and players involved in any development program.

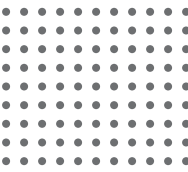
The Task Force has used a supply chain analysis to address the following questions for supply chains in health and SME program delivery. Additionally, significant work is underway in the analysis of infrastructure delivery (to be released in a forthcoming report):

- How costly is each step in the supply chain for development programs and how long does it take to execute each step? What are the drivers of supply chain inefficiencies?
- How is accountability linked to the supply chain? Is it embedded? Could it be?
- Where are opportunities to improve the development supply chain by addressing the efficiency, scalability and accountability of programs?
- What steps should the international community take to improve performance? What roles in particular can private organizations – companies, foundations and NGOs – play in driving performance improvements?

### Development Supply Chain- Funding Perspective







The challenge today is that every step of the chain delivering aid is more costly, slower and less accountable than it needs to be, and the cumulative effect is a system that has far less impact than it could, considering the number of dollars it deploys.

What could be the impact of improving the delivery supply chain? Our preliminary analysis based on in-depth examination of the health supply chain indicates that the international community could be deploying 15-25% more of its money each year by improving operational efficiency alone. If it were assumed that such measures could be applied to the total of aid resources available today, it could contribute potentially tens of billions in additional aid to fight disease, provide access to financing or provide clean water. With some calling for an increase in global assistance to \$200 billion a year, many billions more could be left on the table if the development sector does not make a real and rigorous effort to strengthen the aid delivery system.

## 2.2 APPLYING AN ACCOUNTABILITY LENS TO SUPPLY CHAIN ANALYSIS

In addition to inefficiencies in the supply chain, accountability gaps dramatically reduce aid effectiveness. A recent evaluation of the



*"Accountability Com-  
pacts are our best hope  
for enhancing develop-  
ment in an increas-  
ingly complex world.  
The work of the task  
force shows that multi-  
stakeholder partner-  
ships are most effective  
when they create agreed  
terms for mutual ac-  
countabilities between  
all the players, from one  
end of the supply chain  
—donors and private  
investors — all the way  
through to the intended  
beneficiaries on-the-  
ground. Accountability  
deficits almost certainly  
spell failure."*

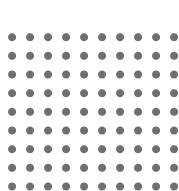
SIMON ZADEK  
Chief Executive  
AccountAbility

response of the international community to the South East Asian Tsunami shows how development shortfalls result when intended beneficiaries lack an effective voice in the design and implementation of programs. The cases analyzed by the Task Force, in conjunction with AccountAbility and Keystone, show a positive link between beneficiary "voice" and program effectiveness.

The problem is not new. The effect of voice in the effectiveness of public decisions has been widely studied for at least 30 years, but little progress has been made in institutionalizing it. With the increasing role of the private sector in development and the correlating rise in public-private partnerships, the lack of appropriate accountability mechanisms increases the vulnerability of public-private linkages. As large amounts of funds flow across the public-private bridge, not only are compliance concerns heightened, but so is the need to ensure donor and beneficiary engagement in driving the development outcome.

### KEY ACCOUNTABILITY ISSUES IN THE PUBLIC SECTOR

The cases where beneficiary voice is weak correlate positively with a low quality of governance for development programs. Particularly in global partnerships to improve health, weak voice reinforces the lack of



“institutional responsibility” for providing health services to the population. There is virtually no threat of sanction for poor institutional performance to citizens. Low levels of transparency and access to information reinforce the weakness of beneficiaries’ voice.

Similarly, the cases studied in development finance show that strategy decisions within supply chains are made with insufficient knowledge of operational and development performance information. Indeed, there is poor knowledge of their development effectiveness, which is largely measured in terms of financial returns. This partly stems from a lack of agreement on what “development” indicators should be measured.

The shortfall of these programs is obvious. But most importantly, in the cases reviewed, the debate on impact indicators is not informed by efforts to engage the intended beneficiaries and their knowledge.<sup>13</sup> All cases show that where there are constrained ability and resources to conduct impact evaluations, supply chains have a reduced capacity for accountability and the means to leverage beneficiaries’ voice.

Lastly, most of the indicators are located in the last steps of the supply chain. The Task Force has noted that improvement in the overall impact of developmental interventions requires an urgent effort to ensure accountability and transparency amongst donors and delivery agents as much as it requires continued efforts by recipient governments and institutions to improve their capacity to implement change and ensure rapid economic growth. Instruments such as the World Bank’s “Doing Business” and “Governance Indicators,”

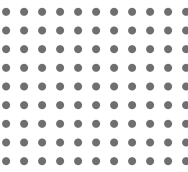
NEPAD’s peer reviews or Transparency International’s country ranking on corruption focus on recipient country performance. DFID’s Multilateral Effective Framework (MEFF) is one of the only broadly accepted tools that measure the upstream performance of development aid institutions, but does not have the visibility accorded to the other indicators of recipient accountability illustrated above.

#### KEY ACCOUNTABILITY ISSUES IN THE PRIVATE SECTOR

Standards and incentives play a crucial role in generating this accountability gap. The study finds that commercial supply chains attempting to deliver development goals are usually unresponsive to intended beneficiaries that have an inadequate economic voice, and commercial organizations do in most situations not have the incentive schemes in place to proxy this lack of voice into the design and assessment of their programs. The financing cases analyzed show that incentive and reward schemes within the management of Development Finance Institutions (DFI) play an important role in terms of global donor/investor behavior. As a result, an emphasis on financial returns will diminish the attention placed by managers on the development outcomes of the projects in their portfolios.

The shortfalls in the positive development impact of global supply chains results from misalignments in incentives and underlying accountability of both private and public institutions, and the individuals working in them. Enhanced development outcomes from global supply chains require both enhanced direct and embedded accountability to intended beneficiaries.

<sup>13</sup> There are important differences across issue-areas, partly reflected by the nature of the interventions; within water and sanitation projects the link and efforts to engage beneficiaries at different cycles of the projects is more explicit.



## IMMEDIATE IDEAS TO CONSIDER ARE:

| GOOD PRIVATE ACCOUNTABILITY MECHANISMS   | GOOD PUBLIC ACCOUNTABILITY MECHANISMS  |
|--|--|
| <ul style="list-style-type: none"><li>• Accept outcome measures as a part of qualification for the service fee</li><li>• Endorse principles around “publish what you pay”</li><li>• Adopt collaboration incentives to participate in accountability compacts</li><li>• Engage dynamic accountability mechanisms that drive effectiveness</li></ul> | <ul style="list-style-type: none"><li>• Drive mandatory involvement of intended beneficiaries in the program design process</li><li>• Use transparent and clear basis for performance assessment through standards</li><li>• Involve intended beneficiaries in outcome assessment</li><li>• Endorse principles around “publish what you pay”</li></ul> |

## 2.3 IMPROVING DELIVERY IN GLOBAL HEALTH: THE URGENT NEED FOR ACTION

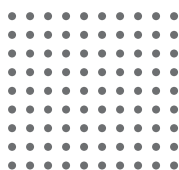
### THE NEED

The global commitment to address developing world diseases has increased rapidly in recent years, perhaps most notably through the recent union of the fortunes of Bill Gates and Warren Buffett. HIV/AIDS, TB, and Malaria programs alone are expected to attract international resources of \$11 billion by 2007, with The Global Fund expected to remain the single largest donor, targeting \$3 billion in commitments that year.

Despite massive increases in funds available, the total aid need for HIV/AIDS, TB and Malaria is \$19.5 billion; the projected \$11 billion still only accounts for 56% of the need. In addition, there is growing evidence that the health products and services for global pandemic diseases are not reaching those who need them in a timely and cost-effective manner. This is driven by a variety of factors, including complicated and high cost procurement practices, slow disbursement rates and bureaucratic fund management practices, which have resulted in lead times of 12-36 months between the approval of funds for health programs and successful delivery and distribution of products to end-users. To understand the human cost, consider that for every 6-month delay in the speed of malaria product delivery to Global Fund supported programs an estimated 8 million people do not receive lifesaving ACT treatments and 4 million do not receive LLINs.<sup>14</sup>

What is the scale of the opportunity to improve delivery in global health? Initial analysis indicates that improving delivery could release 15-25% of annual committed capital aimed at fighting

<sup>14</sup> Global Fund to Fight AIDS, Tuberculosis and Malaria. 2005. The Resource Needs of the Global Fund 2005-2007. Sep. 23, 2005.



AIDS, TB and Malaria. In 2007, that would mean an additional \$2 billion in capital could be redirected from unnecessarily high delivery costs to desperately needed products and services on the ground, an effective increase of approximately 70% over the \$3 billion that would be deployed given current system practices.

### THE CHALLENGE

High costs and delays in health product and program delivery are driven by challenges at each stage of the supply chain, and occur in processes owned by donors, national governments and NGOs alike. The challenges in each phase of the supply chain point to key opportunities

for improving the financial (efficiency) and social (effectiveness) impact of programs funded.

Through our supply chain analysis of a variety of funding organizations, both large and small enterprises, we were able to diagnose the greatest common barriers to successfully delivering on the promise of healthier and longer lives for the world's poorest populations, as well as to identify the potential impact of addressing these challenges.

### THE OPPORTUNITY

Our analysis shows that if we continue with the status quo, as little as \$3 billion of the \$11 billion in aid committed in 2007 may be spent on health products and services. This

**Nature and Potential Impact of Global Health Supply Chain Issues**

|                                      | Issues   | Financial Impact (efficiency) | Social Impact (effectiveness) |
|--------------------------------------|--|-------------------------------|-------------------------------|
| <b>Secure and Manage Funds</b>       | <ul style="list-style-type: none"><li>• Low disbursement rates</li><li>• Inconsistent funding commitments</li><li>• Fundraising costs</li></ul>  |                               |                               |
| <b>Select Programs</b>               | <ul style="list-style-type: none"><li>• Limited ability to measure likely impact of programs</li><li>• Conditionality based on political and donor demands; not effectiveness</li></ul>  |                               |                               |
| <b>Distribute Funds</b>              | <ul style="list-style-type: none"><li>• Unsophisticated financial institutions</li><li>• Low transparency</li><li>• Corruption/ leakages</li></ul>   |                               |                               |
| <b>Implement Programs</b>            | <ul style="list-style-type: none"><li>• Supply shortages and surpluses</li><li>• Limited procurement capacity</li><li>• High fees and product prices</li><li>• Delays in shipping and clearance</li><li>• Poor infrastructure</li><li>• Lack of local management skills</li><li>• Weak incentives for efficiency and effectiveness</li></ul> |                               |                               |
| <b>Monitor and Evaluate Programs</b> | <ul style="list-style-type: none"><li>• Poor methodologies and skills</li><li>• Imperfect information to measure impact of program</li><li>• Learnings are not systematically shared across sector with local partners</li></ul>   |                               |                               |

#### Legend

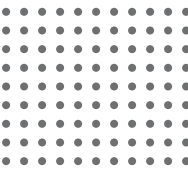


Addressing supply chain issues can create:

More money for programs

More effective programs

Faster scale up



low rate of aid “delivered” is the result of slow rates of disbursements, high transaction costs associated with managing and transferring funds, high product costs and procurement fees, and slow implementation due to bureaucratic barriers and lack of project planning. We have extrapolated likely financial impacts of improving the health delivery supply chain in each phase, a summary of which is found below:

#### LIKELY FINANCIAL IMPACTS OF IMPROVING HEALTH DELIVERY

**Manage Funds and Select Programs:** Current disbursement rates range from 40-50% of committed capital per year. We believe a modest increase in disbursement rates of 10% would be feasible and would inject significant additional capital into programs.

**Distribute Funds:** Fees associated with handing off funds between numerous agencies, banks and currencies can be very costly. We estimate that current costs for fund distribution and management range from 7-20%. By improving the sophistication of financial management and the systems donors and recipients use to manage funds, we would aim to reduce the average fees associated with fund management to 7%.

**Implement Programs:** Procurement fees can range from 1-15%, and price premiums for products and services vary from 3-20%. In the best case scenario, due to increased transparency and competition both procurement fees and price premiums could be reduced to an average of 5%.

**Monitor and Evaluate Programs:** We believe that an increase in monitoring and evaluation cost is required to increase social impact. Therefore, we assume that estimated expenditures on monitoring and evaluation, particularly by using new technologies to improve the ease, accuracy and relevance of data collected, will increase by 3% - 5% of total delivery costs.

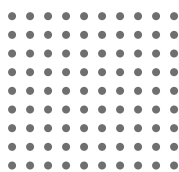
By employing the above “best case” recommendations, we expect that an additional \$2 billion in resources would be available in 2007 for health products and services to address the AIDS, TB, and Malaria epidemics (out of a total of \$11 billion in committed in capital). This would mean a nearly 70% increase in the true amount of resources available for health products and services that year (from \$3 billion to \$5 billion), leading to a significant increase in the number of lives saved and improved as a result of health interventions.

#### POTENTIAL SOLUTIONS

While numerous practical and specific steps can be taken by donors, governments, and NGOs to address the challenges described above and improve the availability of resources for health care, there are several types of far-reaching initiatives that can contribute to a far more efficient and rapid health delivery supply chain.

These and other recommendations identified through analysis of delivery supply chains can enable a massive global expansion in the prevention and treatment of disease by freeing up more money for programs, driving more effective programs and clearing obstacles for faster scale-up.





| DRIVER OF SUPPLY CHAIN PERFORMANCE  | SPECIFIC OPPORTUNITIES TO IMPROVE SUPPLY CHAIN   | CHALLENGES ADDRESSED  |
|---|--|---|
| <b>Information</b><br>By improving information systems decision-making can be made based on empirical analysis from a collective data pool that takes into account recipient needs, rather than political agendas, scattered data points or donor priorities.                                     | <ul style="list-style-type: none"> <li>• <b>Create an information sharing system</b> that spans the supply chain, from funders to recipients to patients, that supports transparent market mechanisms as well as gives a voice and choice to patients in the developing world</li> <li>• <b>Rate and report the efficiency and effectiveness of organizations delivering health program</b> in order to create the transparency and information required to drive organizational improvements</li> </ul>   | <ul style="list-style-type: none"> <li>• <b>Accountability</b></li> <li>• <b>Accountability and Cost-effectiveness</b></li> </ul>   |
| <b>Standards</b><br>Consistent practices and policies across the sector will reduce the resources spent on administration and management as well as facilitate coordination.  | <ul style="list-style-type: none"> <li>• <b>Create a set of International Health Aid Delivery Standards</b> that provide performance standards across the supply chain</li> <li>• <b>Create a purchasing pool</b> that is based on negotiated pricing standards and leverages economies of scale</li> </ul>  | <ul style="list-style-type: none"> <li>• <b>Cost-effectiveness</b></li> <li>• <b>Cost-effectiveness</b></li> </ul>  |
| <b>Incentive Structures</b><br>An incentive structure that rewards efficiency and effectiveness throughout the supply chain can focus stakeholders on opportunities such as decreasing the number of hand-offs, lowering price premiums and increasing the speed of procurement and distribution. | <ul style="list-style-type: none"> <li>• <b>Create a virtual drug purchasing marketplace</b> where recipients of donor funds can buy a wide range of products at low prices, and transparent information on prices and purchases can be made available to all stakeholders</li> <li>• <b>Introduce/increase competition at key steps of the supply chain.</b> Use transparent and competitive markets to ensure the products and services are provided at the best prices</li> </ul>   | <ul style="list-style-type: none"> <li>• <b>Innovation, Cost-effectiveness, Speed and Accountability</b></li> <li>• <b>Cost-effectiveness and Speed</b></li> </ul>  |
| <b>Private Sector Models</b><br>Increasing the sophistication of administration and financial management, expanding local infrastructure and promoting “self-enlightened” cooperation amongst stakeholders can likely be expedited by transferring models from the private sector to development. | <ul style="list-style-type: none"> <li>• <b>Use financial products, such as credit facilities and electronic payment,</b> to speed financial transactions and reduce opportunities for unnecessary fees or corruption</li> <li>• <b>Create a consortium of private sector leaders</b> that champions rapid adoption of the highest impact, innovative solutions to the delivery challenge and that leverages existing infrastructure to reduce distribution costs</li> <li>• <b>Create the International Micro-Health Program</b> that aims to attract additional resources to scale-up a micro-health sector that builds local capacity and drives increased access to health care</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Innovation and Cost-effectiveness</b></li> <li>• <b>Innovation and Scaling-up private sector efforts</b></li> <li>• <b>Scaling-up private sector efforts</b></li> </ul> |



## 2.4 IMPROVING DELIVERY IN ENTERPRISE FINANCING: DRIVING GROWTH HOME

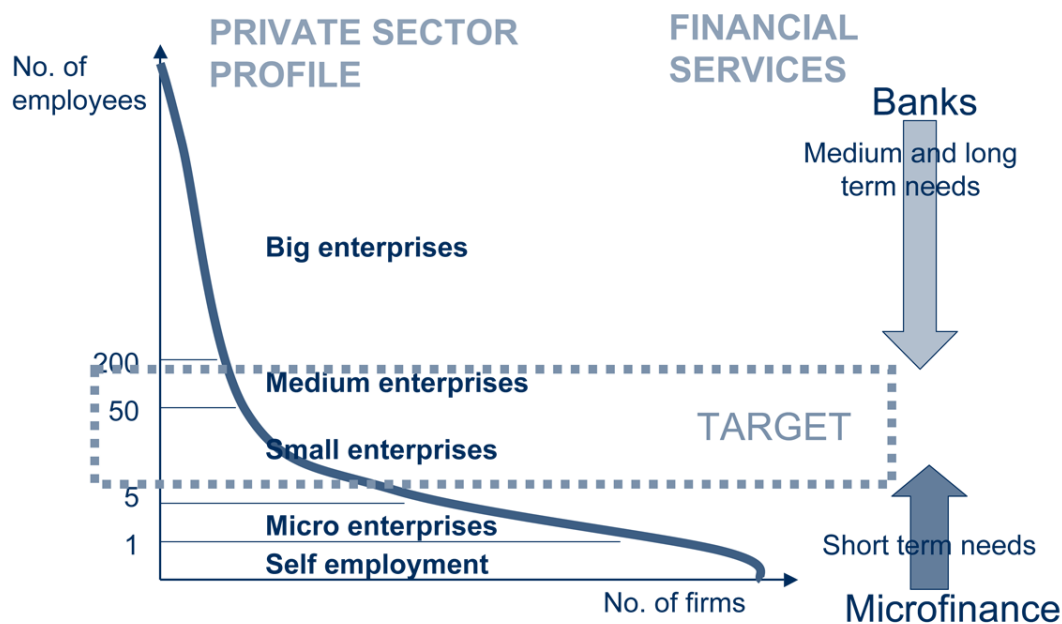
### NEED AND RESPONSE

In looking at enterprise financing, the Task Force focused on the needs of microenterprises and SMEs. As highlighted in the recent 2005 World Development Report, many elements of the investment climate determine the success of micro, small, and medium enterprises. For SMEs, access to and cost of finance are rated as a severe or major obstacle by 40% of developing country firms, and is identified as a leading constraint along with policy uncertainty, macro instability, tax rate and corruption.<sup>15</sup>

90% of firms in industrialized economies are SMEs; however in the low-income countries, while the informal sector generates 30% of total employment, the SME sector generates only 18%. The SME sector generates only 16% of total GDP in low-income countries compared to 39% in the middle-income group and 52% in the high-income group countries.<sup>16</sup>

Significant resources and analysis have been devoted to tackling the SME issue. In 2004 the IFC spent roughly \$900 million on a range of activities supporting SMEs. Other elements of the World Bank Group put \$677 million into SME related programs in 2004

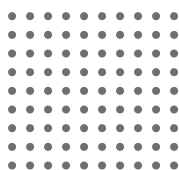
### The enterprise financing gap



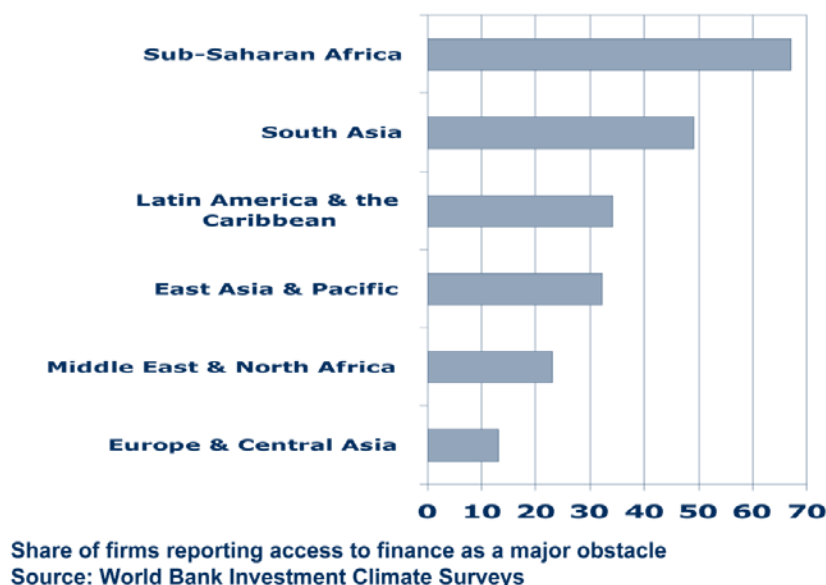
Source: World Bank Uganda, May 2006

<sup>15</sup> World Development Report 2005: A Better Investment Climate for Everyone.

<sup>16</sup> "Meghana Ayyagari, Thorsten Beck and Asli Demirgüç-Kunt; Small and Medium Enterprises across the Globe: A New Database."



## Inadequacies of finance in developing countries



(with some going to microenterprises). The U.S. government has transferred \$1.5 billion to enterprise funds. IADB invested \$165 million in 2004. In 2003, EBRD provided approximately \$150 million to SMEs and microenterprises.<sup>17</sup> Japan's ODA budget to support SMEs in 2004 was \$1.8 billion.<sup>18</sup> Several high profile efforts such as the recent 2005 World Development Report: "A Better Investment Climate for Everyone" have focused on addressing SME financing.<sup>19</sup>

### THE DELIVERY CHALLENGE

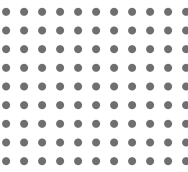
To a great extent, SME financing is a question of scaling-up the capacity of locally based financial institutions to deliver and of the domestic

financial markets to become more sophisticated. In the absence of well developed markets, a range of innovative private approaches have been used. These include for example, leveraging corporate supplier networks to establish the credit worthiness of SMEs, as ICICI Bank does in India, and which IFC has adopted as a model for some of its SME financing efforts. Nonetheless, public funds still play an important role, with well over \$5 billion in public funds deployed through equity funds, guarantees, and technical assistance to support SME development. Much of the support is designed to build local institutional capacity as well as provide direct financing.

<sup>17</sup> Foreign Aid and Private Sector Development, Watson Institute for International Studies, Brown University.

<sup>18</sup> Understanding the Japanese Budget 2004, Japan Ministry of Finance.

<sup>19</sup> The Bologna Charter On SME Policies (2000); Incubating A Venture Capital Culture In Emerging Economies: Small Is Beautiful" (Monterey 2002); The Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs (2004); World Development Report: "A Better Investment Climate for Everyone"(2005).

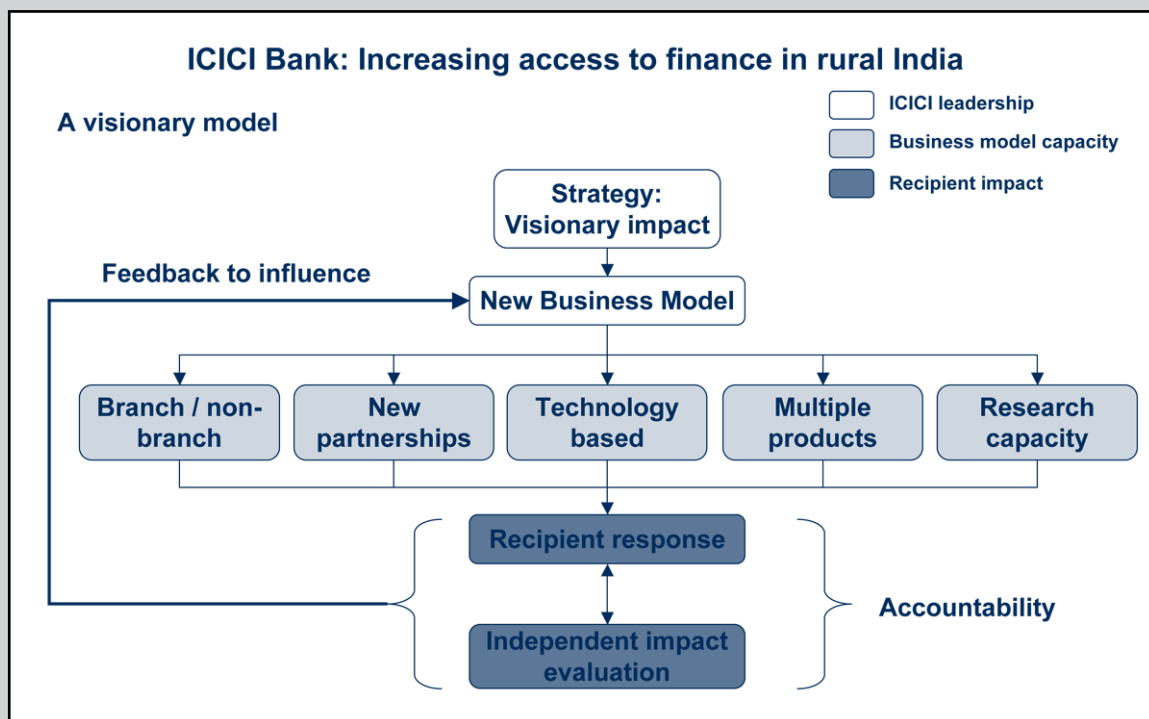


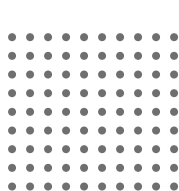
## ICICI BANK: DELIVERING RURAL FINANCIAL SERVICES

ICICI Bank's No White Spaces is a comprehensive and visionary strategy designed to bring rapid access to financial services to the rural poor. It includes a range of characteristics that reflect the type of approach the Task Force proposes for broader use – and for modification as appropriate in different sectors, situations and countries. In summary, ICICI's approach includes:

1. Visionary Impact: Bring access to organized financial services to the rural poor on a massive scale as part of process of wealth creation – An ICICI Bank Touch Point 10 km from any customer
2. New Business Model: Branch and non-branch, technology-based, cost-effective and scalable, local and customer knowledge, multiple products
3. New Partnerships: Rural institutions, local MFIs, cutting-edge financial partners (Grameen Finance, Citibank)
4. Cutting Edge Technology: Common platform across MFI partners, biometric ID card for multiple purposes, ATMs
5. Multiple Products: Finance (thrift/savings), Insurance (health, weather, crop), Microcredit, Investments
6. Research/Capacity Building: Institute for Financial Management and Research (IFMR), independent academics, consulting
7. Recipient Feedback: Accountability to end beneficiary
8. Independent Impact Evaluation: Carried out through IFMR, globally sourced academics
9. Feedback Loop: To modify business model to ensure better results

*The chart below summarizes the approach outlined above*





A conservative estimate of the finance gap in Africa suggests that at least \$35 billion is needed simply to serve the needs of current SMEs. If SMEs constituted appropriate levels of their country's GDP, the finance gap becomes significantly larger. While local capacity and investment environment is the backbone of SME growth, international investment serves to further address the financing gap. The key issues associated with increasing access to SME finance are related to (i) slow disbursement of capital; (ii) high fund management and transaction costs; and (iii) limited/untapped local management and technical capacity.<sup>20</sup>

#### THE OPPORTUNITY: THE POTENTIAL IMPACT OF ADDRESSING A POORLY FUNCTIONING SUPPLY CHAIN

While a development supply chain lens is not intended to address all elements of business climate, the approach of raising issues of cost, speed, and accountability highlights key opportunities to increase disbursement, reduce management costs, and develop capacity. The chart on the following page summarizes the nature and potential impact of the opportunity by supply chain phase.

Our approach enabled us to both diagnose barriers to successfully delivering on the promise of poverty alleviation through development focused enterprise financing, and to identify practical and sustainable solutions to overcome these barriers.

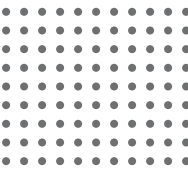
Our analysis identified reducing fund management costs as a critical challenge, and thus we focused on opportunities to reduce the costs of serving SMEs which require investments between \$10,000 and \$1 million. Efforts such as the Shell Foundation supported GroFin in Africa seek to use an integrated model to deploy risk capital under \$1 million per company. By developing a core support team leveraged by strong local investment teams, GroFin seeks to reduce the management costs for under \$1 million investments, at the same time providing a skills base to local talent. Likewise, Small Enterprise Assistance Funds (SEAF) seeks to build the skills of local management talent by supporting educational programs. TechnoServe engages its resources to provide hands on support and mentorship to entrepreneurs in developing countries. Endeavor focuses on identifying and cultivating high impact entrepreneurs. E+Co, a non-profit with nine offices serving over thirty developing countries, has pioneered investing in over 120 clean energy enterprises by providing services and capital. Scaling efforts like these is the beginning of an approach to address key issues highlighted in the sector.

#### POTENTIAL SOLUTIONS

These recommendations are limited to those identified through the functional lens of the SME funding supply chain. A salient feature of this approach is the highlighting

---

<sup>20</sup> "Unleashing Entrepreneurship," UN Commission on the Private Sector & Development, 2004.



## Nature and Potential Impact of Enterprise Financing Supply Chain Issues

|  | Issues   | Financial Impact<br>(efficiency / scalability) | Social Impact<br>(effectiveness) |
|--|--|--|----------------------------------|
| <b>Secure and Manage Funds</b>               | <ul style="list-style-type: none"><li>• Reduce fundraising time</li><li>• Increase size of funds raised</li><li>• Reduce conflicting conditionality</li></ul>  |  |                                  |
| <b>Select Programs / Enterprises</b>         | <ul style="list-style-type: none"><li>• Increase sophistication of program / enterprise selection</li><li>• Align fund objectives</li></ul>  |  |                                  |
| <b>Distribute / Invest Funds</b>             | <ul style="list-style-type: none"><li>• Factor in the development impact of invested funds and programs into expected returns</li><li>• Increased financial management capability / sophistication of recipients and firms</li></ul> |  |                                  |
| <b>Implement Programs / Manage Portfolio</b> | <ul style="list-style-type: none"><li>• Increase management capacity in local economies</li><li>• Use technology to reduce costs</li></ul>   |  |                                  |
| <b>Monitor and Evaluate Programs</b>         | <ul style="list-style-type: none"><li>• Increase relevance and quality of data captured</li><li>• Use data for management decision-making</li><li>• Leverage technology to monitor effectiveness</li></ul>                           |  |                                  |

### Legend



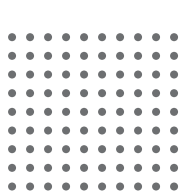
Addressing supply chain issues can create:

Lower cost structures for delivering capital

More rapid scale up of financing mechanisms

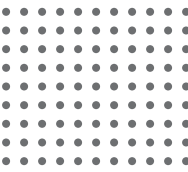
of functions in the supply chain that benefit from bundling. A significant key to bridging the financing gap then lies in reducing capital costs by leveraging local resources, creating portfolios of products for investors of varying risk profiles, and incorporating development impact into the calculus behind providing access to finance (i.e., similar to how the U.S. government subsidizes SME

development through programs such as the Small Business Innovation Research program and SBA business loan programs). Intelligent subsidies that provide technical assistance at the early stage of the SME start-up and growth significantly reduce the risk of investment failure. The recommendations below aim to increase disbursement rates, reduce management costs and leverage local management talent to increase access to finance.



| DRIVER OF SUPPLY CHAIN PERFORMANCE   | SPECIFIC OPPORTUNITIES TO IMPROVE SUPPLY CHAIN  | CHALLENGES ADDRESSED   |
|--|---|--|
| <b>Information</b><br>By improving information systems, decision-making can be made based on empirical analysis from a collective data pool, rather than political agendas, scattered data points, or donor priorities.  | <ul style="list-style-type: none"> <li>• <b>Rate and report the efficiency and effectiveness of organizations delivering SME financing</b> similar to the peer review ratings CGAP uses in microfinancing</li> <li>• <b>Create an information system enabling SMEs to access a wider portfolio of financing options</b> with investors of different risk profiles</li> <li>• <b>Develop a common SME due diligence database</b> for players interested in investing in SMEs</li> </ul>  | <ul style="list-style-type: none"> <li>• <b>Accountability</b></li> <li>• <b>Innovation, Cost-effectiveness and Speed</b></li> <li>• <b>Increase Speed</b></li> </ul>  |
| <b>Standards</b><br>Consistent practices and policies across the sector will reduce the resources spent on administration and management as well as facilitate coordination.   | <ul style="list-style-type: none"> <li>• <b>Identify/highlight impact evaluation standards</b> for SMEs in an effort to ensure development impact is a significant part of the expected return formulation</li> <li>• <b>Create mechanisms for certification of businesses</b>, reducing due diligence costs for investors. The government of India pays today up to 75% of SME due diligence costs and have made arrangements with leading consulting firms to provide these services at a discounted price</li> </ul>   | <ul style="list-style-type: none"> <li>• <b>Accountability</b></li> <li>• <b>Innovation, Cost-effectiveness and Speed</b></li> </ul>   |
| <b>Incentive Structures</b><br>An incentive structure that rewards efficiency and effectiveness throughout the supply chain can focus stakeholders on opportunities such as decreasing the number of hand-offs, lowering price premiums, and increasing the speed of procurement and distribution. | <ul style="list-style-type: none"> <li>• <b>Create collaboration forums across development finance institutions</b> to review findings from peer reviews and share practices for reducing funding costs and increasing efficiency</li> </ul>  | <ul style="list-style-type: none"> <li>• <b>Accountability</b></li> </ul>  |
| <b>Private Sector Models</b><br>Increasing the sophistication of administration and financial management, expanding local infrastructure, and promoting “self-enlightened” cooperation amongst stakeholders can likely be expedited by transferring models from the private sector to development. | <ul style="list-style-type: none"> <li>• <b>Enhance the skills of local management talent</b></li> <li>• <b>Involve local Venture Capital and Private Equity firms in deals</b> to build local capacity and skills</li> <li>• <b>Create more certified training programs for SME owners and managers</b> through partnerships with existing educational outlets to broaden the base of management capacity available to SMEs</li> <li>• <b>Create more leadership forums to mentor local entrepreneurs</b> (similar to Endeavor’s program) focused on solving development sector capacity issues</li> <li>• <b>Use more sophisticated financing models</b> to support SME initiatives such as debt-leveraged funds</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Innovation and Cost-effectiveness</b></li> <li>• <b>Innovation and Scaling-up private sector efforts</b></li> <li>• <b>Scaling-up private sector engagement</b></li> </ul> |



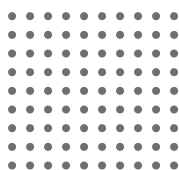


## SHELL FOUNDATION: PARTNERING FOR DEVELOPMENT

The Shell Foundation inspires, develops, and takes to scale sustainable solutions to social problems arising from the links between energy, poverty, and the environment, as well as the impact of globalization on vulnerable communities. The Foundation applies a “business or enterprise-based” approach to deliver self-financing solutions with measurable social benefits that can be replicated to achieve large-scale impact. It believes that only by working in partnership with others can sustainable solutions be found to many of the long-term social and environmental issues in which the energy industry has a particular role and responsibility.

This approach has been reflected in a number of its recent and ongoing initiatives:

1. Developing newer partnerships to support the implementation of the Africa Investment Climate Initiative, which was supported by initial funding of \$100 million contributed by Shell Foundation and Shell, Anglo-American, Unilever, SAB Miller, the Governments of the U.K., Netherlands and Ireland, as well as the IFC and the European Commission. The facility is a private sector-led, public-private partnership based in South Africa. It involves commitments from African governments, and the private sector contribution is not just financial but is meant to include insight, knowledge, and capability.
2. Aspire is the Foundation’s program designed to help under-served SMEs in Africa fulfill their potential – and to in turn bring in much-needed jobs and economic growth. Launched in 2005, it provides \$24 million to SMEs in Kenya, Uganda and Tanzania and plans to become Pan-African over the next few years. Aspire guides entrepreneurs through the provision of business development assistance, as well as provides them with financing. Its partnership structure includes Groffin, a specialist African business developer and financier that locally manages the program. It includes financing by European bilateral development banks (CDC, FMO, BIO) and local banks such as the Commercial Bank of Africa in Kenya.
3. Breathing Space tackles Indoor Air Pollution – caused by the use of fires and fuel burning stoves for cooking and heating in many developing world homes – by deploying approaches that are market-oriented and commercially viable. One of the Foundation’s main partners in this effort is The Appropriate Rural Technology Institute (ARTI), an Indian NGO. The approach involves using business tools and techniques and developing effective supply chains to ensure that local programs are self-sustaining prior to scale-up.
4. Shell Foundation’s Trading UP program specializes in applying supply chain development best practices to help small scale agricultural producers in Africa and Asia secure long term supply contracts with retailers in the U.K. and Europe. Products currently being sourced on a commercial basis include organic and fair trade cotton from India, flowers from South Africa, and dried fruit and honey from Uganda.



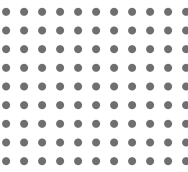
## SECTION 3: A CALL TO ACTION

*Public institutions, NGOs, foundations and private companies must act decisively to improve program delivery and address poverty*

### 3.1 SHORT TERM RECOMMENDATIONS

What is ultimately required to change the system and significantly increase the impact of every dollar invested in international development? The Task Force has identified 5 recommended actions:

1. **Create transparent reporting and standards for program delivery and supply chain performance:** Create meaningful measures of operational performance for all major development sectors. Create indices of performance that are reported on consistently and frequently. Define optimal performance for development supply chains in terms of cost and speed.
2. **Stop rewarding failure:** Direct resources to governments willing to set up appropriate policies and institutions for sustained development and to programs that show strong operational efficiency, build scalable programs, and make long term investments in building human and institutional capacity. This must be paired with reducing or discontinuing resources devoted to programs that show few results relative to their goals. Political considerations from the resource allocation process must be removed to enable this true focus on results.
3. **Use accountability to create a system that is responsive and dynamic:** Accountability to the needs of recipients must extend equally across donor countries, international development agencies, NGOs and national governments. Mutual accountability mechanisms that build coherence and alignment between increasingly diverse partners in development urgently need to be better understood and advanced, for example through “Accountability Compacts.”
4. **Leverage the expertise and dynamism of NGOs and companies to address urgent delivery challenges:** Private organizations – both companies and NGOs alike – have made great strides in improving program delivery through analyzing and restructuring their own supply chains. There is a need to immediately provide them the necessary funding and space to innovate, enabling the development of new and better programs and services.
5. **Set a bold goal to reduce inefficiencies and improve share of capital directed to products and services:** Within five years, the development community should aim to unleash at least \$10 billion in capital per year from the public development aid system by eliminating inefficiencies, creating scalable models and improving the accountability of the system.



### 3.2 LONG TERM RECOMMENDATIONS

In the medium to long term, the Task Force recommends a more fundamental change in how “business” is conducted in the development industry. The Task Force sees the core of these recommendations changes in the supply chain incentives and accountability mechanisms that are key drivers of delivery performance in the development sector.

This new approach requires altering the collaboration between public and private players that enables them to leverage each other’s strengths, mitigate weaknesses and deliver results. This requires a recognition of inter-dependence and how this can be operationalized through appropriate accountability approaches. Secondly, it requires a move away from accountability defined as organizational compliance (do not steal, live up to contracts, etc.) to a number of integrated activities that takes place over the lifecycle of a program and providing incentives for continuous improvement.

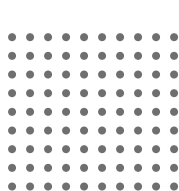
This new way of doing business in the development sector could be described as an “Accountability Compact,” which would be the definition of new structure for creating development programs. AccountAbility and Keystone have prescribed a number of steps and interventions that we believe are crucial in ensuring that development programs are responsive, results-oriented and efficiently implemented in the long term (see text box). This requires defining development outcomes through collaboration by public and private actors involved in a supply chain, engaging a diverse set of potential service providers, increasing transparency and independent oversight.

#### ACCOUNTABILITY COMPACTS FOR ENHANCED DEVELOPMENT OUTCOMES

Accountability deficits and misaligned incentives are a major cause of supply chain inefficiencies and ineffectiveness in delivering development products and services. To fix this, new institutional configurations that enable public and private actors to effectively collaborate – and thus mobilize their respective competencies – are needed. In addition, these players could create synergies from their inter-dependence by establishing agreed terms of mutual accountability or “Accountability Compacts.”

The Task Force’s analysis of the potential of Accountability Compacts, led by AccountAbility and Keystone, highlighted that they had to evolve over the life-cycle of a set of activities, rather than be established “as part of the activity.” In the cases examined that seemed most productive, the players came together while defining the problem and agreeing preferred outcomes, and only then moved to defining activities, success parameters and targets, resource requirements, etc. Accountability Compacts help organizations such as the Global Fund, the MFA Forum and many other multi-stakeholder initiatives to establish a clear basis for action based on principles of mutual accountability. The Task Force concluded that there was far less likelihood of success where such Compacts were not established.

The Task Force concluded that Accountability Compacts were most effective when they also moved beyond static accountability (a compliance approach) and embraced a dynamic accountability that built knowledge between the



partners, trust, institutional flexibility, learning and innovation. This higher form of accountability, the findings concluded, was characterised as being:

- *Reciprocal* - collaboratively developed and agreed
- *Accessible* - understood and monitored by all parties
- *Interpersonal* - framing on-going interaction and trust-building
- *Systemic* - multi-directional and for all players
- *Embedded* - in institutional and individual incentives

The Task Force recommends that the lessons learned from operating Accountability Compacts be used in supporting collaborative frameworks between public and private players in the efficient and effective delivery of public goods and services.

### 3.3 A PROGRAM OF ACTIONS AND INITIATIVES TO ILLUSTRATE POSSIBILITIES

The Clinton Global Initiative offers a unique opportunity to create visibility, develop partnerships and obtain a critical mass of resources (both human and financial) to facilitate change in the development sector. The Task Force has thus announced an initial set of action-oriented initiatives – between the private sector, NGOs and public agents – that it is considering or developing to respond to the delivery challenge.

#### NEW TOOLS AND APPROACHES

- **Independent Review and Survey of Development Institutions:** Introduce a standardized rating of donors and multilateral institutions in terms of their perceived relevance, effectiveness and efficiency.
- **Initiative for Development Efficiency, Accountability and Scalability (IDEAS):**

This initiative, which Dalberg is exploring through its Global Development Incubator, will research and disseminate findings on opportunities to increase cost-effectiveness and speed of development aid through rigorous supply chain analysis in critical sectors such as health care and infrastructure provision.

- **Applying Private Sector Management Tools:** Shell Foundation has adapted and will make available “opportunity framing,” value assurance and risk management techniques developed by various Shell Group businesses for wider use by the development community.

#### NEW INCENTIVES

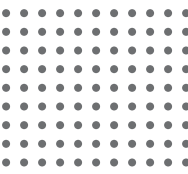
- **Portfolio of Development Prizes:** Create international awards to address discreet development needs such as clean water, distributed energy and infrastructure. Build on the successful model created by the X-Prize Foundation to foster a culture of innovation and problem-solving in the development arena.

#### NEW PRODUCTS

- **ICICI Bank – “Banking the Unbanked” Rural Banking Initiatives:** Replicate ICICI Bank’s India-based rural banking model in selected countries in Africa.

#### NEW PARTNERSHIPS

- **Accountability and Innovation:** Accountability, Shell Foundation and one or two major development agencies will explore the feasibility of applying supply chain approaches and Accountability Compact principles developed by the Task Force to select programs.
- **Private Sector Development Coalition:** This initiative, which is being explored by Dalberg and the Aspen Institute, will facilitate sharing of experience, replication and scaling-up of successful private sector and NGO models.



### 3.4 RECOMMENDATIONS TO KEY PLAYERS IN DEVELOPMENT

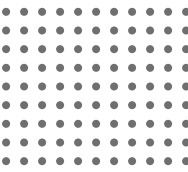
The Task Force challenges key players to demonstrate their leadership and take action to improve the performance of the development supply chains in which they are involved. Below are suggestions on how to take immediate action:

| ACTORS  | EXAMPLES OF IMMEDIATE LEADERSHIP ACTIONS THAT CAN BE TAKEN   |
|---|--|
| <b>Donors</b>   | <ul style="list-style-type: none"><li>• Require robust information on true supply chain performance and align incentives to end-to-end performance accountability</li><li>• Hold management of existing development institutions accountable for addressing weakness in their supply chains</li><li>• Pledge to no longer support programs that display long term poor performance, including due to ineffective and high cost supply chains</li></ul>     |
| <b>NGO's</b>  | <ul style="list-style-type: none"><li>• For advocacy organizations, hold development institutions and donors accountable for operational performance, and demand significant improvements in accountability and transparency across the supply chain</li><li>• For operational organizations, focus on measuring and improving efficiency of program delivery, for example by sharing centralized services to ensure lower cost</li></ul>                  |
| <b>National Governments</b>   | <ul style="list-style-type: none"><li>• Support responsible NGO players who can focus on accountability to final recipients by all players (both public and private)</li><li>• Invest in technology systems and standards to enable transparent and efficient management of resources</li></ul>  |
| <b>Foundations</b>  | <ul style="list-style-type: none"><li>• Use neutral role to encourage and support much more significant investments in understanding and addressing program delivery challenges</li><li>• Increase focus on the role and performance of grantee in the development supply chain</li></ul>  |
| <b>Companies</b>  | <ul style="list-style-type: none"><li>• Seize the opportunity to provide products and services that are sustainable, profitable and have a positive impact on development</li><li>• Use corporate foundations to engage in experimentation in support of new business models and products that can serve development purposes (mostly relevant for larger corporations)</li></ul>  |
| <b>Multilateral Development Institutions (UN, multilateral banks)</b> | <ul style="list-style-type: none"><li>• Significantly increase sophistication of management of development product and service delivery, and provide transparent data and reporting on performance</li><li>• Appropriately align incentives of staff to sufficiently focus on measurable operational and development outcomes</li><li>• Create formal and transparent accountability mechanisms in program design, implementation and monitoring</li></ul> |





# **ACKNOWLEDGEMENTS**



## ACKNOWLEDGEMENTS

SEPTEMBER 19, 2006

My colleagues at Dalberg and I wish to acknowledge the tremendous support, input and assistance of many individuals and organizations whose contributions have made it possible for us to deliver this Report of the Task Force. First and foremost, a special thanks to the Members of the Task Force and their Alternates. Safiatou Bannaw, Kurt Hoffman, K.V. Kamath, Robert Litan, Calisto Madavo, Linda Rottenberg, Simon Zadek, David Bonbright, Louise Hulme and Nachiket Mor brought an incredible range of experience to our discussions and a commitment to helping us make a difference.

I would also like to acknowledge the support of many members of the staff of the Clinton Global Initiative, including Sharon Deutsche-Nadir. Lael Brainard at Brookings, Head of the Enterprise Development Track at CGI 2005, provided invaluable encouragement and mentorship of our work – both through its initial stages of formulation and then in helping us focus our efforts as the Task Force was assembled and our early hypotheses were being tested and developed. Gayle Smith, Head of the CGI Poverty Track, has been equally supportive more recently in commenting on our work, sharing it with development colleagues and co-Members of the U.S. Government's HELP Commission, and in encouraging us to challenge the status quo.

William Easterly provided an early sounding board, even as he was in the midst of finalizing his thoughts on *The White Man's Burden*. Ruth Levine at Center for Global Development (CGDEV), Jim Orr at the Bretton Woods Committee, Richard Frank at Darby Overseas, Nils Fostvedt at the World Bank, Bruce Murray at ADB, and numerous others were regular sources of information, analysis and informed commentary. I would also like to thank many of the people from partner organizations who have invested their time as thought partners: Mildred Callear and Minchau Nguyen from Small Enterprise Assistance Funds; Elizabeth Littlefield, Alexia Latortue and Hannah Seidek from CGAP; Vidhya Muthuram from IFMR; David Schwarzbach of Net-1; Nandini Ooman from CGDEV; Brad Herbert of BH Associates; Chris van der Vorm from PharmAccess; Michele Moloney-Kisttsma and Reuben Granich from

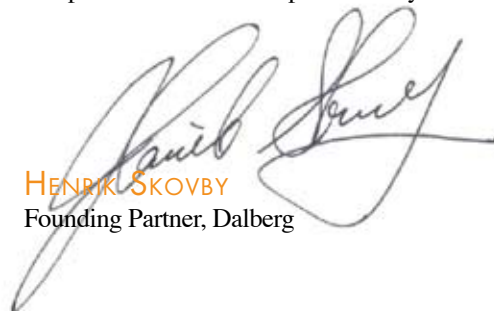
PEPFAR; Paul Clark from NRECA International; Bernardo Frydman from IADB/ PRI; and Patricia Dandonoli and Stephen Turner from WaterAid.

I would like to thank Shell Foundation and the Hewlett Foundation who have provided critical financial support to our project so far.

Nissim Ezekiel and Michael Barth served as co-Executive Directors of the Task Force during its conceptualization and formation phase. Following his appointment as Managing Director, Global Investment at Darby Overseas in April 2006, Michael continued to function as an Advisor to the Task Force as Miguel Schloss took on an even more important role. Scot Gallaher from Dalberg has functioned as the Project Manager for this effort. Daniella Ballou-Aares (Associate Partner, Dalberg NY, Paul Callan (Partner, Dalberg Europe), and Andrew Stern (Associate Partner, Dalberg Washington, DC) have been actively involved in facilitating the work and discussions of the Task Force. My personal thanks to the other members of the team, both from Dalberg and from outside, who have worked extremely hard in delivering this Report. In particular, I would like to mention Ruth Ben-Artzi, Joe Capp, Michele Demers, Christin Hokenstad and Kris Jacob.

Finally, under Simon Zadek and David Bonbright's overall guidance, AccountAbility and Keystone in London convened a dedicated and experienced team to contribute an important element of our thinking. This team included Alex MacGillivray, Alejandro Litovsky and Sasha Radovich.

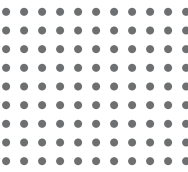
The results and recommendations of the Task Force are our responsibility, but the work could not have been completed without the help of so many.



HENRIK SKOVBY  
Founding Partner, Dalberg



# BIOGRAPHIES



## TASK FORCE MEMBERS

**Ms. Safiatou Ba-Ndaw** is currently Deputy Chief of Staff in the Office of the Prime Minister, République de Cote d'Ivoire. She is also co-founder of Africa Development Associates (ADA), a private sector company with the objective of repositioning the African private sector as the driving force behind the continent's development agenda. Prior to that, she served as Director of the Department of South-South Cooperation at the United Nations (2001-2004), working to promote policy dialogue among developing countries in support of the G77. During the 1990s, Ms. Ba-Ndaw was a member of the Government of Cote d'Ivoire, first as Deputy Minister in Charge of Transportation and Energy (1996-98), and then Cabinet Minister in Charge of Energy (1998-1999). She began her career as a Young Professional at the World Bank, and has work experience in Africa, Middle East, Eastern Europe & Asia.

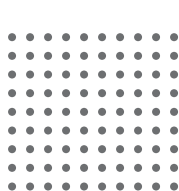


**Mr. Kurt Hoffman** is Director of the Shell Foundation. Mr. Hoffman joined Royal Dutch/Shell in 1997. Prior to joining Shell, his career as a development professional included a 10-year stint as a senior academic concerned with industry, technology, and international competitiveness at the University of Sussex and another decade and a half in senior advisory and operational assignments for governments throughout the developing world and international agencies such as the UN and the World Bank.



**Mr. K. Vaman Kamath** is the Managing Director and Chief Executive Officer of ICICI Bank Limited, the first Indian company listed on the NYSE. ICICI Bank functions as a universal bank through itself and its associate companies in the areas of corporate finance, commercial banking, investment banking, asset management, non-banking finance, investor services, broking and insurance. Mr. Kamath is a Member of the Governing Board on various educational institutions including the Indian Institute of Management-Ahmedabad, Indian School of Business, National Institute of Bank Management and Manipal Academy of Higher Education. He is also a Member of the National Council of Confederation of Indian Industry (CII).

**Mr. Robert Litan** is Vice-President of Research and Policy at the Kauffman Foundation. Mr. Litan has been affiliated with The Brookings Institution for nearly 20 years, first as a Senior Fellow and since 1996 as director of Economic Studies and holder of Cabot Family Chair in Economics. During his time



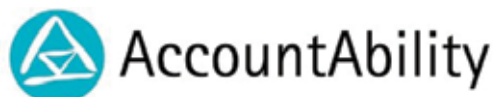
with Brookings, Mr. Litan authored or co-authored more than 25 books and 200 articles for professional journals and magazines. He has served on the staff of the Council of Economic Advisers (1977-79), as Deputy Assistant Attorney General in the Antitrust Division of the Justice Department (1993-95), and Associate Director of the Office and Management and Budget (1995-96). He also has been a consultant to the Treasury Department on financial policy issues.

**Mr. Callisto Madavo** is currently a Visiting Professor of the African Studies Program at Georgetown University. He previously held numerous senior level positions at the World Bank including as Regional Vice President for the Africa Region (1996-2004), Country Director for East Asia (1991-96), & Country Director for East Africa (1987-91). He has extensive experience in development work in a wide range of country program issues as well as on sectoral matters including urbanization in Asia, Africa, Latin America, and the Caribbean. He championed a number of initiatives during his time at the World Bank including those relating to HIV/AIDS, capacity development and infrastructure. He also serves today as Trustee of the International HIV/AIDS Alliance, and as Board Member – Foundation of Innovative Diagnostics.

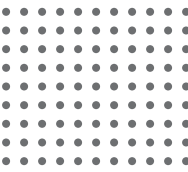
**Ms. Linda Rottenberg** is Co-Founder & CEO of Endeavor. Linda has spent the past decade promoting entrepreneurship, philanthropy and economic development in emerging markets. Recognitions include: selection as one of the 100 “Innovators for the 21st Century” by Time Magazine; selection as one of 100 “Global Leaders for Tomorrow” by the World Economic Forum; and, “Leading Social Entrepreneur” award by the Schwab Foundation. Linda is an active Term Member of the Council on Foreign Relations, member of the Yale Law School Executive Committee, member of the World Economic Forum’s steering committee on the Digital Divide, and member of various task forces on global philanthropy.

**Mr. Henrik Skovby** (ex-officio) is the Managing Director of Dalberg Global Development Advisors. Prior to founding Dalberg, he worked at McKinsey & Company, where he primarily served financial institutions and public sector organizations. Mr. Skovby has also previously worked for the UNDP on management issues, both at their headquarters and in the field. He has focused on identifying innovative ways to combine development and business objectives, while strengthening public institutions through improved strategic planning, financial management, change management, and investments in technology. Henrik holds a Masters in Public Administration from Harvard University and a degree in Business Economics from Copenhagen Business School.

**Mr. Simon Zadek** is Chief Executive of AccountAbility, the leading global organization advancing accountability innovations that support sustainable development. He is currently a Senior Fellow at Harvard University, and sits on the International Advisory Board of Instituto Ethos, the Advisory Board of Generation Investment Management, as well as co-Chairing the British Standard Institute’s Technical Committee responsible for developing its Sustainability Standard. In 2003 he was named one of the World Economic Forum’s ‘Global Leaders for Tomorrow.’







## ALTERNATES

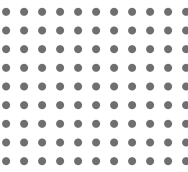
**Mr. David Bonbright** (Alternate to Mr. Simon Zadek) is founder and Managing Partner of Keystone (London). Most recently, David directed the Aga Khan Development Network's Civil Society Programme. As a grant-maker and manager with Aga Khan Foundation, Ford Foundation, Oak Foundation, and Ashoka: Innovators for the Public, David has sought to evolve and test innovative approaches to strengthening citizen self-organization for sustainable development as an alternative to prevailing bureaucratic, top-down models of social service delivery and social value creation. In 1990, on his return to South Africa, he entrepreneurship the development of key building blocks for civil society, including the first non-profit internet service provider, the national association of NGOs, the national association of grant-makers, and enabling reforms to the regulatory and tax framework for not-for-profit organizations.

**Ms. Louise Hulme** (Alternate to Ms. Linda Rottenberg) is the Vice President of Finance & Administration at Endeavor. Louise started at Endeavor in 2003 as Director of Entrepreneurial Services through the Harvard Business School (HBS) Service Leadership Fellows program, an initiative to place graduates into the non-profit sector. From this position, she was promoted to Director of Finance & Administration for Endeavor Global Inc., in 2004. Prior to joining Endeavor, she spent a number of years as a consultant for Monitor Company where she specialized in the media industry. This led to a corporate role at Granada (the UK's largest TV producer and broadcaster) where she led several mergers and acquisitions. She also spent time as a Venture Capital Associate at Geocapital before attending HBS, where she graduated with distinction.

**Dr. Nachiket Mor** (Alternate to Mr. K.V. Kamath) is Deputy Managing Director and responsible for the Corporate Banking Division of ICICI Bank. Dr. Mor has also been actively involved with the Social Initiatives Group at ICICI Bank and other developmental activities in the financial sector. Dr. Mor joined ICICI in 1987 as an Officer in the Corporate Planning and Policy Cell. In 1990 he took a sabbatical for higher studies and returned to ICICI in 1994 as Vice-President, Project Finance Group. In 1996, he moved to Treasury as Senior Vice-President and stayed on to head it as General Manager and then Senior General Manager. In April 2001, he was appointed as Executive Director (Corporate Banking and Treasury). Dr. Mor holds a PhD in Financial Economics from the University of Pennsylvania, and completed his MBA from the Indian Institute of Management, Ahmedabad, in 1987. While completing his PhD at Penn, Dr. Mor also worked with a Philadelphia-based hedge fund (Quantitative Financial Strategies) for about three years.

The background features a light gray dotted pattern at the top. Below this, there are several overlapping arrows pointing to the right. The arrows are in two shades of blue: a lighter blue and a darker blue. The arrows are of varying sizes and are positioned in a way that they appear to be layered on top of each other, creating a sense of depth and movement.

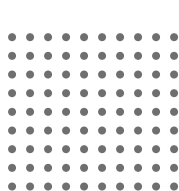
# **BIBLIOGRAPHY**



## BIBLIOGRAPHY

SEPTEMBER 19, 2006

- AccountAbility. 2006. *A21: Reinventing Accountability for the 21st Century*. London.
- AccountAbility. 2005. *Responsible Competitiveness: Reshaping Global Markets through Responsible Business Practices*. London.
- AccountAbility. 2005. *Looking Back – 1995/2005 10 Year Review. Looking Forward – Reinventing Accountability for the 21st Century*. London.
- Ananth, Bindu, Bastavee Barooah, Rupalee Ruchismita & Aparna Bhatnagar. 2004. *A Blueprint for the Delivery of Comprehensive Financial Services to the Poor in India*. Institute for Financial Management & Research. Chennai. December 2004.
- Barclays. June 2005. *Growing Me, Growing You: A Programme to Stimulate Growth Amongst Africa's Small and Medium Sized Enterprises*. London.
- Bate, Roger. American Enterprise Institute. 2006. *Medical Malpractice at the World Bank*. Washington, D.C.
- Birdsall Nancy. *Center for Global Development*. 2004. *Seven Deadly Sins: Reflections of Donor Failings*. Washington, D.C.
- Bradley, Bill, Paul Jansen and Les Silverman. May 2003. *The Nonprofit Sector's \$100 Billion Opportunity*. Harvard Business Review.
- Brainard, Lael & Vinca LaFleur. 2005. *Brookings-Blum Roundtable: Expanding Enterprise, Lifting the Poor: The Private Sector in the Fight against Global Poverty*. Washington, D.C.
- Bretton Woods Committee. 2005. "Recommendations to New World Bank Management," Washington, D.C.
- Brookings Institution. 2006. *Security by Other Means: Foreign Assistance, Global Poverty and American Leadership*. Edited by Lael Brainard. Washington, D.C.
- Business Week. November 28, 2005. *Special Report: Philanthropy 2005*. New York.
- Business Week. July 31, 2006. *Emerging Giants: Multinationals from China, India, Brazil Russia and even Egypt are coming on strong*. New York.
- Business Week. April 24, 2006. *The World's Most Innovative Companies*. New York.



Clinton Global Initiative. 2006. *Inspiring Change & Delivering Results*. New York.

Consultative Group for Assistance to the Poor (CGAP) Aid Effectiveness Initiative. 2004. *Microfinance Donor Peer Reviews*. Washington, D.C.

Center for Global Development (CGDEV). 2006. *When Will We Ever Learn? Improving Lives Through Impact Evaluation*. Report of the Evaluation Gap Working Group. Washington, D.C.

Center for Global Development. 2005. *The Hardest Job in the World. Five Crucial Tasks for the New President of the World Bank*. Washington, D.C.

Dalberg-Aspen Institute Conference. 2006. *Bringing the Best of the Private Sector to Development*. Aspen, Colorado.

DATA. 2006. *The DATA Report 2006: Keep the G8 Promise to Africa*. Washington, D.C.

Development Gateway. 2005. *Special Report-Aid Harmonization: What Will It Take to Meet the MDGs*. Washington, D.C.

Doane, Deborah. Fall 2005. *The Myth of CSR: The Problem with assuming that Companies can do well while also doing good is that markets don't really work that way*. Stanford Social Innovation Review.

Easterly, William. 2001. *The Elusive Quest for Growth*. Cambridge, MA: MIT Press.

Easterly, William. 2006. *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done so much Ill and So Little Good*. The Penguin Press.

Einhorn, Jessica. 2001. *The World Bank's Mission Creep*. Foreign Affairs v.80 no 5 (September/October 2001) p. 22-35.

Einhorn, Jessica. 2006. *Reforming the World Bank*. Foreign Affairs, January/February 2006.

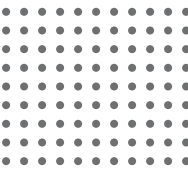
Ford Foundation Corporate Involvement Initiative. 2005. *Part of the Solution: Leveraging Business and Markets for Low Income People*. New York.

Fortune. July 10, 2006. *Warren Buffet Gives It Away*. New York.

Fortune. October 3, 2005. *Government Broke Down. Business Stepped Up. How Wal-Mart, FedEx and Home Depot got the job done after Katrina*. New York.

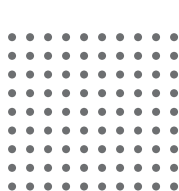
G8 Action Plan: *Applying the Power of Entrepreneurship to the Eradication of Poverty*, G8 Summit at Sea Island, June 2004;

Global Fund. *Resources Needed Funding the Global Fight Against HIV/AIDS, Tuberculosis and Malaria*, 2005. Geneva



- Hart, Stuart, L. 2005. *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most Difficult Problems*. Wharton School Publishing. New Jersey.
- Hoffman, Kurt. Shell Foundation. 2005. *Aid Industry Reform and the Role of Enterprise*. London.
- Initiative for Global Development. 2006. *The IGD Development Guide: A Business Approach to Ending Extreme Global Poverty*. Seattle.
- Institute of International Finance. 2006. *Capital Flows to Emerging Market Economies*. Washington, D.C.
- International Finance Corporation. 2006. *Choices Matter: 2005 Sustainability Report*.
- International Finance Corporation & The World Bank. 2006. *Doing Business in 2007: Creating Jobs*. Washington, D.C.
- International Finance Corporation. 2003. *Pathways Out of Poverty: Private Firms and Economic Mobility in Developing Countries*." Edited by Gary S. Fields & Guy Pfeffermann. Kluwer Academic Publishers, Massachusetts.
- Kramer, Mark and John Kania. Spring 2006. *Changing the Game: Leading Corporations Switch from Defense to Offense in Solving Global Problems*. *Stanford Social Innovation Review*.
- Lerrick, Adam. 2006. *Forgive the World Bank but Don't Forget: Debt Relief Should Fund a Turnaround in Development Aid*. American Enterprise Institute, Washington, D.C.
- Lodge, George and Craig Wilson. 2006. *A Corporate Solution to Poverty: How Multinationals Can Help the Poor and Invigorate Their Own Legitimacy*. Princeton University Press, Princeton, New Jersey.
- Maxwell, Simon. 2006. *What's Next in International Development? Perspectives from the 20% Club and the 0.2% Club*. Overseas Development Institute (ODI). London.
- Menocal, Alina Rocha & Sarah Mulley. 2006. *Learning from Experience? A Review of Recipient Government Efforts to Manage Donor Relations and Improve the Quality of Aid*. Overseas Development Institute (ODI). London.
- Menocal, Alina Rocha & Andrew Rogerson. 2006. *Which Way the Future of Aid? Southern Civil Society Perspectives on Current Debates on Reform to the International Aid System*. Overseas Development Institute (ODI). London.
- Menocal, Alina Rocha with Simon Maxwell & Andrew Rogerson. 2006. *The Future of Aid: User Perspectives on Reform of the International Aid System*. Overseas Development Institute (ODI). London.
- Mistry, Percy S. 2005. *Reasons for Sub-Saharan Africa's Development Deficit that the Commission for Africa did not Consider*. African Affairs (September 23, 2005).





Mor, Nachiket. 2006. *Institute of Financial Management & Research. Some Thoughts on Access to Markets as a Strategy to Address Poverty*. Chennai, India.

Mor, Nachiket. 2006. *Financial Inclusion Experience from India*. Speech given on behalf of ICICI Bank at the IDB Annual Meeting, Brazil, March 31, 2006.

Mor, Nachiket. 2005. *Expanding Access to Financial Services – Where do we go from here?* Institute for Financial Management & Research. Chennai. March 2005.

New York Times. August 13, 2006. *Bill Gates' Charity Races to Spend Buffet Billions*. New York.

Oppenheimer, Nicky. 2005. *Africa needs a Hands-Up, not a Hand-Out*. Speech by Chairman, De Beers, at the International Institute for Strategic Studies. London.

OECD/Development Assistance Committee (DAC). 2005. *Second Meeting on Scaling Up For Results*. Paris.

OECD Journal on Development. 2006. *Development Cooperation Report 2005*. Paris.

OECD and World Bank. 2005. *Harmonization, Alignment, Results: Progress Report on Aid Effectiveness*. Paris.

OECD/DAC. 2006. *Managing for Development Results – Principles In Action: Sourcebook on Emerging Good Practices*.

Overseas Development Institute (ODI). 2006. *Annual Report 2006: What's Next in International Development?* London.

Oxfam International. 2006. *Causing Hunger: An Overview of the Food Crisis in Africa*. London.

Pfeffermann, Guy. December 26, 2005. *Give Africa's B-Schools a Boost*. Business Week, New York.

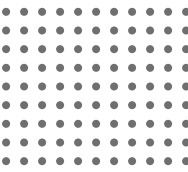
Prahalad, C.K. 2004. *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profit*. Wharton, Philadelphia.

Rodrik, Dani. 2006. *Goodbye Washington Consensus, Hello Washington Confusion?* Journal of Economic Literature.

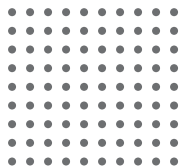
Sachs, Jeffrey, D. 2005. *"The End of Poverty: Economic Possibilities for our Time."* The Penguin Press, New York.

Schloss, Miguel. 2005. *Recasting Governance for the XXI Century*. Development Gateway, Washington, D.C.

Schloss, Miguel. 2002. *Civil Society Monitoring of Public Management: Improving Public Sector Procurement in Latin America*. Berlin.



- Shell Foundation. 2005. *Enterprise Solutions to Poverty: Opportunities and Challenges for the International Development Community and Big Business.* London.
- Small Enterprise Assistance Funds. 2004. *The Development Impact of Small and Medium Enterprises: Lessons Learned from SEAF Investments.* Washington, D.C.
- The Economist. November 5, 2005. *The Hidden Wealth of the Poor: A Survey of Microfinance.* London.
- The Economist. February 25, 2006. *The Business of Giving: A Survey of Wealth and Philanthropy.* London.
- The Economist. July 1, 2006. *Special Report: Billanthropy – The New Powers in Giving.* London.
- The Economist. June 17, 2006. *The Physical Internet: A Survey of Logistics.* London.
- Transparency International. 2005. *Annual Report 2005.* Berlin.
- Transparency International & UNDP. 2006. *Corruption and Governance Measurement Tools in Latin American Countries.* Berlin.
- UBS. Research Focus. August 2006. *Commodities: Scarcity of Abundance.* Zurich.
- U.K. Government, DfID. 2005. *Report of the Commission for Africa – Our Common Interest.* London.
- U.K. Government, DfID. 2006. *A White Paper on International Development–Eliminating World Poverty: Making Governance Work for the Poor,* London.
- U.K. Government. 2006. *G8 Gleneagles: One Year On – Turning Talk into Action.* London.
- U.K. Government. DfID. 2006. *DfID’s Medium–Term Action Plan on Aid Effectiveness: Our Response to the Paris Declaration.* London.
- UNDP: The Report of the Commission on the Private Sector & Development to the Secretary General of the U.N.: *Unleashing Entrepreneurship: Making Business Work for the Poor;* New York, March 2004
- UN Millennium Project Report to the Secretary General. 2005. *Investing in Development: A Practical Guide to Achieve The Millennium Development Goals.* New York.
- van Kerkhoff, Lorrae & Nicole Szlezak. 2006. *Linking Local Knowledge with Global Action: Examining the Global Fund to Fight AIDS, Tuberculosis and Malaria through a Knowledge System Lens.* Bulletin of the World Health Organization. August 2006. Geneva.
- World Bank Operations Evaluation Report. 2004. *Improving Investment Climates: An Evaluation of Bank Group Assistance.* Washington, D.C.



World Bank, Operations Evaluation Department. 2005. *OED Review of Bank Assistance for Financial Sector Reform*. Washington, D.C.

World Bank. 2005. *Presidential Investors' Advisory Councils in Africa: Impact Assessment Study*. Washington D.C.

World Bank. 2006. *Global Development Finance 2006*. Washington, D.C.

World Bank, Independent Evaluation Group. 2006. *From Schooling Access to Learning Outcomes: An Unfinished Agenda – An Evaluation of World Bank Support to Primary Education*. Washington, D.C.

World Bank, Operations Evaluation Department. 2005. *Improving the World Bank's Development Effectiveness – What Does Evaluation Show?* Washington, D.C.

World Bank. 2006. *Strengthening Bank Group Engagement on Governance and Anticorruption*. August 2006, Washington, D.C.

World Economic Forum. 2006. *Building on the Monterrey Consensus: The Untapped Potential of Development Finance Institutions to Catalyze Private Investment*. Geneva, Washington D.C.

World Business Council for Sustainable Development. 2006. *From Challenge to Opportunity: The Role of Business in Tomorrow's Society*. Geneva.

Zadek, Simon. 2005. *Building Accountability*. London.





## **NY OFFICE**

205 EAST 42ND STREET, SUITE 1830

NY, NY 10017

TEL. 212-867-4447/ FAX. 212-867-5554

## **WASHINGTON DC OFFICE**

818 18TH ST. NW, SUITE 505

WASHINGTON DC 20006-3523

TEL. 202-659-6570/ FAX. 202-659-6863

## **OVERALL CONTACT:**

HENRIK SKOVBY

HENRIK@DALBERG.COM

## **HEALTH CONTACT:**

DANIELLA BALLOU-AARES

DANIELLA@DALBERG.COM

212-338-4104

## **SMALL MEDIUM ENTERPRISE CONTACT:**

SCOT GALLAHER

SCOT@DALBERG.COM

202-659-6570