

## Annual Review - Summary Sheet

<b>Title:</b> Business Innovation Facility – Phase 2 (BIF2) / Business Innovation Facility		
<b>Programme Value:</b> £32,279,000 (budget for BIF Phase 2)		<b>Review Date:</b> January 2017
<b>Programme Code:</b> 114178 203964	<b>Start Date:</b> Jan 2010	<b>End Date:</b> 31 March 2019

### Summary of Programme Performance

Year	Dec 10	Jan 12	Jan 13	Mar 14	Jan 15	Jan 16	Jan 17
Programme Score	71.25	71.25	A+	A	A	A	A+
Risk Rating	Medium	Medium	Medium	Medium	Medium	Medium	Moderate

### Summary of progress and lessons learnt since last review

#### Overview

BIF operates in private sector markets in African and Asian countries to improve their productivity in ways which benefit poor men and women.

BIF's progress against outputs has accelerated significantly in 2016 and exceeded expectations. Far more businesses and other organisations have been supported than projected (162 achieved vs 101 planned). While fewer than anticipated of these have "adopted" change - i.e. taken the first step towards an improved approach – (47 achieved vs 60 planned) more than anticipated have taken the more significant step of "adapting" that change – i.e. fully building it into their business model (16 achieved vs 8 planned). The programme is also generating a strong presence in its markets, for example, exceeding targets for producing and sharing insightful analytical reports and hosting influential events.

BIF has exceeded its outcome targets. BIF's targeted "outcomes" are to support "expansion", i.e. to encourage other firms to copy the successes of those the programme supports, and to ensure the market "responds", i.e. by improving market conditions, such as the regulatory framework. No such change had been anticipated at this stage, yet the programme has already contributed results in both areas.

There has already been progress towards BIF's final impact targets: helping poor men and women, by improving jobs, increasing incomes and providing access to beneficial goods and services. The majority of these results are expected towards the end of BIF's. If successful, its impact will continue and expand beyond BIF's life, as successful business models are copied widely, supporting further market improvement.

The challenge and complexity of BIF will increase in its remaining two years, requiring careful management to ensure it achieves its objectives. Support under the "country window" is now more focused on achieving market "expansion" and "response", which is more challenging. Support under the "company window" is new, but could achieve big results. BIF is also investigating new ways of operating which will make it more responsive to working with firms. Ensuring success will require careful management by DFID and continued strong delivery by the implementers.

#### The County Window

Key achievements and lessons learned are set out below

##### Burma/Myanmar<sup>1</sup>

- *Key achievements* –
  - Garments - productivity and human resource training has begun to show big impact, e.g. a 54% reduction in employee turnover, a signal of improved worker satisfaction and associated with increased production. A randomised control test is underway which will provide credible evidence on the impact of such training helping ensure other firms copy successes.
  - Bamboo – activity in this market was designed, approved and begun.

<sup>1</sup> Hereafter referred to simply as "Burma".

- *Lessons Learned* - There are significant skill shortages in the local market. Judgement is needed in how far to use international consultants to help achieve results in the short-term versus use of local providers to help develop long-term capacity.

## Malawi

- *Key achievements* –
  - Pigeon Peas – BIF has persuaded seed sellers to try selling improved seeds in smaller bags and helped pilot the approach, leading to large scale uptake by 6000 farmers. This should contribute to significant productivity improvements.
  - Solar Products –BIF has learned from difficulties selling more expensive solar products and is looking at refocusing efforts on working with distributors of cheaper, grey-market products. This is a positive sign of adapting the programme’s approach constructively.
  - Staffing - Responding to previous concerns, the implementing team has been strengthened, including through the appointment of a new country manager and additional market experts.
- *Lessons Learned* -
  - When offered appropriate new products, smallholder farmers are ready to adopt new approaches and technologies. This requires careful design (e.g. the right pack size), accessible sales channels, affordable prices and effective communication
  - Some lead businesses worked with have not been willing or able to support the programme’s objectives. Managing this issue requires careful selection of partners initially and a willingness to seek alternative ones when necessary.

## Nigeria

- *Key achievements* –
  - Cassava and Maize markets - successful promotion of a “contract farming” approach, which has attracted the interest of large-scale firms.
  - Dairy market – BIF has promoted use of Napier grass as a feed for cows which can lead to large increases in milk production and has resulted in huge interest in the industry.
- *Lessons Learned* - Financing has proved a critical barrier to raising smallholder farmers’ productivity. This constraint is being tackled in the out-growers farming model by getting contractors to provide inputs to the farmers on condition of purchasing their output at agreed prices.

## **The Companies Window**

BIF has begun work to help poor people get access to affordable anti-bacterial soap in Pakistan, in conjunction with Reckitt Benckiser (a producer of soap), thereby improving the health of consumers and creating income-generating opportunities for sellers. Further opportunities with other companies are being explored.

The pilot phase has shown there is potential for using a “market systems” approach, initiated in response to firms’ desire to expand operations in developing countries, in ways which help the poor and align with firms’ commercial interests. This has big potential to make DFID more responsive to opportunities for working with large firms, enabling them to contribute to large scale poverty reduction. It has also demonstrated firms’ appetite for working with DFID in this way. It has, however, proved slower than expected to identify such opportunities with firms, and reach agreement on how projects are designed.

## **Summary of recommendations for the next year**

### The BIF implementing team should:

1. promote replication of successes achieved by publicising results and examining other means of stimulating take up by other firms;
2. continue to test assumptions about how outputs are leading to outcomes and impact on a regular basis, including through collection of primary data; update the logframe and value for money measures if necessary based on this;
3. retain its international expert in Burma until the end of the programme, given the difficulties finding suitable local staff;
4. update projected results to take account of when agricultural harvests occur (by April 2017);
5. include the companies window activities in results projections (by April 2017);
6. strengthen coordination with related programmes funded by DFID and others.
7. consider further how BIF can strengthen its gender impact and reporting (by April 2017).

DFID should:

1. expand activities under the “company window”, given the early promise shown. Preparations should be made for fuller implementation (by April 2017);
2. consider whether to reprioritise funding between markets in each country, or between countries, based on analysis of progress to date and potential future impact (by April 2017).

## A. Introduction and Context

DevTracker Link to Business Case:	<a href="#">Business Case</a>
DevTracker Link to Log frame:	<a href="#">Logframe</a>

### Outline of the programme

The **Business Innovation Facility** (‘BIF’) phase 2 is a five year, DFID-funded programme which aims to improve the lives of the poor in three countries: Malawi, Burma, and Nigeria. BIF takes a **market systems development** approach, recognising that markets are intricate networks of businesses, consumers, workers, and other actors. The poor are typically disadvantaged in market systems, unable to access consumer products, find worthwhile employment, or sell their produce at a decent profit. BIF supports the development of new models and ideas to address underlying reasons why the poor do not benefit from existing market systems, in order to contribute to sustainable and scalable poverty reduction.

A **pilot phase of BIF** ran from July 2010 to December 2013, during which BIF supported businesses to develop, embed, or expand innovations that could positively impact poor people. During its first phase, BIF took a challenge fund-led approach.

Building on the results of the pilot, the **second phase of BIF** was launched in late 2013, with a planned completion date of March 2019. The total budget for the second phase of BIF is £32.3m.<sup>2</sup> This phase began in Burma in September 2013, in Malawi in October 2013, and in Nigeria in April 2014. It works in 11 markets across those 3 countries. In Burma these are garments, tourism and bamboo. In Malawi these are pigeon peas, rice and pico solar products. In Nigeria these are Cassava, Information Services, Maize, Aquaculture (fish) and dairy. Within those markets, BIF works with a wide variety of market actors, including businesses, industry bodies, policy makers and NGOs, to ensure that new business models are replicated by competing firms and supported by other market actors. Through this approach, BIF aims to create impact beyond the original innovation.

As well as the three country windows described above, a ‘company-led’ window began in July 2015. Rather than focusing on pre-selected countries, this window is looking to build partnerships with large/multi-national companies that will benefit low-income people in DFID’s priority countries.

## B: PERFORMANCE AND CONCLUSIONS

### Annual outcome assessment

The outcome in BIF’s logframe is the indirect market uptake of innovations that will increase both the extent to which, poor producers, consumers, and employees participate in the market system, and therefore increase their income and welfare. Outcomes will be measured through two indicators: the expansion of innovation amongst other market players, using as an indicator the number of other market players adopting or adapting the innovation (disaggregated by direct/indirect support); and the market response, which will be measured through the percentage of BIF interventions that can be credibly linked to the change or introduction of market ‘supporting functions’ and ‘rules’.

Despite having no targets at the outcome level in the logframe this year, there are some results to report. This provides encouraging early signs that systemic change is taking place in some markets, and that the programme is gaining traction as a trusted and effective facilitator. The strongest progress has been

<sup>2</sup> The total contract value includes contracted amounts of £5.9m for Burma, £6.0m for Malawi, £10.0m for Nigeria, a flexible grant facility of £1.7m which can be used across the BIF countries, and a flexible facility for the ‘company-led window’ of £0.89m. The remaining budget is expected to be contracted during the next 12 months.

made in the Nigerian dairy, maize and information services markets. Overall, there are 9 instances of Nigerian firms which were not supported adopting approaches used by those who were.

There are early signs of progress towards BIF's final impact targets which are to help poor men and women, by improving jobs, increasing incomes and providing access to beneficial goods and services. Early results expected in 2016 were exceeded for people benefitting from improved working conditions (2600 achieved vs 1400 projected) and new or improved goods/services used (1100 achieved vs 600 projected). Incomes increased are below expectations (400 achieved vs 20,000 projected). However, this is primarily due to agricultural harvests occurring later than assumed – it is anticipated given outputs and outcomes met to date that these results will be achieved, albeit a few months later than initially expected.

## Overall output score and description

A+ Outputs moderately exceeded expectation. The performance at country level is: Burma A+; Malawi A+; Nigeria A+ (See Annex 2 for a detailed breakdown).

### Overview by output

- Output 1 (A+) – this output concerns BIF pursuing credible strategies and interventions within focus markets. It is moderately exceeding expectations in large part due to rapid progress in Burma. Malawi and Nigeria moderately exceeded expectations.
- Output 2 (B) – this output concerns firms and other organisations “adopting” innovations. Progress fell short of milestone targets in Burma. This is mostly due to delays in the adoption of tourism products. Malawi and Nigeria moderately exceeded expectations.
- Output 3 (A+) – this output concerns firms and other organisations “adapting” innovations. All countries exceeded expectations. Nigeria, in particular, achieved 5 adapts where none was projected.
- Output 4 (A+) – this output concerns BIF facilitating broader market change. All countries exceeded or met targets. Overall, 11 learning products (e.g. reports.) were achieved against a target of 4 and 32 events (e.g. conferences) were convened against the target of 4. Although the third indicator did not have any targets this year, 6 “collaborations” (i.e. arranging links between firms and other organisation types which are likely to help productivity growth) were facilitated.

### Overview by country

- *Burma* - 106 firms or organisations were supported, almost double the target. Of these 23 have “adopted” (below target) and 9 “adapted” the change (above target). Market change was achieved by disseminating four analytical reports, hosting 24 conferences and supporting three new relationships between firms and other organisations (above target). The BIF can arguably be said to have contributed to improvements in wider market conditions in both the garments and tourism markets.
- *Malawi* - Support is now being provided to 22 firms or organisations, of which 11 have “adopted” and 2 “adapted” the change – all above targets. 9 activities have been carried out aimed at achieving broader market change (e.g. organising visits by large numbers of farmers to farms piloting new approaches), again above the targeted number.
- *Nigeria* - Support is now being provided to 33 firms or organisations, of which 13 have “adopted” and 5 “adapted” the change – all above targets. 9 activities have been carried out aimed at achieving broader market change (e.g. dissemination of a workable business model for cassava out-grower farming), again above the targeted number. Additionally, 9 firms who were not supported copied the approach of those who were.

## Has the logframe been updated since the last review?

The following changes to the logframe were made during the past year:

	New Revised logframe structure & indicators - March 2016	Old (last approved) logframe structure & indicators -2014
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OUTCOME*	Outcome Indicator 1 - Expansion of innovation amongst other market players	Outcome Indicator 1 - Expansion of innovation amongst other market players
Market uptake of innovation	1.1 Number of other market players adopting or adapting the innovation. (Disaggregated by direct/indirect support)	1.1 Number of other market players adopting or adapting the innovation within the focus market who have not received direct support from BIF2
	Outcome Indicator 2 - <u>Deeper market response</u>	Outcome Indicator 2 - <u>Deeper market response</u>
	2.1 Percentage of interventions in which changes in 'supporting functions' can be credibly linked to innovations supported by BIF	2.1 Number of 'supporting functions' changed or introduced which can be credibly linked to innovations supported by BIF2
	2.2 Percentage of interventions in which changes in 'rules' can be credibly linked to innovations supporting BIF	2.2 Number of 'rules' changed or introduced which can be credibly linked to innovations supported by BIF2
Output 4 BIF facilitates broader market change.	4.1 Number of learning products produced and disseminated by BIF.*	4.1 Number of other market players adopting or adapting an innovation who have received direct support from BIF2
	4.2 Number of events held by BIF that convene other market players**	
	4.3 Number of collaborations facilitated by BIF between other market players or development partners. ***	

Two new footnotes were added to the logframe: (i) “\*\* Market players, here and elsewhere in the logframe refer to any player with influence in the market, including businesses, farmers organisations, governments, etc.” and (ii) “Impact figures (in case of scale and income) include both direct and indirect”.

## C: DETAILED OUTPUT SCORING

Output Title	BIF pursuing credible strategies and interventions within focus markets		
Output number per LF	1	Output Score	A+
Risk:	Moderate	Impact weighting (%):	40%
Risk revised since last AR?	N	Impact weighting % revised since last AR?	N

Indicator(s)	Target	Achieved
1.1 Market strategies developed and approved by DFID	11	11
1.2 Interventions developed including: partnerships with market actors with the potential to address root causes of market underperformance; logical results chain showing how BIF2 expects to improve market system and benefit the poor; indicators showing how intervention will be assessed	33	34

Indicator(s)	Target	Achieved
1.3 % of market strategies and interventions revised, at a minimum on an annual basis, informed by BIF2 ongoing learning in focus markets	<b>100%</b>	<b>100%</b>
1.4 Number of BIF service recipients <sup>3</sup> .	101	<b>162</b>
1.5 % of intervention plans with objectives and plans for wider systemic change beyond the direct beneficiaries of BIF2 support	100%	<b>100%.</b>

## Key Points

**This output scored A+ for having moderately exceeded expectations.** This score is primarily being given because on indicator 1.4, results have exceeded targets by 91% in Burma and 32% in Nigeria. All other targets are on track.

## Summary of responses to issues raised in previous annual reviews

- **Recommendation:** “Over the next year BIF 2 will need to continue to focus heavily on implementation.”
- **Response:** In 2016, BIF accelerated implementation in all three countries as demonstrated by the number of additional service recipients brought on board and new interventions launched.

## Future Recommendations

Over the next year BIF will need to continue to focus on implementation and on identifying more service recipients that offer good prospects of adopting or adapting innovative business practices.

Output Title	First mover market players <b>adopt</b> innovations		
Output number per LF	<b>2</b>	Output Score	<b>B</b>
Risk:	<i>Moderate</i>	Impact weighting (%):	<i>20%</i>
Risk revised since last AR?	<i>N</i>	Impact weighting % revised since last AR?	<i>N</i>

Indicator(s)	Milestones	Progress
2.1 Number of first mover market players adopting innovations who have received direct support from BIF2	<b>Burma:</b> 38 (14 garments, 22 tourism, 2 bamboo)	23 (13 garment, 9 tourism, 1 bamboo)
	<b>Malawi:</b> 10 (3 pigeon peas, 3 solar products, 4 rice)	11 (5 pigeon pea, 3 solar products, 3 rice)
	<b>Nigeria:</b> 12 (1 cassava, 2 information services, 3 maize, 3 aquaculture, 3 dairy)	13 (1 cassava, 1 information services, 4 maize, 3 aquaculture, 4 dairy)

## Key Points

**Scored B: Outputs moderately did not meet expectation.** This is mainly due to the performance in Burma, where the number of service recipients adopting innovations is lagging behind the target. In Malawi and Nigeria, the achievements were on track.

## Burma

<sup>3</sup> The definition BIF uses for output indicator 1.4 (Number of BIF service recipients) is: An organisation which has received financial support from BIF and/or technical support from a BIF-funded consultant, with the aim of facilitating them to adopt a new behaviour. This commences from the signing of the service recipient agreement or the start of service delivery.

- *Garments* - 13 garment factories participated in training activities in two batches. The training was provided to supervisory and technical staff. Tentative results from the Randomised Control Trial (RCT) suggest that improvements have been realised in some indicators of worker welfare (absenteeism and employee turnover). Further analysis of the RCT data and more data from the end line is needed to demonstrate the full impact of the training.
- *Tourism* - Nine of the 23 tourism businesses that received funding as part of the 2015 “Product and Package Innovation Competition” (PPIC - a BIF run competition to support those developing new tourism business models) have started implementing their projects and are making sales. However, others experienced delays in implementation for reasons including lack of experience in managing a business and delays getting licenses. BIF has redesigned the PPIC operating procedures and enhanced the training provided to companies to strengthen their capacity and accelerate adoption.
- *Bamboo* – with BIF support, the Myanmar Rattan and Bamboo Entrepreneurs Association hosted an event to raise awareness of bamboo’s potential and create market linkages.

### Malawi

- *Pigeon peas* – The pace of adoption has accelerated with a range of new firms coming on board. Most notably, Peacock, Global and Pindulani seed companies were helped to design and market and approach to package certified seed into smaller packs more suitable for smallholders
- *Pico Solar Products* – This has been a difficult market for BIF, but there have been good signs of adapting the approach in response to challenges encountered. For example, BIF initially supported Powered by Nature (PbN) to implement a marketing and distribution strategy to sell solar lights to a farmers membership organisation. PbN later withdrew from the project but MEGA (an energy social enterprise) was encouraged by its results and has secured orders from the farmers.
- *Rice* – support has expanded in this sector, for example with Mtalimanja Holdings Ltd. which has commenced a seed multiplication pilot

### Nigeria

- *Maize* – Despite difficulties stimulating change in traditional market, BIF has supported three large farms (Anadariya, Efugo and Abhal) to use a contract farming model (involving small holders) supported by supply of certified seed. There are early signs of productivity improvements.
- *Dairy* – BIF supported trials of new “Napier” grass for use as commercial pasture with two organisations (Ladugga cooperative and Majestik farm). Initial tests showed milk yield increases of 250%. BIF has supported animal care providers to convert into dairy extension-service providers, which are currently rare in Nigeria. This will help smallholders gain access to industrial markets by improving milk handling and hygiene.
- *Information and Advisory Services* - BIF has supported the introduction of agriculturally informative radio programming in conjunction with Aso Radio, Abuja. A challenge remains that most media companies are state owned and managed, limiting responsiveness to commercial incentives.
- *Cassava* – work in this market has been hampered by farmers’ low access to finance, impeding them from adopting new approaches. Nonetheless, BIF has helped a farm (Crest Agro) successfully adopt an out-grower model which will involve small holders producing for a processing plant.
- *Aqua* – progress in the sector has been affected by depreciation of the Naira, limiting feed import. BIF responded by refocusing, including on fish hatchers. BIF has supported large hatchers (Fish Shoal Ltd., Roma Farms and Mufets Farms) to link with smaller hatchers, enabling them to better meet local demand.

### **Summary of responses to issues raised in previous annual reviews**

- Recommendation: “The pace of implementation needs to be intensified to ensure that the delivery of services translates into operational changes.... In some cases, the path between receipt of service and changes in behaviour has to be better understood and services may need to be adjusted accordingly... If necessary, interventions should be deepened through the provision of more direct company level services through local service providers based on agreed cost sharing principles.”
- Response: In Burma, there has been stronger follow-up with garment factories to ensure they are adopting the techniques taught. Also, further support has been provided to tourism firms applying for and receiving funding, to enable them to implement better their plans. In Malawi, BIF accelerated



implementation in 2016 by identifying new partners to work with in all 3 markets. It also provided additional support to those already involved to improve implementation.

## Future Recommendations

In general the pace of implementation needs to be further intensified to increase the number of businesses supported that “adopt” innovative practices.

### Burma

- *Garments* – finalising evidence on the impact of the training provided on worker welfare and productivity will enable BIF to help other companies learn the lessons and copy successes. Thought should be given to how to communicate these lessons most influentially within Burma, and elsewhere.
- *Tourism* - A priority should be to make the PPIC sustainable. BIF is facing difficulties finding an institution which has suitable incentives and funds to take ownership of this challenge fund longer term. Consideration should be given to the impact on the programme if one cannot be found.
- Support to establishing “travel hubs” promoting new tourist destinations in Burma should be based on a clear business plan that demonstrates their financial viability.

### Malawi

- *Pico Solar Products* – BIF should further investigate the potential to achieve its objectives by working with the grey market (comprising products which do not meet all relevant standards)
- *Rice* – Further analysis is needed on the effects of the application of certified seeds on rice yields under non-irrigated conditions.
- *Pigeon Peas* – BIF should analyse whether and how imports of pigeon peas from Tanzania feature in exports from Malawi, and what impact that has on production in Malawi.

### Nigeria

- *General* - Business cases should be developed for the introduction of new business activities with support from BIF, such as for the commercialisation of Napier grass at Majestik Farms and the distribution of certified maize seeds by Value Seeds. This will support replication.
- More transparency is required in the arrangements between outgrowers or contract farmers and the companies they are supplying in terms of the costs charged for the use of the land and inputs provided.
- To support scale up of the interventions supported by BIF, reasonable cost sharing arrangements should be agreed upon.

Output Title	First mover market players <b>adapt</b> innovations		
Output number per LF	<b>3</b>	Output Score	<b>A+</b>
Risk:	<b>Major</b>	Impact weighting (%):	<b>20%</b>
Risk revised since last AR?	<b>N</b>	Impact weighting % revised since last AR?	<b>N</b>

Indicator(s)	Milestones	Progress
3.1 Number of first mover market players continuing independent activity around innovations	<b>Burma:</b> 7 (4 garments, 5 tourism)	9 (4 garments, 5 tourism)
	<b>Malawi:</b> 1 solar products	2 (1 rice, 1 pigeon peas)
	<b>Nigeria:</b> None	5 (4 dairy, 1 maize)

## Key Points

Output score **A+ score: moderately exceeded expectation.**

### Burma



- *Garments* - Firms “adapting” include four garment factories that benefited from the training as part of batch 1. These factories continue to demonstrate commitment to change and have applied the training throughout their factories also after the BIF training and follow-up support had ended. Tentative initial results of the RCT demonstrate that these businesses experienced improvements in worker welfare and productivity.
- *Tourism* - five tourism businesses that participated in the 2015 PPIC have finished piloting their inclusive products/packages and have integrated them into their business.

#### Malawi

- *Rice* - A diversified rice miller Fadamz used its own resources to recruit a South African rice operations manager to help it scale up rice milling after BIF “opened our eyes” to the possibility of expanding their domestic purchase and milling operation.
- *Pigeon Peas* - Farmers Organization Ltd, the maker of crop protection products, reduced its pack size and contents for treating pigeon peas to make it more affordable and relevant for farmers with extremely small land sizes upon BIF’s recommendation. It later did the same for pack sizes with other crops to target small scale farmers.

#### Nigeria

- *Dairy* - BIF facilitated the planting of Napier grass by the Ladugga Pastoralist Cooperative, which went on to plant this further on other land. BIF supported Majestik Farms to do the same. Despite initially poor results at Majestik – which were due to poor management – BIF analysis on how problems could be addressed led to the farm increasing the area under Napier cultivation with their own funds.
- The women in the 2 cooperative associations (Ladugga and Falgore) who received training in yoghurt production have gone on to provide training to a number of other women in their organisations, leading to a widespread uptake of this innovative practice since the training.
- *Maize* - Efugo Farms, one of the service recipients under the contract farming intervention, is applying the maize business model for the production of castor seed. Farmers that are part of the contract farming initiative also tend to introduce the new approach on their own farms. Value Seeds expanded the outreach of the sale of kits by opening kiosks in villages through which the kits are sold. It has also developed a kit for rice cultivation.

#### **Future Recommendations**

Targets for this indicator continue to increase sharply in year four so significant focus still needs to be put on expediting implementation. Given this, BIF should ensure appropriate monitoring processes are in place to ensure that data against this indicator can be tracked at regular intervals throughout the life of BIF.

Output Title	BIF facilitates broader market change		
Output number per LF	4	Output Score	A+
Risk:	Major	Impact weighting (%):	20%
Risk revised since last AR?	N	Impact weighting % revised since last AR?	Y

Indicator(s)	Milestones	Progress
4.1 Number of learning products produced and disseminated by BIF.	Burma: 1	4 (1 tourism, 2 bamboo, 1 crosscutting)
	Malawi: 1	2 (How to Note published on BIF website, 1 in country (rice))

	<b>Nigeria: 2</b>	5 (4 in country (2 aquaculture, 1 cassava, 1 maize), 1 How to Note published on BIF website)
4.2 Number of events held by BIF that convene other market players	<b>Burma: 1</b>	24 (4 garments, 18 tourism, 2 bamboo)
	<b>Malawi: 1</b>	6 (3 pigeon pea, 2 solar products, 1 rice)
	<b>Nigeria: 2</b>	2
4.3 Number of collaborations facilitated by BIF between other market players or development partners	<b>Burma: None</b>	3 (1 garments, 1 tourism, 1 bamboo)
	<b>Malawi: None</b>	1 (1 solar products)
	<b>Nigeria: None</b>	2

### Key Points

This output scored **A+: moderately exceeded expectation.**

#### Burma

Four influential reports were produced and disseminated, a key example being production of “Myanmar Tourist Guide Sector: A Policy Framework”. The report can reasonably be said to have contributed to regulatory change, such as through the Government’s “National Skill Standards Authority” (NSSA) changing its approach to regulating tour guides.

24 influential events were held, a key example being a series of events in the garments market which facilitated relationships between international buyers and factories in Burma.

Three “collaborations” were facilitated, for example the organisation of a garment-sector workshop, involving the Government and other donors, whose recommendations were reflected in the Myanmar Garment Industry 10-Year Strategy.

#### Malawi

2 influential reports were produced and disseminated, a key example being analysis on the regional rice market and the potential for Malawian firms to export. This has subsequently led to work with two rice processing firms (Fadamz and Mtalimanja) to prepare for export.

6 influential events were held, a key example being the hosting of 3 demonstration-plot field days at which Farmers Organization Ltd exhibited the impact on productivity of using its crop protection pack (developed with BIF’s support). Across 3 districts, these attracted approximately 1,000 people.

One “collaboration” was facilitated entailing DFID and the Malawian Ministry of Energy signing the Energy Africa Compact in November 2016. The compact drew on BIF’s analysis of the solar market and their assistance in making preparations.

#### Nigeria

5 influential reports were produced and disseminated, a key example being the design of a Cassava outgrower model.

2 influential events were held, for example, lessons learned from trials of Napier grass use in dairy production were shared with farmers and other interested parties at an event hosted at the Ladugga cooperative.

2 “collaborations” were facilitated, for example, BIF supported another DFID programme “Growth and Empowerment in States 4” (GEMS4), by identifying 1,000 farmers from tomato cooperatives suited to working with GEMS4, based on BIF’s knowledge of the region.

### Summary of responses to issues raised in previous annual reviews

- **Recommendation** – “BIF needs to ensure that adaption by other firms is promoted. While the development of a strong business case is a good starting point, this will need to be augmented with active promotion through aggregators such as lead firms, sector associations, etc.”
- **Response** - BIF has taken strong steps to promote uptake of innovation, with examples included above.

### **Future Recommendations**

- The development of learning products and organisation of learning events are key instruments for promoting replication of innovative business initiatives introduced by the programme. It is important to have convincing demonstration materials that clearly show the benefits of these business innovations.
- To ensure that lessons learned across BIF are shared effectively, and that replication occurs, BIF should draw on up-to-date evidence on how organisations learn from each other and how donors can best support this.

## **D: VALUE FOR MONEY & FINANCIAL PERFORMANCE**

### **Key cost drivers and performance**

The majority of BIF's expenditure is on consultancy fees and associated expenses. These vary across the programme reflecting the different nature of services that are procured, in terms of location, sector and role (management vs technical assistance). The approach involves balancing quality considerations against cost to ensure that inputs are procured of the required standard at the right price. Key observations arising from the data include:

- There is an overall downward trend in weighted average daily fee rates of BIF core team personnel. Although the average for international team members rose by 3% this year, in-country rates declined across the board, pulling the overall figure across the programme down by 7%.
- A reverse effect occurred in terms of weighted average daily fee rates for technical assistance consultants, with the international figure declining and national numbers rising. This increased the overall figure from £323 to £363. A factor underlying the rise includes an increased focus on hiring experienced consultants to ensure quality outputs. Challenges in the past have led to a renewed willingness to pay slightly higher prices to reduce risk and provide stronger assurances of quality. Additionally, Burma has experienced an inflation of local consultancy rates as demand for quality personnel has increased.
- There has been an increase in the proportion of total days delivered by in-country core staff (versus the international programme management team), rising from 80% to 84%. This is broadly desirable as greater focus on implementation equates to increased activity on the ground. The same trend was reflected in terms of overall days, including technical assistance, where the percentage of days delivered by national consultants increased from 63% to 73%. There is a need to monitor these trends, maintaining a focus on selecting technical assistance providers on the basis of quality, price and availability to ensure the best possible outputs are delivered.
- There has been a fairly consistent level of turnover in the overall team. All positions vacated have either been filled or have candidates ready to join shortly.
- Total budget utilisation varies by country. It is 45% in Burma, 38% for Nigeria and 41% for Malawi. Expenditure versus budget for team fees is the highest for Burma, 59%, followed by Malawi, 52% and then Nigeria, 46%.
- On the company window 54% percent of the budget has either been spent or is committed.

Technical assistance is procured by the BIF implementing teams (both PwC (as international programme manager) and by PwC's in-country managing firms (HamsaHub, Imani and CBI)). Rates are based on the CVs of the consultants and take into account local applicable rates.

The BIF implementing teams have developed a comprehensive value for money policy which has been reviewed and agreed by DFID. The policy sets out the methodology for calculating, on a quantitative and qualitative basis, the achievement of value for money (VfM). Indicators need to be kept under review.

**Efficiency:** The efficiency indicator has changed as the indicator around expand was moved to the outcome level in changes to the logframe this year. Therefore, this indicator now counts direct responses in terms of adopts and adapts only. Despite narrowing the category, results this year have improved in

all countries, with the days of technical assistance per direct response (number of adopts plus adapts) declining significantly from 150 to 65.

**Effectiveness:** New indicators have been designed this year based on changes in the logframe to reflect conversion of outputs to outcomes. With no previous data, trend analysis will need to take place next year. Despite having no targets at the outcome level this year in the logframe, some progress was made in Nigeria.

**Cost effectiveness:** Impact level results remain small, reflecting the programme's relatively early point in implementation. Consequently, meaningful cost effectiveness assessment is not yet possible. Reports on VfM measures should therefore be done as more significant impact level data become available.

#### **Value for money (VfM) performance compared to the original VfM proposition in the business case**

The VfM approach detailed above is based on the VfM proposition outlined in the Business Case. In particular, BIF2 continues to keep the cost of central consultant fees down by seeking to employ local, in country teams and, where applicable, hiring local expertise for technical assistance.

#### **Assessment of whether the programme continues to represent value for money**

BIF2 represents good value for money at this stage. Output indicators are around the level expected at this stage in the programme.

#### **Quality of financial management**

BIF's financial management is carried out by PwC, which produce monthly financial reports including:

- A breakdown of fees, expenses and technical assistance by output and by country;
- A full breakdown of days and associated fees for every member of staff;
- A three-month forecast and comparison of actual to forecast (which is supplemented by other, *ad hoc* forecasts on request from DFID).

BIF is subject to an annual internal audit by PwC's internal auditors and also to external audit on an annual basis by Crowe Clark Whitehall. Also the accounts of the local implementing partners are audited on an annual basis.

BIF provides two forecasts, one for the Burma operations and one for global operations excluding Burma. The target is for monthly invoices to fall within a +/- 5% bracket of the forecast. In the programme year from November 2015 to October 2016, both the Burma and the global invoices were within the acceptable bracket 11 times out of 12, for a compliance rate of 92%. On the global operations, this is a significant improvement over the 66% compliance rate for the first half of the financial year reported in last year's Annual Review. In terms of expenditure over the period against the forecasts, BIF spent 96% of the planned budget across all operations. To build on this strong record, the team continues to look at ways of improving accuracy.

Date of last narrative financial report	2 December 2016
Date of last audited annual statement	December 2015, covering July 14-June 15

## **E: RISK**

**Overall risk rating: Moderate**

#### **Overview of programme risk**

Risks are reviewed on a quarterly basis at four levels: country, market, intervention, and activity. Risks can then be categorised against the following: financial; compliance; fiduciary; supplier relationship; delivery; technical; service recipient; political; reputational; partnership; stakeholder; BIF operational; other external; or security. Following categorisation, risks are scored against the 3x3 impact vs likelihood matrix.

#### **Internal Risk:**

- **Delivery of results (Moderate):** If the programme does not develop an effective service market the BIF intervention may be effective for only so long as donor money is available to cover the costs of service provision. This will mean that BIF2 is unable to achieve market system changes. To reduce this risk, BIF should continue to implement an approach of cost sharing to ensure that businesses develop a culture of paying for services.
- **Staff retention in BIF Burma:** (Moderate): Attracting high quality local staff in a timely way continues to be a challenge in Burma. BIF is developing a pool of local resources it can rely on, while broadening and deepening its recruitment process

#### **External Risk:**

- **Economic performance (Major):** After experiencing positive growth in 2015, Nigeria experienced a considerable slowdown of its economy in 2016 experiencing negative economic growth of close to 2% largely due to low oil prices. Malawi's economy is projected to grow slightly with agriculture affected by a combination of drought and flooding in the last two seasons. After two years of strong economic growth and macroeconomic stability, Burma faced a more difficult economic environment in 2015, which continues into 2016. Structural constraints, exchange rate pressures, rising inflation, and the political transition have contributed to reducing new investment. The extent to which the markets that BIF works in are affected varies. The garment industry is growing in Burma, but this, 2016/17, tourism season appears to be slow. In Nigeria lack of foreign exchange is actually stimulating domestic production and favours markets like maize and cassava. The drought has adversely affected rice, though pigeon pea production increased partly because it is seen as a more drought tolerant crop and partly due to higher prices in 2014-15 in Malawi.
- **Government interventions in Malawi and currency fluctuation (Moderate):** Interventions in exports markets (through restrictions, levies etc.) are having an adverse effect on organisations BIF supports. BIF continues to engage closely with these organisations to turn some of these threats into opportunities, and supporting industry bodies to develop a collective voice to advocate more effectively.
- **Insecurity in Nigeria (Major):** Insecurity posed by the guerrilla organisations, Boko Haram, and more recently the Islamic State (IS) presents great difficulty in the exercise of the duty of care by BIF Nigeria, making it particularly challenging to hire service providers that are willing to travel to some of the northern regions. BIF has employed a Security Manager. BIF continues to review the viability of operating in insecure areas, but is operating effectively out of the Kano office.

#### **Outstanding actions from risk assessment**

Risks identified in the Business Case, which should continue to be closely monitored:

1. Public subsidy distorts or otherwise undermines competition in focus markets.
2. Innovation would have taken place without BIF's intervention.
3. Ensuring no potential damage to BIF/DFID's reputation by only working with law-abiding individuals and businesses with a good reputation..

Risks 1 and 2 are regularly monitored by both the BIF Implementation Team and the DFID Programme Management Team. The BIF2 Operations Manual sets out how interventions should be alert to and mitigate potential market distortions and additionality requirements. BIF has developed a due diligence policy which together with ongoing monitoring by the Implementing Teams mitigates Risk 3.

### **F: GENDER CONSIDERATIONS AND COMPLIANCE WITH THE GENDER ACT (2014)**

Gender issues feature strongly in BIF's design. Assessment of women's position in markets a key consideration when selecting markets to operate. For example, the garments sector in Burma was targeted in part because of the important role it plays in providing women with employment opportunities.

Gender also features significantly when designing interventions. To follow the same example, the garments sector activities promote improved treatment of workers, especially women, by encouraging

managers to adopt best practice, avoiding discrimination and harassment, which affects women disproportionately.

The log-frame ensures that the programme's success in supporting women is tracked, by disaggregating data by gender.

As further markets are considered for support under the companies window, gender will continue to play a strong role in market selection, activity design and monitoring.

Building on this, BIF should further explore opportunities to deepen its gender impact and reporting across each of its markets.

## **G: COMMERCIAL CONSIDERATIONS**

### **Delivery against planned timeframe**

Project delivery improved in 2016 in all BIF countries. BIF2 is on track to achieve its original goals.

### **Performance of partnership(s)**

The central management of the programme rests at PwC. The team tracks outputs and indicators across the three countries. Areas of strengths are: PwC's networks, M&E experience, and quality assurance standards placed on in-country teams.

The local management teams brought together by PwC to implement BIF include HamsaHub (Burma), Imani Development (Malawi) and the Convention on Business Integrity (Nigeria). The BIF country teams have performed well. Senior staff have developed a presence for BIF in the countries and have the ability to adapt to changes in market conditions.

### **Asset monitoring and control**

Assets are monitored at the local level and updated quarterly, no assets are held at the international level. Each BIF country keeps an asset register, with a copy placed on shared files. The BIF international team physically validates assets annually during a visit.

## **H: CONDITIONALITY**

### **Update on partnership principles (if relevant)**

The Partnership Principles do not apply to the day-to-day management and monitoring of the project. As a markets systems project BIF primarily provides technical assistance to the private sector. It could provide technical assistance to parts of Government who can play a role in improving the business enabling environment. The DFID programme team will continue to monitor the relevance of any changes to adherence to the partnership principles in Burma, Malawi and Nigeria.

## **I: MONITORING & EVALUATION**

### **Evidence and evaluation**

BIF has developed an M&E system. Processes have been developed to measure change at four interconnected levels: market, intervention, systemic change and at the impact level.

DFID Malawi has commissioned an independent review of its private sector portfolio, including BIF. Landell Mills have been contracted to do this review. The final report is due in February 2017.

Landell Mills was also contracted by DFID to provide input at annual, mid-term, and end of programme reviews of the global BIF programme. They will be responsible for contributing to the assessment of performance and the analysis of strategic direction.

Key themes that are assessed through the reviews include: the consistency of the programme with best practice in "market systems" type interventions; the effectiveness of the DFID management model (entailing ownership at the centre, with support at the country office level); the effectiveness of the new companies window as a tool for improving DFID's ability to partner with large firms.

In terms of internal evaluation, BIF Burma has its randomised controlled test in garments. Baseline data have been collected for fifteen factories, which will be used to illustrate to other factories whether the training increases worker welfare and productivity.

Learning from the programme is being shared via the BIF website, through the Practitioner Hub for Inclusive Business and locally through a range of events and platforms.

### **Monitoring progress throughout the review period**

During 2016, BIF has made good progress in implementing and drawing benefits from the M&E system developed for the project. It has developed a consistent methodology to determine whether service recipients are “adopting” and “adapting” good practice. However, impact estimates are based on assumptions. These assumptions may need to be verified based on appropriate sample survey checks.



## **Annex 1: Annual Review 2015 summary sheet**

<b>Title:</b> Business Innovation Facility – Phase 2 (BIF2) / Business Innovation Facility in Burma		
<b>Programme Value:</b> £44,937,281 (including BIF Phase 1) <b>BIF Phase 2 Value:</b> £24,511,766		<b>Review Date:</b> 11 January 2016
<b>Programme Code:</b> 114178 203964	<b>Start Date:</b> Jan 2010	<b>End Date:</b> 31 March 2019

### **Summary of Programme Performance**

Year	Dec 10	Jan 12	Jan 13	Mar 14	Jan 15		
Programme Score	<b>71.25</b>	<b>71.25</b>	<b>A+</b>	<b>A</b>	<b>A</b>		
Risk Rating	<b>Medium</b>	<b>Medium</b>	<b>Medium</b>	<b>Medium</b>	<b>Medium</b>		

### **Summary of progress and lessons learnt since last review**

A total of 10 markets are now being worked on across Burma, Malawi, and Nigeria. In addition, a further sector in Burma, bamboo, is set to be submitted to DFID for approval in January 2016 while the companies window is exploring three new markets.

While overall programme development and market interventions have been slower than anticipated, this is largely down to a series of external events which were outside the control of the respective BIF country teams. Factors ranged from unpredictable election processes in Nigeria and Burma, through to macro-economic instability in Malawi and the ongoing security issues in northern Nigeria. However, BIF country teams have still facilitated considerable progress, specifically:

- In Burma, the BIF team has successfully rolled out its garment sector intervention, incorporating productivity and HR support into a single service to maximise uptake. A randomised control trial (RCT) has also been developed in partnership with Tuft University.
- Also in Burma, the BIF tourism team's Product and Packaging Innovation Competition attracted over 50 applicants from tourism companies or entrepreneurs (double that anticipated) and made grant and technical assistance awards to 18 winners. The total amount awarded stands at US \$284,626, with the average recipient getting US \$15,813.
- In Nigeria, the team have created a strong presence, working well with other DFID programmes (GEMS1, GEMS 4, PrOpCom) and the World Bank to develop complimentary interventions. BIF Nigeria has also been approached by three State Governments in northern Nigeria to enquire about support. Similarly in Burma, the BIF in-country team have coordinated well with Pyoe Pin - a joint DFID, DANIDA, and SIDA funded programme developing more effective services and economic opportunities in Burma - and have a good network into Government.
- The Northern Nigeria team have been able to take up residence in Kano, after 18 months of operating from Abuja, facilitated through the integration of effective security arrangements.
- In Malawi, work has begun with service recipients in both the pigeon pea and rice markets, while a pilot business model is being rolled out in the pico solar products market.
- The BIF "companies window" has been successfully designed and contracted. Opportunities for working in support of a number of high profile firms have been identified and analysis begun to facilitate potential support for the markets they are operating in. This will be a key tool to support delivery of DFID's objectives for working with large firms.

#### **Lessons learnt:**

- All BIF country teams have transitioned effectively from the BIF1 model, through to BIF2, adjusting to working at market level rather than directly with companies.
- Identification of beneficiaries has evolved, particularly in Nigeria, where initial approaches which focused on smallholder farmers have been expanded to other parts of rural livelihoods in order to reach a larger female population.

- BIF Burma has been successful in developing a more coherent understanding of the measures and staff resources necessary to cope with the implementation of the garment RCT. This should facilitate more efficient running of the monitoring scheme in the coming year.

## Summary of recommendations for the next year

### For the BIF implementing team:

- Each market strategy in all BIF countries should be updated by June 2016 to address:
  1. **Local service market development strategy:** for both the These strategies should identify how BIF will support the development of sustainable service provision through standalone and embedded service providers so that service provision continues even after BIF comes to an end.
  2. **Cost sharing model:** each market needs to clearly articulate an approach for cost sharing to ensure that businesses develop a culture of paying for services and markets do not get distorted.
  3. **Economic Transformation:** BIF should find ways of increasing its interventions' focus on supporting "economic transformation" (i.e. moving economies towards higher value added activity, especially linked to manufacturing). This could entail, for example, support for more domestic processing of agricultural output.
- BIF should develop baselines and targets for the VfM efficiency, effectiveness and cost effectiveness that have been agreed on for the programme by April 2016. BIF should embed VfM thinking by ensuring that all in country teams are aware of the VfM strategy.
- BIF should maintain its current level of staffing in BIF Burma. There is a plan to phase out the international expert by September 2016. However, given that the programme will be in peak implementation at this time, this approach is considered very high risk.

Where possible and relevant, opportunities should be sought to implement company window projects in markets already being targeted by BIF. This will support an augmentation of results and deeper impacts. For example, opportunities can be sought with clothing retailers, tourism and food companies.

### For DFID:

- DFID should decide on the addition of the bamboo sector in DFID Burma by March 2016.
- The BIF Logframe should be revised by March 2016, as follows:
  1. Ensure gender targets and results are provided against logframe indicators.
  2. Review whether the currently unused impact indicators (2.2 and 2.3) are required for the company window activities and remove them from the logframe if not
  3. Transfer output 4 to the outcome level, merging the indicator for this output with the existing outcome indicator 1.1, which should be rephrased to cover both direct and indirect expansion.
  4. Insert a new output to cover BIF's market facilitation activities. This might include BIF's work to create linkages between market players and other programmes as well as sharing of knowledge and learning.
  5. Revise projections as needed to reflect delivery progress to date.
- Once the further Logframe revisions have been agreed upon, DFID should ensure that changes that have been finalised with BIF on the revised Logframe are approved by March 2016.
- DFID should assess BIF VfM targets and baseline and use this as a basis to drive conversation of VfM across the programme.

- Given the continued security issues in northern Nigeria and the potential impact this could have on the programme, DFID should consider whether to expand geographic scope and enable BIF Nigeria to test pilots of interventions in southern States, where appropriate.

## **Annex 2 - Breakdown of the BIF's performance by country**

	<b>Nigeria</b>	<b>Burma</b>	<b>Malawi</b>	<b>Total</b>
Output 1	A+	A++	A+	A+
Output 2	A+	B	A+	B
Output 3	A++	A+	A+	A+
Output 4	A+	A++	A+	A+
Total score	A+	A+	A+	A+

## **Annex 3 - Summary of responses to issues raised in previous annual reviews**

<b>2016 Recommendations</b>	<b>Status of Implementation</b>
<b>Local service market development strategy:</b> The strategies should identify how BIF will support the development of sustainable service provision through standalone and embedded service providers so that service provision continues even after BIF comes to an end.	By using local service providers (consultants) wherever expertise exists, BIF has fostered the development of the local market, which is easier and cheaper for recipients to access than international technical assistance.
<b>Cost sharing model:</b> Each market needs to clearly articulate an approach for cost sharing to ensure that businesses develop a culture of paying for services and markets do not get distorted.	The approach has been to clearly indicate to potential recipients that BIF support is limited to technical assistance and/or grants and they are to be an active partner in the planned intervention, either through cash or in-kind contributions.
<b>Economic Transformation:</b> BIF should find ways to increase its interventions' focus on supporting "economic transformation" (i.e. moving economies towards higher value added activity, especially linked to manufacturing). This could entail, for example, support for more domestic processing of agricultural output.	In Nigeria and Malawi the focus of the interventions is still on productivity improvements. In Burma the work in garments supports economic transformation through manufacturing. As the bamboo market begins activities, it will also address opportunities for value addition. The tourism work is also contributing to the development of new livelihood opportunities and the growth of the industry. As market systems programmes mature, they can build upon the success of pilot interventions and increasing credibility as a facilitator/broker of innovative & inclusive business models. This will allow them to move towards incorporating economic transformation into implementation. BIF continues to explore such opportunities, ensuring they fit against core programme objectives.
Where possible and relevant, opportunities should be sought to implement company window projects in markets already being targeted by BIF. This will support an augmentation of results and deeper impacts. For example, opportunities can be sought with clothing retailers, tourism and food companies.	Efforts are being made to do so, but suitable opportunities have not arisen so far.
BIF should further refine targets for the VfM efficiency, effectiveness and cost effectiveness. BIF should embed VfM thinking by ensuring that all in country teams are aware of the VfM strategy.	VfM indicators for efficiency, effectiveness and cost effectiveness have been developed.
BIF should maintain its current level of staffing in BIF Burma.	BIF had difficulty in replacing the market manager for bamboo but has now recruited a suitable local candidate that has been approved by DFID. The contract with the international expert was extended by one year.
The BIF Logframe should be revised by March 2016. Once the further Logframe revisions have been agreed upon, DFID should ensure that changes that have been finalised with BIF on the revised Logframe are approved by March 2016.	Changes in the logframe have been made and have been approved by DFID.

## **Annex 4 - Abbreviations**

AR	-	Annual Review
BIF	-	Business Innovation Facility
CBI	-	Convention on Business Integrity
CV	-	Curriculum Vitae
DFID	-	Department For International Development
EU	-	European Union
FOL	-	Farmers Organisation Limited
GEMS	-	Growth and Empowerment in States
HACCP	-	Hazard Analysis and Critical Control Points
HR	-	Human Resources
ILO	-	International Labour Organisation
IS	-	Islamic State
MoHT	-	Ministry of Hotels and Tourism
MPC	-	Malawi Post Corporation
MRBEA	-	Myanmar Rattan and Bamboo Entrepreneurs Association
NGO	-	Non-Governmental Organisation
NSSA	-	National Standard Skills and Authority
PbN	-	Powered by Nature
PEA	-	Political Economy Analysis
PPIF	-	Product and Package Innovation Facility
PSP	-	Pico Solar Panel
PwC	-	PriceWaterhouseCooper
RCT	-	Randomised Control Test
SMART	-	SMEs for Environmental Accountability, Responsibility and Transparency
VfM	-	Value for Money
VSL	-	Value Seed Limited