21 pages of personal lessons from 21 years of implementing Economic Development programs

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Peter Roggekamp

Part 1, How success looks like.

Our industry, the industry of reducing poverty, by stimulating enterprises and farmers to create jobs and increase incomes, has many strange and unwritten rules. One of these seems to be to never look back and always invent something new. I was once asked by someone from SDC, a great funder by the way, "But what is new?" In most industries the question is: "What worked?", but not in ours and that is a shame. When I entered this economic development industry 25 years ago, there were a few gurus like Alan Gibson, Richard Boulter, Kate Mckee or Jim Tanburn. They always challenged us and kept us focused on being successful in reducing poverty. They constantly reminded us to reflect on what is working. They were key players in a major shift in thinking about economic or enterprise development at the start of this Millenium. It was called Business Development Services. BDS has since gone through many adjustments and rebranding, but the core messages have not changed in approaches like M4P or the Market Systems thinking.

With people like Alan and Jim no longer at the centre, it feels we lost some focus and are quickly forgetting what worked and what didn't. With this note I hope to offer the new generation of practitioners some of these lessons from my 25 years of BDS. As a field guy, the BDS thinking always inspired me and I was fortunate to work with some incredible programs and organisations. I haven't been deeply involved in the industry enough to offer broad lessons or to comment on programs I wasn't a part of, so all the insights are personal – more food for thought than anything else. About 7 years ago a first-time team leader, Paul, asked 2 old hands and me to backstop him. We knew each other from the early days of Katalyst days, though we had taken different career paths since. Worried we might give the new team leader conflicting advice, we decided to spend a full day trying to figure out where we disagreed on how best to run a program. After a full day discussing everything, there was nothing substantial we disagreed on. Nothing. It was a great day. We all drew the same conclusions about what it takes to make programs successful. It gave me confidence that maybe there is some common wisdom on the best way to implement programs. For those who are worried about the size of this document, let me start with the conclusion. If you want more, I'll share what I learned from my programs and for the die-hards, I'll finally list many of my small pieces of wisdom.

The secret of a successful program is not to get the what ***right****, but to get the* ***how right.*** *We always talk about the what and seem to ignore the how. Get the how right and the program is likely to be successful.*

The secret starts with accepting that the sectors of the economy we try to improve are like Complex Adaptive Systems. Owen Barder explained in his Kapuscinski Development lecture how to operate in such Complex Adaptive System: He said: Resist engineering, Promote innovation, Embrace experimentation and Resist fatalism. We need to stimulate innovations in an adaptive way. Not looking too much for solutions but getting in there, trying, learning and improving as you go. The innovations we stimulate will never go as planned. They always need adjustments. To understand what needs to be adjusted is difficult. Why does this farmer not use the right amount of fertilizer or why does this company quit halfway?

We NEED curious observers with the analytical capacity to make sense of it. We also need creative people who see opportunities where others see problems. Success is at least 60% caused by the right staff. The next 20% of success is an organisational culture *where people feel encouraged to check if we are still on track and to admit we are not. This is the hardest part.*

Thirdly we need partners to dance with. We need companies, government officials or other organisations that want to innovate, but are somehow held back because it is too much of a hurdle, either financially or in another way. (It is our job to take these hurdles away). Of course, we also need entrepreneurial staff who can find and understand opportunities and partners.

Fourthly we need to be allowed to make decisions to support partners when the outcome is uncertain and we need the flexibility to adjust our support, fast and at any time.

When I use the word innovation, I mean "doing things different, better", leading to higher productivity and competitiveness.

There are many other constraints to success but a good team with good national experts will overcome these.

After 20 years of implementing, I would say I'm a believer. I have been very lucky to have been part of programs that delivered impressive impact, benefitting large numbers of people who needed it, in countries where poverty is still very visible. The promise that the BDS movement gave us 25 years ago can come true, but unfortunately this is not the rule. There have been so many programs with encouraging initial results, that never reached scale or the lasting impact you could expect. In too many cases the reasons are obvious for people who made all these mistakes themselves, like me.

From 2003 to 2009 I worked in Bangladesh for Katalyst. I'm convinced we had sizable and lasting impact on vegetable-, maize- and fish-farmers; on furniture producers, nurses and in media reaching enterprises. Unfortunately, we were not great at capturing impact or checking how sustainable it really was.

For the next 6 years Australian Aid funded the CAVAC program. It benefited at least over 230,000 farmers whose yields increased by practising better use of crop protection and fertilizer, while over 20,000 farmers could increase year-round rice yields 5 times due to commercially viable and sustainable irrigation.

In the same country the 3I program supported 80 water companies that now deliver cheap, reliable and clean water to over a million Cambodians. All 80 companies are all still operating.

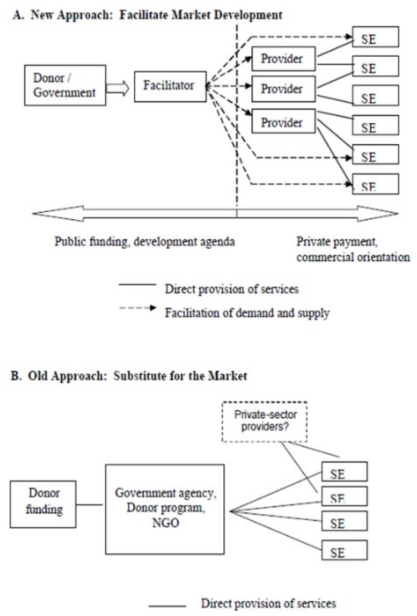
There are strong signs Gatsby has been similarly pivotal in the growth of potentially the largest fresh water caged fish industry in the world, offering millions of East Africans affordable proteins while creating maybe up to 100,000 Jobs.

Although large sustainable impact is not too widespread in our industry, there are good examples where well implemented programs delivered impressive impact. I was lucky to be involved in these 4.

Part 2, 25 years of Market development.

In 1999, I began my career in development for the ILO in Ethiopia. As an economist I was surprised to see two distinct realities, the real world with its set of rules and the aid world with a different set of rules. It made no sense. Fortunately, Jim Tanburn introduced me to an approach in the aid world where the real-world principles seem to apply. It was called Business Development Services. Many experts, working for donors, consultancy companies or implementers, were frustrated with the limited lasting impact of our industry. They came up with a new approach called BDS. Basically it criticised western funded programs where western experts offer wisdom, for free, to small enterprises and farmers, ignoring the reality of how SME's and famers had been operating for long. Sustainability was not that important as the programs assumed that they would fix poverty soon anyhow.

BDS advocated to build on what exists, making it genuinely demand-led and sustainable, while realizing that our role was temporary. Since then, there have been many modifications to the initial BDS thinking, like M4P and MSD, but they all were just variations on the same theme. The core of the BDS approach is well shown in a diagram from the guiding principles or "Blue Book" from 2001.



Katalyst was one of the first large pilot BDS programs. While working for Katalyst we all felt the BDS theory made sense on paper, but not on a Monday morning. The reality always behaved differently than what was shown in our solid market research, analyses and intervention designs. We found ourselves stuck between senior donor specialists and consultants telling us to study more and the business owners and farmers who refused to fit into our models. Then one of my colleagues, Harald Bekkers, showed us The White Man's Burden from William Easterly. Let me quote one paragraph from his book: "*A planner thinks he already knows the answer; he thinks of poverty as a technical engineering problem that his answer will solve. A searcher admits he doesn't know the answer in advance; he believes that poverty is a complicated tangle of political, social, historical, institutional and technological factors. A searcher hopes to find answers to individual problems only by trial and error. A Planner believes only outsiders have enough knowledge to find solutions. A searcher believes only insiders have enough knowledge to find solutions, and that most solutions must be homegrown".*

Easterly showed us that, even with BDS, our industry still operated as planners, as engineers believing in a controllable world where we offer our solutions.

In his Kapuscinski lecture on Complexity and Innovation, Owen Barder, gave us an even better framework to think like 'searchers'. He explained that the socio-economic reality we operate in isn't all that predictable or easily shaped - it's more like a complex adaptive system. Basically, there is no magic formula or silver bullets to operate in this reality. Instead, the key is to encourage innovation, experiment, and stay flexible.

If we accept this, we need to move away from prescriptive program designs that outline we will implement our pre-determined solutions.

Instead, we become learners and searchers operating in an unpredictable, reality. The focus should be on encouraging the right innovations while continuously learning and adapting. If we accept that the reality functions like a Complex Adaptive System and we need to promote innovation in an adaptive way, we must also accept that programs or organisations implementing this need to be designed accordingly. The consequences are many. Good program documents should outline the principles we need to apply and the resources available, but not dictate the solutions we will offer to entrepreneurs and farmers. One of the wise BDS men, Jim Tomecko already said 20 years ago, 'We need a partner to dance with'. I would take it a step further: The partner needs to lead the dance. Operating in this complex system we are always outsiders who will never fully understand the formal and informal rules of the game. Since we are not part of this complex system, we need insiders to guide the way. Success depends on our ability to observe and understand why things never go as planned. We must accept that the reality is too complex to drive solutions and that being adaptive is the only route to success. This challenge was much harder than then the BDS turning point in 2000. Practitioners find it hard to accept that farmers or small business owners know so much we don't. For donors it is even harder to embrace this reality and to offer millions to a program that refuses to tell what they are going to do with it.

I think we slowly entered a third period since BDS was introduced 25 years ago. The landscape of donors has changed significantly. 25 Years ago, our industry was led by bi-lateral donors focused on reducing poverty. Most bilateral donors now want their own countries and businesses to benefit as well. On the back of this, the centre of gravity has shifted from programs operating in developing countries to aid organisations based in the donor countries. These days the big funds available for economic development come from a new source: Foundations like Gates and Master Card. On the one hand it is encouraging that these organisations are led by successful businessmen rather than politicians. However, it is concerning that that many foundations seem to revert to pre-BDS tactics where people at headquarters come up with solutions that need problems. Perhaps we have gone full circle.

Part 3, lessons from 3 programs.

In the next few pages, I have tried to capture some of the key lessons from 3 programs I worked for.

<u>Katalyst phase I from 2002 to 2009</u>

Katalyst in Bangladesh was one of DfID's first BDS programs in 2002. It was initially a 20 million USD attempt to put BDS into practice. In its design it had a value chain and cluster component, a weaker market component, a cross-cutting services component and a business enabling environment component. It was funded by SDC, DfID, and SIDA and implemented by Swisscontact and GTZ.

We got so much wrong.
- Initially our sector selection ignored the interest of companies to innovate. Our first sectors were Knitwear and Agri-tools in which we failed as companies were not interested.
- We were looking for sustainable solutions, rather than addressing the underlying constraints for growth in a sector. Some of our solutions may therefore not have led to sector growth.
- We did not distinguish between productivity growth and expansion growth. Real lasting growth should come from productivity growth.
- We relied heavily on expat managers and consultants who never fully understood the incentives of companies to innovate.
- We thought that Katalyst's 4 components could operate independently each with different methodologies and offers to the partners. That was very confusing for staff and partners.
- We took international consultants too serious. Some were great, others not.
- We messed up outsourcing some of our work to NGO's who did not want to give up their direct delivery approach.
- We believed that once we showed that BDS worked, the rest of the industry would follow. We did not understand the real incentives between funders and implementers.
- I think we let the culture of critical thinking sometimes be highjacked by ambitious staff who wanted quick results for promotions leading them to hide interventions that went off track or failed.
- But we got the key structure and approach right, at least most of it and after a while. Over time, we began to see encouraging results and scaling.
- Ignoring a bit our donor instructions, we employed bright, curious, young women and men who were able to handle complexity. We empowered them. They were the key to Katalyst's success.
- We took risks: We tried a lot, spent a lot and learned a lot. For example: at that time BDS meant commercial business services. We realized that most companies and farmers would not pay for advice or other services but relied on embedded services. We developed and implemented a successful model around embedded services and brought it to scale with our Syngenta intervention that reached 500 retailers.
- We realized that buy-in from companies is key and that failure is fine. We often cut our losses early, or at least not too late.
- We operated with flat structures, essential for staff motivation.
- We kept our systems flexible and not too cumbersome (except M&E).
- We laid the foundation for a M&E system that later became the "DCED system".
- We asked a lot from our donors, but we gave them plenty in return. Katalyst was one of the most visited programs and normally the donor visitors left impressed.

- There was another success factor, maybe the most important one. After a painful start, the managers were thinking alike and became good friends. We discussed everything and that gave us the courage to take risk, to be a bit naughty.

In my intro I summarized the success Katalyst had on Bangladesh. I think we really did. But I think the real impact of Katalyst phase I was the inspiration for other donors and programs how to deliver the scale and genuine sustainability potential that BDS has.

I was not involved in Katalyst phase 2 and 3.

<u>CAVAC phase I in Cambodia from 2009 to 2015.</u>

CAVAC started a few years earlier and failed. Some people in AusAID wanted a more market development version of CAVAC but not everyone. We had to painfully navigate these mixed views and interests all 6 years.

I took from Katalyst the need for curious, analytical and creative staff and the need for flexibility. I also realized we needed to get the self-reflective culture right and we needed an M&E system that could drive adaption. When I came to Cambodia, the program still needed to be re-tendered. This took a year and that was great. I had all the time in the world to travel and understand agriculture and irrigation in Cambodia. That turned out to be essential as the existing design document was more a political product and not a good basis for a successful systemic program. After a year, we ignored the program document.

CAVAC had 3 main components: one to invest in irrigation, one to support the government with research and extension services and one was called agribusiness. We had a dilemma. Spending millions on constructing irrigation canals was hardly in-line with the BDS principles. This was a challenge. Funding irrigation schemes was not addressing the root cause of dysfunctional markets as BDS told us. But did that mean that, if we could not address the root cause, we should not support irrigation? We wondered: Is BDS sometimes too difficult and could we settle for less? If so, how much less? Could we go back to good development principles?

In an exercise I did many times in trainings, I asked what people thought good development principles are: It is funny how we always agreed: Good development results are genuinely sustainable, having an impact on the poor that justifies the funds, and they don't do too much harm. We realized the risk of becoming a bit too fanatic in applying the BDS guidelines and forgetting that in the end these guidelines were no more than applying good development principles and these principles should guide us to do things like irrigation.

Early on, we realized that the irrigation schemes proposed for rehabilitation by the Cambodian government would not be profitable enough to pay for the operation and maintenance costs and therefore would never be sustainable. We did however find other situations where irrigation could be viable. It could allow for 3 crops per year, increasing yields from 2 to 12 tons of paddy per hectare, where revenue from higher yields would overtake the investments in one or two years.

Our focus moved to testing and supporting new models of ownership to assure the maintenance and sustainability of the schemes. It became a success, not only for the famers, but in the end also with the government.

Our second challenge was a donor that was not used to adaptive programming. Early in the program we spent a week working out all potential theories of change with required timelines and came up with a reporting structure that was realistic and that enabled the reporting the donor needed. We walked the talk in reporting progress and the funder gave us the freedom we needed to be adaptive.

We also had to deal with a host government that did not like us supporting the private sector. Supported by a large UN peace keeping mission, Cambodia had real elections in 1993. At that time donor funds flowed freely developing a government largely depending on aid money. Almost 20 years later most donors had moved on, but the Cambodian government still expected all available donor support to finance their ministries and institutions. The Cambodian government expected CAVAC to continue funding the extension and research activities of the ministry of agriculture and to give funds to the ministry of irrigation. It created huge tensions. In the end it was success that turned the difficult relation around. Around election time many government officials were on TV showing how 'they' gave the (CAVAC funded) working irrigation schemes to farmers and provincial extension services were proud to show its minister CAVAC funded rural activities. Success, and a little bit of creativity, bailed us out.

Having learned from Katalyst, we did everything to create a reflective culture where 'failure' was part of success. As managers, we never blamed staff when things did not work, and we praised critical reflections. Unfortunately, this was not enough. We realized that individuals might have the courage to say: "I tried this, and it did not work". Culturally however, it was impossible to say: "He or she tried this, and it did not work". Staff rather stayed quiet that to 'rat-out' their colleagues. People blamed an Asian culture for this silence, but I think it is universal. Pointing at failures of your close colleagues is simply not done in any culture. It was hard to get people openly sharing things that were not on track. We tried many things, and, in the end, we achieved honest reflection in maybe 80% of the cases.

Another thing we learned from Katalyst is that ending our support to sectors is hard and it has some issues. It creates a gap in the portfolio as starting a new sector takes years before results emerge. Time that is often not there in a 5-year program. Donors normally prefer a slightly successful sector over a failed one and, before giving up, staff often want to try a few more things, and a few more. In CAVAC we used a different approach: We started with too many sectors and after 3 or 4 years we decided which combination of sectors would give us the biggest impact in the remaining time, with the available financial and human resources. We terminated for example our work in seeds, not because if failed, but because we would have a bigger impact in crop protection and fertilizer.

I would like to mention another lesson from CAVAC. We used the embedded extension model to support fertilizer and crop protection companies, a model we tested with Syngenta in Katalyst with great success. We offered all interested companies support, but were very flexible in what kind of support each specific company would receive. All companies wanted to engage in a different way with farmers and we encouraged that.

In hindsight we applied another principle in CAVAC: *The right support at the right place at the right time*. It is one of these principles that is highly undervalued. For the first time in decades, the government was open to rethinking its policy on pesticides and a result of companies were willing to invest. We played a part in helping both sides move forward. Our approach to irrigation would not have worked 10 years earlier when donors were still investing massive amounts in irrigation to rebuild the country after the Khmer rouge and the subsequent 10 years of Vietnamese occupation. It was only when donor money dried up that the private sector was interested to step in.

<u>Investing in Infrastructure, or 3I,</u> was born to stimulate private sector infrastructure in Cambodia. When I left 4 years after the inception, the program was already a success. It was on track to assure clean and cheap drinking water in the houses of at least a million Cambodians, delivered by small commercial water companies that were likely to make enough profit to operate, maintain and expand the companies. Now, another 5 years later, all the 80 companies we supported are still in business. We

also gave another 200,000 Cambodians access to electricity, but maybe this was not the right thing, at the right place, at the right time. This may have happened anyhow.

3I was special in its design. AusAID (DFAT) did not really have a model for private infrastructure. We had to determine who to support and how. We decided to focus on the most dynamic companies rather than using the traditional need-based development criteria.

We found water companies that were eager to invest or expand to areas that were less populated or with people with less purchasing power, but the pay-back time for a new water company would too often be more than 10, sometimes 15 years. They claimed that they would invest if the pay-back period would be 7 or 8 years. We got similar responses from rural electricity distribution companies about connecting more remote areas and from recycling businesses.

Listening to the water companies, we designed a model to calculate the gap between the return of investment and what they were willing to pay and called it investment viability gap finance. With so much interest from companies, we only needed to roll it out. It was relatively easy. Placing entrepreneurs' interest to invest at the core of the design, is how all economic development programs should be designed. Not by consultants, but by entrepreneurs that want to invest.

Still, with no other development program to copy from, we had to invent many tools and systems. I was so happy we decided to keep the organisation so small that there was no hierarchy. Hierarchy is a great way to kill honest reflection, learning and risk taking.

3i's deputy, Tin Mola, and I decided to operate an organogram as flat as possible with maximum 15 professional staff. We would not have succeeded to test a new model, adjust and roll it out successfully in 4 years with levels of hierarchy.

While writing this I'm still working for Gatsby Africa. It is one of the most blessed organisations with a donor that gives freedom and a long financing horizon. It has talented staff and is on its way to deliver large impact in several sectors. It is maybe too early to draw lessons for me. Maybe later.

Part 4, Lots of small lessons.

In the next 10 pages I tried to create a FAQ list as food for thought.

Staff is everything.

"Get the right staff and create the right office culture and you will be successful". In a model where we accept that the reality, the economy, is like a complex adaptive system that is unpredictable, we need staff that can thrive in this environment.

- Staff needs to be local

Foreigners never understand what really drives entrepreneurs or government officials. Foreigners don't pick up the soft signals. Polite entrepreneurs will never tell the full story to foreigners. Experienced foreigners might have a role to train and backstop local experts but should not be in the forefront. This model of local experts in the lead, and managers, local or expats, in a support role, means that local experts need to be given the authority to be credible with entrepreneurs and government officials.

-Staff needs to be curious

If we don't understand why things happen or don't happen, we are not making the needed adjustments and probably not seeing the real opportunities. Those of you with kids may curse the years that your kids kept on asking but why, but why, but why? This is exactly the curiosity that is needed to be successful. You sometimes also see it with old professors that are still wondering about everything. I've been on too many fieldtrips where the 35 years old expert answered my question, not bothering to even ask the farmer. Well, the farmer's answer would surprise you more often than not. Often you still see the academic curiosity with people at the beginning of their career and it gets lost 5 or 10 years later.

-Staff needs to be analytical

Being curious and confused about the complex reality is a good start, but at some stage we need to act on it. Good staff is able to make enough sense of the often-conflicting signals they get. They effectively use economic theory and other social science tools to bring some structure in the chaos.

-Staff needs to think critically

Driving in a nice Landcruiser and offering big sums of money while being seen as doing noble work is not bad. But we also need people who stand up and say no, this does not work. Or this is not right.

-Staff needs to be creative

What do we do with all this knowledge and insights? What role can we play to unlock an opportunity or what can we adjust or keep the innovation on track? Good staff is also creative.

-Staff needs to be Entrepreneurial

If effective economic development is not about solving issues, but about seizing opportunities, we need people who can see that – people see opportunities where others see problems.

I often see job descriptions with a list of skills like being a good communicator or certain technical skills. Sure, those are important, but they can be learned. On the other hand, qualities like curiosity, analytical capacity and seeing opportunities are essential and almost impossible to train.

-We need thrill seekers

Over the years I've seen teams struggling with doing the out of the box stuff. Part of the reluctance to do risky things may come from a culture where people are still scared of the consequences of failures. I think there is something more. Some people just like risk. We need them in our program. I think we should actively hire people who were shoplifters when they were kids, those who did it for the thrill. Or maybe we stick to bungee jumpers.

-We don't need experience.

But we need experience! Well sometimes age matters in engaging with senior government officials or large companies. But that is not too often. There is not really an education to teach how to do our work. We either find someone from a similar program or we need to train people ourselves. It is often easier to train someone without experience than to retrain someone. It is my experience that someone with 2 or 3 years of the right exposure in a program is as good as you can get them. Of course, with the right type of exposure.

-Staff needs to be motivated

Motivation can be an issue in our line of work. Many young and well-educated staff want promotions, and they expect a hierarchy to achieve this. We offer flat structures with little opportunity for leadership roles and promotions. Still, I think there are 3 motivations we can offer: First in a program you can early in your career get great exposure to many companies while managing large contracts with limited supervision. You can learn how companies and the economy really work, and you can initiate large initiatives. Second, seeing real impact and feeling part of success can be incredibly rewarding for staff. And third, many programs are like a second family – a group of likeminded people with the freedom to combine work with some of the pleasures of life like traveling together to remote areas.

Programs can be useful for people who want an academic career, start their own business later or work for a small creative organisation. Our work is less suitable for people who dream of a career as manager.

Ethos

- We think our decisions come from a rational process, but it is ethos.

When our staff, our agents of change, are talking to entrepreneurs or government officials, they are often making decisions in situations that are always more complex than what any textbooks or trainings could prepare them for. They, and we, make the decisions almost instinctively because it feels the right thing to do. This 'it felt good' comes from many years of the right experience. We sometimes use the word Ethos for this. I think we normally make decisions based on this professional ethos and then later justify it with our principles and methodology. The more aligned an organisational ethos is the more confident staff will be in seizing opportunities or changing interventions when needed. We tried to capture and analyse Ethos in Gatsby. Maybe there is a way to speed up acquiring this ethos.

Our industry, all kinds of everything.

-There is no silver bullet, no simple solution to eradicate poverty or stimulate growth.

As an economist I learned all the economic development theories that explain how economies grow. Simple solutions that fix all problems are still popular by some of the development guru's these days. Owen Barder, in his Kapuscinski lecture, concludes something else: All theories have some merit, but never as a universal trues. He concludes that there is no simple recipe for success. Maybe what successful countries have in common is that they take advantage of the opportunities that are offered to them. Sorry Jeffrey.

-Success is a problem

In a world where many organisations and consultants compete for donor funding, success is often more of a threat than a blessing. We are all competitors who want to celebrate our own success, rather than acknowledge other organisational success. Even your donor counterpart that sticked out her or his neck to fund you, does not want to report failure. Admitting someone else is successful is also not too wise if they are your competitors in the next tender. Consultants are in an even trickier position if they want to continue to be hired. This is a real problem, because if we don't acknowledge success and identify failure, we will never learn and get better.

-The best way to influence is letting consultants 'steal' your ideas.

If you want other organisations to copy your experience, your success, you will face scepticism as explained above. Consultants can solve this by being the ambassador of your successes when helping other programs or organisations. It is a good deal. This way, other organisations can copy what worked without having to fully acknowledge your success. As publicly funded organisations we should be honoured if people 'steal' our ideas and consultants can help. They benefit too.

-There is no education, not even a book, how to manage a program.

A key factor in the success of programs are its managers. Strangely enough though, there is no training, not even a book, how to best run a program. Where large commercial companies invest heavily in their future leaders, our industry does not. Maybe it is not strange. Who wants to give away their own secrets. Organisations like Swisscontact are loyal to their team leaders and try to keep them in the organisation for the next program. But even Swisscontact does not have a real training manual of how to be a successful implementer.

Springfield trains experts on **what** to do, but less on the **how.** Maybe they should offer this training.

-The new donor self-interest-paradigm is just the way it is: Live with it!

These days, most bilateral donors place own country's interest equal or even higher than poverty reduction. Own interest can be geo-political or even a way to make the funds reflow back into the host country. My own country, The Netherlands, is no exception when it supports Dutch companies to do business with developing countries. I do prefer the good old days, when development aid was focussed solely on the poor, but this is just the way it is. Let's make the best of it!

-Jargon is to keep people out; definitions are there to stop thinking.

As a young ILO-er, I always felt small in meetings with these senior guys who use these difficult words. Every time I caught up with the jargon, there were new words and phrases. Like every social group, insiders develop this language to show who is in and who is out. Development is ruthless in this respect. We protect our borders with new jargon. Newbies: don't fall for it.

A similar trick is played on definitions. In the ILO I spent many workshops on defining what a small enterprise is or what poverty is. I think it is better to think in terms of concepts. Conceptual definitions are great. Everybody knows what we mean, there is flexibility, and it does not exclude those who missed the memo.

-*You cannot sell a methodology to funders or governments. They want to know the results. Only seeing is believing.*

In our Katalyst days we thought our methodology was so great, people will believe it and support us. We ignored that ministers and funders hear a new silver bullet every week. If you can show real results, a funder or a minister may give you the benefit of the doubt and let you try it. Don't sell what and how; sell future results.

-*We **only** learn from our mistakes.*

So much of our systems are designed to avoid mistakes. That is a shame. The best way to train our staff is to let them make mistakes. I think all my real lessons at work, and maybe in life, have come after I messed things up. It is not enough to allow staff making mistakes, we almost need to make sure they do.

-*There is no informal sector.*

When the ILO introduced the term informal sector in the 70th, it put the reality on the map. Before, in the modernization paradigm, people assumed that most existing economic activities should and would disappear when the modern economy would take over. That were the 50th and 60th. Since then, informal has been associated with illegal or otherwise undesirable. In reality there is no informal sector. Most micro enterprises do obey the law as many rules and regulations don't apply to them. Medium and large companies often avoid complying with the law more than the small ones.

-*Impact investing, Challenge fund…all tools that avoid a theory of change.*

You could say that most interventions we do have elements of challenge funds or impact investing. But impact investing and challenge funds are too often solutions looking for a problem and, if you pay, you always find someone with the right problem. I think the missing element with impact investing and challenge funds is a theory of change. The tools should also not ignore value for money, additionality and displacement.

-*With what authority do we intervene?*

The idea that everything we do is so noble that everybody will love it is not true. Development organisations mess up a lot. Even when we operate carefully, there are always people who loose out. Is it OK to create 10.000 jobs while 50 loose their job as a result? Elected governments have a mandate to do these things and so do companies in a free economy that accepts negative effects of competition. But do we have that mandate with our foreign funds? We rarely operate under host governments democratic systems or by companies that fully pay us. I don't have a good answer on this one except we have to be ultra careful without a solid mandate.

Managing your funder, your donor.

- *A successful relation with your donor officer starts by understanding his or her boss*

When I started as a manager, I was always surprised how stubborn my direct contact persons from the donor were. I thought I explained my issues well and they did not protest. Still, they said no, or not yes. Slowly I understood my donor counterpart also had a boss and often that boss had a boss too. He or she did not disagree with me, but his or his boss needed something else. Understanding his or her boss and helping to find a solution with your counterpart helped my program and the big boss was often the solution.

-Funder fashion is not a problem, but don't loose sight of why we are here.

Our industry loves fashions. The core: "Reducing poverty through jobs and income for those who need it" may always be there in the background, but not in the new brochure. There are always new fashions. These days youth employment is one such fashion. Funny enough, people of 35 still being considered youth in a young country means almost all new employment is for the youth. In Katalyst, all our donors branded what we did differently. It is not a problem, just a bit more work.

-One big success a year keeps your funder cheer.

Of course we need all these impact reports that hardly anyone reads. To keep your funder happy, you need a real success that can be visited, and you need at least one every year. Even when this success is not the most sustainable, you need one. Same applies for the host government.

Designing programs.

- A good program document talks about how, not what to do.

I liked the program documents written for the second phase of CAVAC and for 3I. The writers realized that a program needs to be adaptive to be successful. Of course, the documents had impact targets, but they gave the program a lot of flexibility in how to achieve these. They talked more about principles than about activities. The CAVAC document also explained how DFAT (AusAID) could effectively monitor the program. They did not ask impact figures in the first two years, but checked the ability to implement, the credibility of the theories of change and evidence of buy-in from companies. It proposed to interview staff if they really get what they are doing and interview companies if they really want and need the support.

-Phase II's are a missed opportunity to adjust.

Donors like to extend programs with a second or even third phase. If possible, with minimal changes. That is often a mistake, I think. In the 5 or so years since the initial design, things have changed and to remain relevant for another 5 years, so should the design. It is often better to completely rethink what is needed and how best to deliver this.

After 5 years there is another issue: The best people moved on with their careers and the ones we maybe should not have hired in the first place are all still there. Of course, one should not generalize, but the dynamic and creative culture that often is there in the early years has too often been replace with complacency and a self-congratulation culture. Maybe it is better to let the second phase rehire the best managers and a few very dynamic people and keep them sharp with new recruits. If things are not fixed in 5 years, they probably won't be fixed in the next 5 anyhow.

-A good program has less than 15 professional staff, or less than 60 professional staff if you have a very experienced team leader.

There is a third size, 5 professionals. A team leader with great instincts, but who cannot really explain his or her decisions is like a spider in a web with a big finger in every decision. I've seen successful examples of this.

For a team leader to lead 10 or 15 people, he or she needs to be a coach who makes the others work better. This can only happen if the team leader is able to coach effectively. She or he needs to be clear and consistent in explaining decisions and be comfortable to delegate while keeping an eye on the big success factors.

Going beyond 20 experts requires an extra layer in the organogram where the team leader leads through other leaders. The team leader can no longer react him- or her-self but needs to instil these skills in the deputy managers or deputy leaders. For me it felt like I needed to externalize my thoughts and think 3 years ahead in stead of 3 months. Team leaders in large programs need exceptional monitoring skills as most of the information is filtered. Think twice about a big program if you don't have a centurion.

Anyhow it is wise to start small, grow organically and keep space in the organogram to specialize later in the program. We did that in Katalyst, in CAVAC and in 3I.

-Programs always have an S spending curve.

Every program I ran, or where I was involved in in designing, ended up with a flat budget curve in the program document. That was always wrong. Every good program I know started spending half their budget in the first year and running out of money in the last.

-4 years is the minimum, 7 years too long.

If a program starts with hiring people, assessing the markets and setting up its systems, it will only start testing its ideas in year two and will only start rolling them out in year 3. Needing to close in year 4 means the last real contracts are signed in year 3. It is too short. Stretching a program beyond 7 years however means the program will postpone decisions as it feels no pressure. I like 6 years.

Implementing a program

-A program has 5 phases.

The first phase is all about building the team and figuring out how to create impact. At the end of phase 1 we should have an initial theory of change of what WE think needs to be done.

In the second phase we need to figure out if the companies agree with that. Are the companies actually putting their money where their mouths were when we talked with them in phase 1? (In Katalyst we did not pass this phase in the knitwear and agri-tools sector. We came up with brilliant strategies…… we thought.)

The third phase is important. I call it the positions stage. We now know what needs to be done and what companies are willing to do. We now need to rebuild our team to have the tools and people to deliver and make sure we have the credibility and risk appetite. We need to reshape the program from its early expletory status into a lean and mean rolling out machine. A machine that is adaptive, but also able to deliver fast and at scale.

In the fourth stage we need to roll it out. We need to become a factory. Still adaptive, but decisive. This is where the money will be spent and where innovations are put in place.

In the last phase, the maintenance phase, we need to step back, while keeping an eye on what happens. This is when M&E becomes important. For many program staff it is difficult to let go. There is always more we can do but that does not mean we should continue. In this phase you need an outsider or a strong team leader to scale things down and take our hands off. A bit of fine-tuning is still possible in this stage.

As most of the final impact will happen in the 5th phase, it is a good time to select what interventions justify a proper impact assessment.

-The secret is catching the big opportunity, but you need to be in the game to do so.

If I would have to guess, in a good program: 50% of the interventions were not worth the money or completely failed. 40% is OK, worth its money, but not justifying the overall program costs. A few interventions, maybe 10% of the budget and efforts, are great. They create the scale we need. They justify our existence.

Unfortunately, these opportunities are only presented to us later in the program. In my view these great opportunities come along occasionally, and it is an art to identify and catch them. Successful programs have staff with this ability. Too many programs have a risk adverse or bureaucratic culture where staff is more likely to look the other way.

In Katalyst, some big ones were Syngenta and one partner in media. In CAVAC it was our model of irrigation we ran into and finding an opportunity with the government in pesticides. In 3I it happened during a lucky meeting with a water company. Gatsby Africa entertained two guys with a rucksack that wanted to start the biggest aquafarm in Africa.

-We always need a strategy.

Growth happens and only happens by the private sector that invests. The private sector will only do this if certain conditions are in place, or some serious constraints are reduced to an acceptable level. All we can do is stimulate others to create these conditions and reduce these constraints. A strategy contains a list of the essential conditions and constrains we should be addressing. It shows the program and donor what is essential to achieve and what is nice to have. It is giving the program focus, and it requires choices. A strategy also shows what growths and poverty impact is likely to happen with the conditions in place and the constrains reduced. A strategy always has a counterfactual. How to achieve these conditions and reduce these constraints should be left to the women and man on the ground who see opportunities to partner with businesses, government institutions or other institutions.

-The daily 5 questions: Focus, Additionality, Value for Money, displacement and fairness.

If our staff has these 5 things on their mind, we are fine.

- Focus means the interventions or activities are contributing to the strategy.
- Additionality simply asks why we are needed or why this will not happen anyhow,
- Value for Money is asking if this is not too expensive or if we cannot achieve similar results with less efforts or money and
-Displacement asks if the negative effects of our support are justified.
- Fairness means we need to give similar companies similar support or have a transparent mechanism how to determine who gets support.

-The word partner is wrong, but we don't have a better word.

One of the key elements of success is having a partner to dance with, or better, a partner who leads the dance. But the word partner is wrong. It assumes we are in there together and take decisions together. I think the key to an intervention is supporting an entrepreneur or a government official with something they want to do, but for some reason don't do. With companies that is often the uncertainty that makes an innovation too risky to try. If the innovation goes wrong, the entrepreneur will feel the pain, maybe even go bankrupt. The entrepreneur takes all the risk, even when we share the risk with money from our funder. We, on the other hand, will still get our full salary. We feel no pain.

In an agreement, the entrepreneur should be allowed to pull out any moment if they want to. It is their business, their money and their innovation. We, on the other hand, are committed to pay and can only pull out if the entrepreneur decided not to fulfil his obligations.

Good support triggers innovations as a one-off deal, as a business deal. After that we are both back on our own. That is how it should be, but often the opposite happens. Programs interpret the term partner to literally and whenever the innovation goes off track, they open their wallet. Rather than failing fast, we prolong failure.

-In the end, all we have is our credibility.

Our biggest asset as a program or organisation is our credibility. Companies and governments only want to work with us if they consider us useful and trust we keep our promises. In general NGO's don't have a great reputation so we need to make sure we are seen as different, useful and reliable. As with all reputations, it is hard to build and easy to break.

-Basic economics should rule.

Although much of our needed skillset is related to human and organisational behaviour, some of the basic year-one-economics are quite useful. I'm always surprised that people know them from textbooks but are not able to apply them. Examples are not supporting companies in saturated markets as growth means almost full displacement or operating in the wrong phase of the Boston Consultancy Groups product lifecycle.

-BE MODEST

As an industry we have delivered very little. We never really understand how businesses and governments work, we normally can only do a few things, and all our success depends fully on the ability of our partners. Still so many programs behave like the Chosen Ones that are on a noble mission, while owning the solutions. It is strange, but also not very useful. Being modest will pay off in the long run.

-… But think big

Somehow development likes pilots and small new initiatives. DfID in Bangladesh was different. They wanted size. They always wanted us to think big. I loved that. If we cannot get things to size, we probably should look harder for things that have the potential of size.

-Start with the low hanging fruits.

There seems to have been a memo I missed that said we should only do difficult things. If there is additionality, low hanging fruits are the best!

-Supply, Demand and product: Change only one of the three.

Related to the previous one is the wisdom that success is anyhow far from guaranteed, even when we only change 1 of the 3 market elements: supply, demand or the product. Developing a new product that should be produced by companies that are not yet in that market and bought by consumers that never bought something like this is almost assured failure. Fix markets; don't invent them.

-Regional offices don't work.

Learning and adjusting is key to an adaptive management organisation and it takes real leadership and some experience to drive this process. It is hard enough to have this process working in one office where you see each other every day. We had regional offices in Katalyst, and they failed for that reason.

-Farmers and small entrepreneur are rational.

Farmers and entrepreneurs often don't behave as we think they should. I've been in too many situations where farmers or entrepreneurs are therefore seen as behaving un-rational, or traditional. If we really listen well and understand the farmers, we may find that is it our simple model that is not rational. I don't think I ever met a farmer or entrepreneur that made irrational decisions, even when they could not fully explain everything.

-Brand like a chameleon.

Good branding is a skill. Large companies don't like NGO's, but small farmers don't trust business-like organisations. Governments want to see our loyalty while companies are scared working with an organisation that is close to the government. Donors like us to use their language and fashion, though it makes us look suspicious to companies. We don't need several brandings, but we need to highlight or stress different elements of our branding for different players.

A good name however is gold. The ILO was great with Start Your Business or Jobs for Africa. Everyone wanted that. Katalyst worked very well as people quickly understood we were a catalyst.

Temporary needed for the change, but not part of the future. Brands like CAVAC were not great.

Interventions.

- In a way, everything we do is stimulating innovations.

We could define innovations as companies or governments doing things different, better, leading to higher productivity and profits or reducing business risk. If we use this definition of innovation we can include adjusting business models, changing products or for government changing laws, regulations or the implementation of it.

-We should only support companies or governments that want to innovate but find the uncertainty too risky or are in a catch 22 situations.

All entrepreneurs are risk adverse. They need to take advantage of opportunities to stay in business, but they cannot afford to take too much risk. We are in the business of sharing risk, especially if the overall impact of the innovation leads to benefits beyond the individual enterprise. If the innovation contributes to our strategy. The only other justification for us to intervene is the need of several players innovating simultaneously: solving a catch-22 situation.

-Systemic or enterprise focus.

There is quite some consensus that systemic change is the best way to assure that changes not only last, but also adjust to the ever-changing reality. Part of our industry likes to keep it simpler with an enterprise support focus. (Challenge funds, impact investors, some USAID programs?) Just supporting companies that grow could stimulate systemic change but often does not.

-No pilots please.

Pilots are a mis-concept. The incentives to innovate are normally the biggest constraint to a successful intervention. The real constraints are organisational. Often programs pilot the technical side of an intervention and when they scale it up in the real world it does not work because the company or government is run by people who have way more complex incentives that the technical solutions the pilot tested. I think one should try new interventions always with a partner. If successful, one can often duplicate it with other partners, but that is at the same order of magnitude.

-The trues is out there.

Fox Mulder was right: The trues is out there! In Katalyst, when we had discussions, my Bangladeshi colleagues were always on the phone, asking what the entrepreneurs thought, rather than assuming. Be careful to solve issues in the office when the trues is out there.

-It is all about the right thing at the right place at the right time.

Too often what we do, would have made sense 5 years ago, or 3 years from now. Too often this would have been great in Cambodia, but not in Tanzania, or the other way around. The right solution is not enough. Time and place are equally important. This is why copying solutions rarely works. Or as Alan Gibson always said: It depends.

-A deal is not a negotiation; it is a balanced offer.

A good deal with a company balances two conflicting things. If we contribute too much to the intervention, we take away the skin in the game and the entrepreneur will pull out the moment the first small unforeseen problem starts. If we offer too much, we also don't know if the entrepreneur is serious or just interested in a free-be.

If on the other hand we negotiate hard and make sure she or he pays a lot, there is a good chance that when she or he realizes the real risk, they pull out and we lost a few months and a good partner. A good deal balances real risk with skin in the game.

This balance is not different for government interventions. Although the government is rarely able to share direct costs, we still need to demand skin in the game that shows genuine commitment.

-Output based contracts are brilliant.

An output-based contract without advances is a great basis for a flexible and transparent collaboration on an innovation. It is also the best way to avoid corruption or other misuse of funds.

-Due diligence processes are overrated.

In 20 years, I think we never dropped a company to work with because of a due diligence check. In the counties I worked, most companies must be creative with their taxes and must bribe officials to be in businesses. With output-based contracts you don't rely on companies bookkeeping. You don't need to check it.

Of course this does not mean we should work with every company. If we observe child labour during our visits or the company is a heavy polluter, we should stay away from them. That is obvious. We don't need long processes for that.

-Incentives to continue are often economic. Incentives to innovate are often more personal.

A good support to a company or government institution should always be build on the interest, the drive, the incentive of the person we work with. I think there are two types of incentives. Before we start an intervention, we need to think, in the long run, when the innovation is successful, why would both sides of the system continue the innovation. This normally has to do with the business case. The system continues if it makes money for both sides.

The incentive to innovate with us is normally more personal. There are so many reasons why farmers or entrepreneurs want to innovate, even when it is not directly resulting in more profits. For farmers reducing unpredictability and risk are often more of a driver. For entrepreneurs there are so many reasons. Our water company owners often were driven by creating a business for their children. Many entrepreneurs want a bigger market share and are not thinking yet about profit margins. Many times, entrepreneurs had operational issues in the past they want to avoid, even when the innovation is in itself not profitable. For some entrepreneur the status in the community is important. Incentives are endless. It takes time and skills to uncover it.

-Fail fast is a great phrase, but there is more.

If you agree that the uncertainty of our interventions mean many interventions fail, or are not great, we need to try many and have the discipline to fail fast. Although this is a great phrase, in an adaptive program many successes are built on the lessons from failure. Maybe the phrase should be, fail or adjust fast.

- Success with the government is much about finding individuals with aligned interest.

This is a tough one. Are there secrets in working with governments? In my experience it is mostly about understanding and picking individuals who have aligned incentives. It is about the right person to dance with. Best to be on the outlook for that individual and build a trusted relation to help each other.

Monitoring, Evaluation, Impact assessment.

This is a huge topic. I will only make a few loose statements.

- M&E is about storytelling.

Numbers mean little to outsiders. Good M&E therefore needs a story, built around numbers. Good M&E people are storytellers, not spreadsheet experts.

- Keep it as simple as you can, as long as it is credible.

The biggest problem with M&E is that we always make it too complex. We add too many nice-to-haves. Everything we can do to simplify it, without it becoming a joke, we should do. Only then we have a chance program staff might actually try to take M&E seriously.

- If we ignore additionality and attribution, impact assessments are easy…. and useless.

Please don't water down on additionality, just because it is difficult. Too many programs claim success by somehow being associated with success without asking if this would have happened anyhow. It makes us look good, but we have wasted our money and efforts. If our M&E system uses too many heroic assumptions, we undermine the reason we are here.

- It is good to focus on monitoring changes in behaviour, shortly after we ended our support.

In an adaptive management program, the efforts of learning shifts from pre-intervention to during the intervention. Innovations rarely go as planned and often need adjustments.

Our staff normally knows what is going on while we are supporting a company. After our last payment we often lose sight on the innovation as our staff moves on to the next intervention. Our last payment is the first moment where it becomes clear if the company really owns the innovation or faces hurdles that make them throw in the towel. If you wait too long, we may have lost the momentum and ability to fix the flaw. I would give the change in behaviour of companies or government institutions immediately after our role is done, the highest priority in monitoring for adapting.

- *Most impact is often created by maybe 10 or 20% of our efforts. Let's focus our impact measurement on this.*

  I think it is better to capture 60% of our impact, created by maybe 15% of our activities well, than overburden our systems and be mediocre in trying to capture it all.

Team Leader secrets.

- *Donors want to be fooled, just not exposed.*

  That is a spicy one. I believe in honesty. Still, I 've been in many situations where my donor counterpart interpreted my honest information very freely. In Katalyst I once claimed we may create 190,000 jobs in several years from now and added a page full of ifs and buts only to see the donor present a few months later that Katalyst had created 190,000 jobs without any of the ifs and buts. Or in Cambodia I claimed we reached 20.000 farmers. The donor asked how many men and women. When I said, most are families with a husband and a wife, she reported we reached 40000 people of which 50% women. These were the nice ones. I came to believe that most donors don't want the full trues. They want a positive summary that has some basis to claim creative numbers.

  A very senior DfID advisor in Bangladesh kept on questioning consultants if what we claimed was true. I offered him to visit our office to look at the evidence of our claims. He said: Never! Experienced donors look for deniability, not for the trues.

- *We must match the unmatchable, the donors view of a nice world and the rough reality.*

  Successful team leaders have to do what needs to be done (to some extend) but we cannot share everything with our donor who needs to share everything with people at headquarters who often have a somewhat unrealistic view of the reality. I think there is a hidden handshake: Don's get caught and you'll get our support.

- *Zero tolerance to fraud is impossible, but never say this.*

  Big fraud cannot happen, but small fraud is a foggy grey area in which staff operate every day. In my experience most staff have high standards and don't want to be in the fog, but they have to, to be successful. As a manager I would propose: State zero tolerance; have good systems in place; make sure every so often some case is investigated with consequences to show we care, but never dig too deep or too often.

- *Trust your staff with almost everything, but not with the strategies.*

  A good sector strategy is simple and a clear guide of focus to all. In my experience, the process of getting to such strategy starts with endless, often conflicting, information where it is hard to see a clear vision and path and it is hard to make choices. It takes someone who knows enough but who is able to take a few steps back to make the necessary call. It also takes someone who has implemented before to see what wishful thinking is and what is realistically possible. Good strategies require tough choices. Don't leave strategies to donors, consultants or staff that is too deeply involved.

- *There are two types of money.*
  Money needs to roll. Being careful with spending on partnerships is penny wise and money foolish. All the rest of the costs continue, and the clock is ticking. I think Julian Peach called it Value for Time. Interventions that fail are often the start of success. The worst thing is no interventions. I feel uncomfortable buying expensive things. That little voice from your personal life cannot rule your program spending. If in doubt, spend.

- *Every team leader has a ~~spy~~ informant*
  Except me of course. It sounds a bit like a rat, but it is a positive thing for everyone. On sensitive things the Team leader will make better decisions for the staff. The fact that a team leader has an informant is one of these public secrets. Other staff ask the informant to tell the team leader things they are not conformable telling. Actively select and work on your informant relation.

- *A good team leader doubts everything, every day, but pretends to know where we are going and that we will be successful.*
  Every program I was on, in the first years, people had little faith in a good outcome. We always talk ambitiously, but for new staff there were always doubts. A team leader should have doubts, all the time. But a team leader needs at the same time instil the confidence of an experience leader where the rest of the program can lean on for confidence. Like in a good sports team. There were times I found this role hard as it is close to being dishonest. It must be done.

- *You need a wing(wo)man, or a wing(wo)man needs a pilot.*
  A role of team leader is so complex, you need a reliable sparring partner where you can talk to every hour. I had Prashant and Manish in Katalyst, Roger and Pieter in CAVAC, Mola in 3I, Raji and Ben in Gatsby. The relations always felt like equals doing it together. Don't think you can do it alone.

- *Only members of the naughty boys' club will be successful*
  Many of the successes I was involved in were somehow things we were not supposed to do. We did it anyhow, partly because we thought it should be done, partly because we liked being a bit naughty. I thought this was my secret until I mentioned it at the Market Systems symposium in Cape Town last year. Every break after this session at least one person came to me saying how true this was. Maybe it is a universal secret among all the naughty boys and girls in our field.

Final thoughts:

Every time I changed organisation, I updated my lessons and every new program I realized only 80% of my lessons were true in the new program. All these lessons and statements are of course only food for thought that probably only makes sense after it is too later anyhow. I think however that the key message stands:

Accept Owen Barder's insights that the reality we try to change is complex, and unpredictable and that we need to try things, learn and adjust. For this we need national staff with the intellectual curiosity and capacity to make enough sense of the complex reality and to find and take advantage of opportunities. If we are also modest and listen very well to entrepreneurs and government officials, hearing what they really say rather than what we want to hear and we develop a trust relation with our donor that they get what they need while we get some flexibility, we have a serious chance to be successful. If we compromise on one of these few things, mmm.

BDS and all its children can rock!