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# DFID Challenge Funds

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## Why and how where the challenge funds developed?

- First developed for inner city regeneration in the UK
- Various applications for engaging with business and leveraging resources
- DFID provided direct support to the Day Chocolate Company (and got into trouble)
- 1999 the FDCF and BLCF were designed
- Offered a way of allocating financial support to business without problems over state aid
- Piloted in East Africa then rolled out to Southern Africa, South Asia and the Caribbean

## Why did the UK government (DFID) focus on competitive elements?

- State aid issues
- Select projects from a large pool
- Two stage application process – concept note then full business plan
- Comparison between project applications and ranking selects good projects
- Challenge the private sector to leverage DFID's funding
- Ranking useful throughout, but competition for limited funding impacted only towards the end (8 rounds)

## What makes the challenge funds unique?

- Specify challenge
- Promote fund
- Two stage application process - competitive
- Leverage financial resources and management capacity
- Defined period of support (generally up to 3 years)
- Short term subsidy that shares risk to accelerate market development
- Can also stimulate innovation

## Where are the challenges regarding the design/programming of these funds?

- Targeting the funding and specifying the challenge
- How to promote and reach the appropriate markets
- Dealing with large volumes of interest
- Comparing very different projects
- Balancing a wide range of factors when selecting projects for support
- Avoiding consultant led bids and ensuring company commitment

## What are the lessons learnt and how were they integrated into the design of new challenge funds?

- Scatter gun can lead to limited impact
- Focused funds (sector or geography) more likely to lead to systemic change
- Scale is good – multiple application rounds, leading at all levels
- Not a panacea – one tool in the toolbox but others needed
- Enabling environment projects require different process to individual investments
  - Africa Investment Climate Facility
  - Africa Enterprise Challenge Fund)
- RPCF, FRICH, RAGs

# Thank you

jack.g.newnham@uk.pwc.com

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# Stats

	Agriculture	Enabling Environment	Pharmaceutical/health	Manufacturing	Mining	Power	Construction	PSD	Tourism	Total:
Number of Jobs created/retained	49,822	12	84	15	269	2	10	0	1021	51,235
Number of Jobs created/retained for women	7,536	8	42	3	28	0	10	0	449	8,076
Number of Skilled jobs created and retained	19,021	12	49	5	240	2	10	0	275	19,614
Number of Skilled jobs created and retained for women	1,981	8	20	1	73	0	0	0	144	2,227
Estimate number of indirect jobs created	287,362	173	44	200	215	0	350	0	605	288,949
Number of new products/services created	167	3	31	5	5	2	2	0	6	221
Number of new linkages created	255	9	23	28	11	3	3	18	12	362
Number of companies in the linkage with less than 250 employees	214	5	17	26	0	1	3	0	6	272
Number of new trade linkages created	227	1	15	2	3	0	0	0	8	256