BEST-AC IN TANZANIA LONGITUDINAL IMPACT STUDY

BRIEFING PAPER 7: CHALLENGES FACING BUSINESS ADVOCACY FUNDS

INTRODUCTION

This paper was written by Annabel Jackson and David Irwin in October 2014.

This paper gives a conceptual structure of potential challenges in the business advocacy fund model. A commentary explains which of these challenges have been most evident in BEST-AC. By the business advocacy fund model we mean the four strands of activity that our earlier briefing paper on business advocacy funds identified as common to all the funds in Africa: grants/funding to private sector organisations (PSOs), capacity building to PSOs, development of a support infrastructure for PSOs, and engagement with the media.

MANAGING THE PROGRAMME

Some of the challenges facing business advocacy programmes are those of any relatively new and unknown work area in international aid. Challenges include:

- **Fitting business advocacy to donors' funding timescales and indicators**. Advocacy is not unusual in the long time taken for results to happen; it is somewhat unusual in the unpredictability and uneven path of progress. Even though business advocacy funds are concerned with improving the business environment, Doing Business rankings are not a good KPI because the indicators are selective, easy to game and largely outside of the funds' control given that their projects are generally demand-led.
- **Finding management companies to run the programme**. As with any new programme area, there are a small number of candidates with the experience and commitment to tender for the work.

Other challenges of managing the programmes are:

- **Balancing strategic priorities with the interests of PSOs.** There are seven potential risks: 1) That the most skilled PSOs will not be in the most economically significant sectors. 2) That the issues identified by PSOs will vary vastly in their potential economic impact. 3) That PSOs will sometimes advocate for protectionist measures which will have ultimately negative economic impacts. 4) That PSOs will seek to promote issues that reflect the priorities of one particular firm or vested interest. 5) That different PSOs within the portfolio will advocate for opposite actions on the same issue, for example protecting local industry and encouraging exports/imports. 6) That the overall portfolio of projects will be scattergun rather than mutually reinforcing and synergistic. 7) That allowing PSOs to take all the credit in the media, which is as it should be, means that the advocacy programme that supported the PSO is somewhat invisible.
- **Balancing capacity building with impact.** There is a trade-off between supporting strong PSOs which are more likely to create results, but to which the advocacy programme might make a relatively small contribution; and supporting new or weak PSOS where additionality is higher but results slower or more hard-earned. Depending on its form, organisational support can increase dependence or support sustainability.
- **Ensuring sustainability**. The challenges are: 1) Raising income. Scale or success in advocacy will not bring income to the PSO if businesses either do not value the advocacy or see that they can experience the benefits without contributing to the cost (the free rider problem). 2) Building capacity. Providing training to staff can increase their employability such that they leave, though this is not an argument against training.

In practice some of these challenges have not manifested. In BEST-AC, PSOs have generally not pursued issues that are driven by individual businesses. All of the senior staff in our case study PSOs are the same as when the LIA began, though there have been more staff changes further down the organisations which might have reduced effectiveness.

BEST-AC has adopted remedies to address some of the remaining challenges: developing a programme of capacity building support for PSOs; organising support with member recruitment and retention; and encouraging collaboration between PSOs. It has increased its interest in impact analysis, which could and should be developed into an early judgement about projects' likelihood of success and value for money.

CARRYING OUT ADVOCACY RESEARCH

Research has been a core part of BEST-AC's programme. The challenges around research in business advocacy include:

- **Ensuring that advocacy research is of a high standard**. Advocacy research is different to academic research. In practice, the challenges are: 1) Quality of thought. Ensuring reports are rooted in a clear understanding of the causes and impacts of the advocacy issue. 2) Quality of presentation. Ensuring reports are well structured, attractive and without errors. 3) Audience perspective. Ensuring reports are sensitive to the values, language, priorities and interests of the policy maker, and acknowledge the policy imperative. 4) Rigour. Ensuring reports employ appropriate methods and sampling approaches, are objective and draw justifiable conclusions. 5) Practicality. Ensuring reports provide precise and realistic recommendations, and reflect on the chance of success for each of these or the overall objective. Without these standards the research will fail to be persuasive.
- **Ensuring that advocacy research is delivered in a timely fashion**. If reports take a long time (some BEST-AC reports have taken two years to finalise) there is a risk that information will be out of date, that PSOs' members will lose interest, and that any policy window will be lost.
- **Ensuring that PSOs and government feel ownership of advocacy research**. There is a trade-off here. If the management company guides the decision, there is a risk that the PSO will lack empathy with the consultant chosen. However, if the PSO makes the decision in isolation, there is a risk that weak consultants will be appointed: either because staff lack the experience to predict quality or because lack of coordination of commissioning decisions across PSOs allows weak consultants to be commissioned many times.
- **Ensuring that advocacy research is value for money**. The risks include: that a disproportionate proportion of fund income will be spent on research because it is the main tangible product; and that prices will be bid up because of the quantity of research being commissioned through the fund. There are three factors that can lead to low value for money in research: 1) Low quality. An example would be where research tendering procedures focus on low day rates rather than the quality of the final product. 2) Duplication. An example would be where PSOs produce reports without getting the government on board at an early stage and so have to redo, repackage or even reframe the research to reflect the results of consultation. Another example would be where two or more PSOs carry out research on similar subjects in isolation, especially where they have not understood the distinction between issues that are special to their sector and those that affect all businesses. 3) Irrelevance. An example would be where poor terms of reference result in woolly research that does not focus on the advocacy issue. Another example would be where the background of the researcher leads to a bias in the content and to conclusions that do not give a balanced picture of the advocacy issue.

The quality of research at BEST-AC has been uneven, and our analysis of research report quality does not show a clear path of improvement over time. The remedies that BEST-AC has adopted are: developing a long term relationship with one research organisation, UDEC, and providing capacity building support (The UDEC team has generally delivered the highest quality research reports in the programme); increasing oversight of the survey instruments and methodology used by researchers; and delivering training to independent consultants.

ENSURING IMPACT

Impact is a way of thinking which needs to be embedded in programmes from the start. The challenges in ensuring impact are:

- **Framing issues**. The risks are: 1) Framing issues for action. Ensuring that proposed solutions allow for different paths to the intended outcome. 2) Framing issues for impact. Understanding which parts or form of PSOs' recommendations determine the impact for businesses.
- **Mobilising the government**. There is a risk that the government does not take the action sought because: 1) Decision-makers do not understand what the PSO is seeking to achieve: either the whole project or rationale might be unclear or just the distinction between means and ends. 2) Decision makers might accept PSOs' analysis of the problem but believe that actions already in the pipeline will address them. 3) Individual decision-makers might share the PSO's vision, but be unable to persuade their colleagues, whether more senior or more junior. 4) Policy makers might accept the PSOs' recommendations but not attach them to a budget, so rendering them inoperable. 5) Policy makers might reject the PSO's analysis of the problem and proposed solution because of competing objectives, such as the requirement to raise income for the government, or personal gain. 6) Policy makers might endorse PSO's analysis but be unable to take action because of lack of coordination or consensus across different departments or agencies.
- **Closing the deal**. The risks include that: 1) Recommendations might be accepted but then delayed continually. 2) Measures might be accepted and implemented, but then reversed later.
- **Ensuring action on the ground**. There is a risk that changes do not have the intended impact either because: 1) Measures are diluted during the implementation or countered by other actions that mean the intended goal is not achieved. 2) Circumstances have changed. 3) PSOs' projects tackle only some of the barriers to progress leading to change that stops short of improving the business environment.
- **Measuring impact**. The tasks are: 1) Estimating the number of businesses that would be affected by a change. 2) Estimating the depth of the change, the financial value. This analysis should be naturally included in advocacy research as it is an inherent part of negotiation. The challenges are: 1) If the changes proposed are multiple, optional, or evolve over time, what should be measured might be unclear. 2) Analysts need to have an understanding of the business environment to avoid double counting: they need to take account of dampening down mechanisms in the system. 3) In some cases, basic data, such as up to date or accurate figures for the number of businesses in subsectors, are not available.

The lessons from the BEST-ACE LIA are that business advocacy funds need to encourage follow up, as stated in the Five Step Approach to Advocacy model which BEST-AC uses; encourage advocacy projects to connect to existing government initiatives such as Big Results Now; help PSOs to maintain capacity during the ups and downs of advocacy projects; include government champions in the capacity building support; help PSOs to strengthen organisational learning so that staff do not forget what has happened in earlier stages of an advocacy project; have short term funding ('emergency grants') to help PSOs seize unexpected negotiation opportunities; and set the lead in measuring impact.

CONCLUSION

Business advocacy funds are a powerful tool aimed at harnessing the knowledge, skills and capacity of the private sector to improve the business environment. This paper deals specifically with the challenges to getting the best out of this tool. BEST-AC has been strong on working with PSOs to identify issues and mobilise government. More could be done to think in an impact way.