
Using Enterprise Challenge Funds to Promote BEE Change:

Early Experience and Future
Opportunities

Outline

- Quick overview of ECFs
- 5 ways ECFs can promote BEE change
- Implications for ECF design

This is not about ECFs per se, but..

the rationale

- If enabling environment OK, private sector growth should follow...
- But (even if it does), will this lead to most rapid poverty reduction?
- Do businesses perceive poor as untapped, commercially viable market?
- Even if so, is there value in accelerating new business models?

the characteristics

- A (at least matching) grant to share risk with business
- An open & competitive process
- Operates to fixed & publicised deadlines
- Fund manager & Independent Panels
- Commercial projects with pro-poor outcomes
- New business models, new markets, systemic changes

the experience

- DFID – BLCF, FDCF, now AECF
- Others (similar)
 - WB Development Marketplace
 - CGAP ProPoor Innovation Challenge
- AusAID ?

ECFs adding value to BEE reform :

1. Enhancing BEE efforts

- ❖ FDCF micro insurance impediments & MOF request
- Internet kiosks
- Infrastructure service competition

ECFs adding value to BEE reform:

2. Targeting BEE changes

- ❖ Legal changes around mobile banking
 - Bank account ID requirements
 - Chattels as collateral

ECFs adding value to BEE reform :

3. Enhancing Public-Private Dialogue

- ❖ Panels experience
 - Business awareness of donor BEE efforts (16% effective) & vice versa; fieldwork effects
 - Local government impediments to business input sourcing
 - Watershed protection legislation

ECFs adding value to BEE reform :

4. Funding BEE projects

Modifications necessary

- ❖ Local business linkages & SME advocacy
- Quarantine and certification services
- SME borrowing information asymmetries

ECFs adding value to BEE reform :

5. Other effects

- Systemic internal business changes
- Giving donors practical insights – too theoretical at present – and added urgency
- Successful ECF bids making firms more bankable

Designing ECFs to maximise BEE effects

- Incentives to realise potential synergies
 - ECF manager aware of BEE reforms
 - Donors aware of business (ECF) issues
- ECF managers credible with BEE 'gatekeepers'
- ECF project selection criteria
- Parallel BEE programs



Thank you