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STRATEGIC BUSINESS MODEL TRANSFORMATION FOR DEVELOPMENT CONSULTANCY: CONTEXTUALIZING CESO’S ROLE IN A SHIFTING GLOBAL DEVELOPMENT LANDSCAPE

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Abstract

CESO Development Consultants, a Lisbon-based firm, has evolved over four decades into a key player in international development consulting. This study explores CESO's historical and strategic positioning within the shifting landscape of Official Development Assistance (ODA). With increasing private sector involvement and new financing models, CESO faces both opportunities and challenges. By analyzing its business model, financial performance, and market trends, this research establishes a foundation for understanding CESO's role in the evolving development sector. The findings, further developed in the group section, provide strategic recommendations to enhance CESO's adaptability and sustain its competitive edge.

Keywords

International Development Consulting, International Aid, Economic Development, SDGs, Framework Contracts, ESG, Strategic Partnerships, Geographical Diversification, International Organizations, Global Gateway, Private Investments

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1. Background and Company Overview

Introduction

CESO Development Consultants is an international development consulting firm based in Lisbon, Portugal. In the last forty years, the company has grown from its political and academic roots, to enter the development consulting industry, providing technical assistance, capacity-building and project management services in over 100 countries globally.

With a strong portfolio constructed over years and years of activity, CESO has secured a solid name and reputation among its stakeholders, such as international organisations, national governments, and public-sector clients. However, the environment in which CESO is used to operate – the Official Development Assistance (ODA) field – is shifting and experiencing changes. Traditionally dominated by public institutions and organisations, ODA has seen an increase in the private sector participation and a shift towards the blended financing models, leading to more and more public-private partnerships (PPP) through initiaitives such as EU's Global Gateway. While these trends present opportunities to grow, they also intensify competition and raise the need for new streams of revenue among consulting firms like CESO.

In this first section, we will explore CESO's origins and decisions that have shaped its current position in the industry, as well as the context in which the company operates, by aiming to reply to the question:

> *"What historical and strategic factors have influenced CESO's current business model and role in international development consulting?"*

The analysis will provide a basis for understanding the company's development within the shifting landscape of international development consulting.

1.1. CESO – Development Consultants: History and Overview

CESO Development Consultants is an international development consulting firm based in Lisbon, Portugal. The company was founded in 1976 as part of the 'Cooperativa Economia e Socialismo', a political and economic collective dedicated to promoting social sciences through publications (CESO 2024).

In 1982, the organization evolved into the 'Centro de Estudos de Economia e Sociedade', aiming to provide technical assistance to newly independent Portuguese-speaking African countries (PALOP), which includes Angola, Mozambique, Cape Verde, Guinea-Bissau, and São Tomé and Príncipe (Murteira 2011). CESO quickly established itself by adopting a first-mover advantage in these regions, allowing the company to form strong networks, build local trust, and gain knowledge of the local context (Gomes, personal interview, October 30, 2024).

In 1988, under the leadership of Américo Ramos dos Santos, CESO's CESO formally became 'CESO Consultores Internacionais', separating its international development focus from its political origins (CESO 2023).

In the 1990s, CESO began expanding beyond PALOP countries[1], starting with projects funded by the European Development Fund in Senegal and later entering the European market, with projects founded by the European Commission aimed to support post-Soviet Union countries. To mitigate the risks associated with reliance on a single region, CESO sought new clients such as the European Commission, which became a key client for its geographical diversification efforts. Indeed, in 1994 CESO led its first project in Estonia, as part of an international consortium with *Société Française de Conseil en Développement* (France), *Royal Institute of Public Administration* (United Kingdom) and *Institut International d'Administration Publique* (France), and in collaboration with Public Governance Institute (Faculteit Sociale

[1] The PALOP countries are African countries where Portuguese is the official language. These countries, which share a cultural and historical heritage linked to Portugal, include Angola, Cape Verde, Guinea-Bissau, Mozambique and São Tomé and Príncipe.These states gained independence from Portugal in the 1970s and have since maintained Portuguese as their official language (Instituto Camões n.d.)

Wetenschappen KU Leuven 2022). As part of the EU's Phare Program[2], this project supported the country's administrative restructuring by providing training for civil servants and local administrations through a program comprising three components, spacing from principles of public management, quality of public service to organisation and methods (Faculteit Sociale Wetenschappen KU Leuven 2022). CESO then undertook on a project in Eastern Europe aimed at strengthening Public Administration in the Republic of Moldova, involving Public Administration School and a Regional and Local Training Centre, reorganizing the Academy of Public Administration, developing training materials, conducting workshops, and preparing and improving public service legislation (CESO n.d.)

During the first decade since its official shift of focus, from 1994 to 1999, CESO concentrated its efforts on delivering training programs to nations such as Capo Verde, Mozambique, Zimbabwe, Macau and Angola (CESO n.d.). These initiatives were financed by the *World Bank*, the *United Nations* and the *European Development Fund* and helped CESO to establish its expertise, showing that it could provide good solutions while strengthening its position in the development consulting field.

In 2000, CESO opened CESO-CI Moçambique as result of the local presence and incorporation of relevant knowledge. The company focuses on delivering local Technical Assistance services in areas such as strategies for Economic and Social Development and Institutional Strengthening, aiming to drive progress in the country by improving the efficiency of public and private institutions (CESO 2023).

[2] The Programme of Community Aid to the countries of Central and Eastern Europe (Phare) was the European Union's main funding initiative to help Central and Eastern European countries (CEECs) to prepare for EU membership, by building institutional capacity and providing the tools needed to adopt EU laws and regulations, while also funding critical investments to modernize infrastructure and industries in areas like transport, the environment, and product quality (European Union n.d.)

Two decades after, in 2019, CESO's efforts led to the establishment of CODANG XXI – Consulting for Development, an Angolan-based company whose goal is to help with growth at both the national and local levels (CESO 2023).

Through this expansion and various strategic partnerships with international development consultancies active at an international and regional level, CESO completed over 500 projects across 4 different continents, being active in 116 countries by 2023. At this moment, the company has a 30-person in-house team with a network of over 10,000 consultants, (CESO 2023).

1.1.1. Operations and Service Portfolio

CESO manages and delivers development projects in the areas of economic, social, and organizational development, mainly in international markets for clients such as European Commission, the World Bank, the African Development Bank, National Governments, through the awarding of bidding processes. The company has a generalistic portfolio, covering fields such as Partnerships and Financing for Development, Macro Economy, Statistics & Public Finance Management, Trade and Private Sector, Social Affairs, Public Sector and Governance, Rural Development and Transport, Energy and Environment (CESO 2023). In terms of provided services, the organization offers Advice & Studies, Institutional Strenghtening & Capacity Building, Monitoring & Evaluation and Training for each of the seven areas of intervation (CESO 2023).

Considering CESO's broad 'plan of action', its team core activity focuses on project management, evaluation and implementation based on specific client needs and objectives. Overall, this generalist approach allows the company to develop both adaptability across multiple sectors and the ability to respond quickly to changing client needs. However, being a generalist consultancy might also represent a challenge when it comes to a competitive environment, as "*For example, the European Union is concentrating contracts into larger ones,* *favouring big companies and niche firms over generalist companies like CESO*” (Gomes, personal interview, October 30, 2024).

1.2. Current Business Model

The company follows a traditional consulting business model to assist governments in addressing development challenges. CESO’s value proposition is to provide high-quality tailored advisory and capacity-building services, by combining external and in-house personnel’s knowledge in order to provide solutions to complex multi-sector development problems. The company’s quality in delivering projects is verified by the *Bureau Veritas* certification, in accordance with the ISO 9001:2015 standard. Overall, the wealth of experience accumulated through numerous projects across various countries has helped CESO in building a solid image among partners and competitors (Gomes, personal interview, October 30, 2024). In terms of customer segments, CESO works closely with the World Bank, the European Commission & EU, the African Development Bank, the Inter-American Development Bank and the United Nations Development Programme (CESO 2023), allowing it to address multi-sectorial development challenges. For example, previous projects with the World Bank focused on improving local governance, while meeting private sector needs (CESO n.d.). CESO’s collaboration with the European Commission is articulated through Framework Contracts[3], aimed to provide consulting services across different fields, such as Public Governance, Rural Development and Social Affairs. These contracts allow the EU to reach its development goals in geographies such as Africa, the Middle East, and Latin America. Periodically renewed, Framework Contracts enable CESO to engage in projects that are aiming to enhance local governance, support the development of critical social infrastructure, and promote sustainable growth.

[3] Framework Contract is an agreement that establishes the terms for future contracts over a fixed period, streamlining procurement by predefining pricing, quality, and delivery conditions for goods, services, or works that allows aligning with development needs. They are commonly used for EU-funded initiatives to ensure transparency, accountability in public procurement (European Union n.d.)

Another customer segment that CESO collaborates with are Non-Governmental Organizations and Local Authorities in Developing Markets. With these stakeholders, the company manages projects mostly focused on improving local socio-economics conditions and environmental issues. As a matter of fact, CESO elaborated and implemented a mining policy in Guinea-Bissau for six months, from October 2015 to February 2016, for the local Government. This project was aimed to support sustainable development by helping maximize the economic benefits of mining, minimizing environmental risks, and improving governance and institutional capacity in the mining industries (CESO n.d.).

In addition, CESO also collaborates with private sector clients, supporting them in project management aligned with their business plans and sustainable development goals, including value chain development, corporate social responsibility (CSR) consulting, and promoting private sector expansion in developing nations in line with the SDGs.

As stated previously, CESO's core team consists of 30 professionals with experience in management, monitoring and evaluation of technical assistance projects in the company's different areas of intervention, which provide quality coordination and technical backstopping to the teams of experts in the field (CESO 2023). CESO's in-house personnel are dedicated to the tendering phases and managing the projects for the contracts awarded. Additionally, the company counts on external, freelance consultants to implement the projects, with an extensive network of over 10,000 international consultants, including experts from universities, research centers, public administration, private companies and independent consultants. This database enables CESO to quickly allocate experts in the different fields of intervention required by the projects' beneficiaries or funding institutions.

The large majority of CESO's projects have been awarded through international competitive bidding processes supported by major development and cooperation agencies, such as the European Commission and the World Bank, as well as bilateral development agencies, governments, and other institutions from several countries, such as Camões Institute — Portuguese Cooperation. Considering the industry's competitiveness, CESO participates in tender processes as part of a consortium with consultancies active both at an international and local level. In general terms, contracts are awarded based on the most economically advantageous offer, with 80% of the evaluation focused on technical criteria and 20% on financial factors (European Commission Public Wiki n.d). CESO selects projects to bid on based on their alignment with the company's priority sectors (see 1.1.1) and geographies, as outlined in its three-year Business Development Strategy. Additional criteria include the availability of budget when disclosed and the required experience, which, for EU projects, typically refers to the total value of projects implemented or invoiced by the company in the preceding three years (Valente, personal written interview, October 7, 2024).

When it comes to project implementation, a lifecycle within the company is implemented in five different stages, listed as following:

1. Opportunity Tracking: proactively monitoring contracting opportunities and participating in international tender processes.
2. Contract Award: securing contracts through successful tender bids.
3. Project Management: awarded contracts are centrally managed by a technical department within CESO.
4. Resource Allocation: CESO leverages a network of specialized freelance experts, whose expertise plays a crucial role in the selection criteria for projects.
5. Project Implementation: freelance experts work alongside beneficiary institutions to implement the projects effectively and efficiently, with CESO assuming a delegated role from its contractors.

In terms of revenue streams, its main source of income comes from fees charged for consulting services, often funded by grants or loans from the European Union or Multilateral Development

Organizations to the beneficiary countries. CESO sets its services' selling price using a top-down approach based on competitors' average fees. Considering further costs, the current business model identifies expenses for in-house staff and external consultants, travel and accommodation for field operations or networking events, technology and IT infrastructure equipment, as well as office expenses such as rent and or desk supplies.

Table 1: CESO Current Business Model Canvas

Current Business Model Canvas	
BMC Dimension	**Content**
Key Partners	- Multilateral Development Organizations, EU, European Commission & Local Authorities - Government Agencies and Bilateral Development Agencies - Freelance consultants and consortia partners - Universities & Foundations
Key Actitivies	- Provide advisory and capacity-building services - Technical Assistance - Tendering Procedures - Project Management - Monitoring and evaluation of projects - Perform studies
Key Resources	- In-house personnel (30 professionals) - Network of specialized freelance experts (10,000) - CESO's quality management system - Strong Brand Reputation - Local Knowledge & Expertise
Value Propositions	- Address development challenges with tailored advisory and capacity-building services to local and IO - High-quality services through expert coordination and support - Offer solutions to complex multi-sector development problems - Ensure timely, efficient service delivery, ideal for time-sensitive projects
Customer Relationships	- Continual support - Long-terms Engagement - Digital Presence via Company website - Industry Conferences and Seminars presence
Customer Segments	- Local Authorities in Developing Markets & Non-Governmental Organizations - Multilateral Development Organizations, EU, European Commission, World Bank & UN - Limited Private Sector Clients
Channels	- Proposals and Bidding Processes - Referral Networks - On-site project implementation
Cost Structure	- Personnel Costs: CESO's in-house personnel plus external consultants - Travel and Accommodation: Expenses for field visits, and on-ground operations. - Technology and materials (e.g video-conferencing equipment used in a project focused on training) - Office expenses (rent; desk material)

Revenue Streams	- Consultancy Fees from implementation of Projects (Grants, Loans)

In order to understand where this business model works well and which areas need improvement, it is important to look deeper into CESO's Financials.

1.3. Financial Performance

This paragraph analyses CESO's income statement of the past three years in order to understand the company's performance and unveil areas for growth (see Appendix 1).

1.3.1. Income Statement Analysis

Revenue sources

Revenue from sales and services rendered remained relatively constant in 2022 compared to 2021 and increased significantly in 2023, registering a 60% increase from the previous year. The reason behind this evolution was the fact that 2023 was the final year of several contracts, and the European Commission wanted to ensure that the budget was fully utilized. CESO's ability to cope with the volatility in the number of activities implemented, namely, to rapidly increase its volume is explained by the fact that the firm hires external freelance consultants on demand for service delivery, giving it high flexibility.

Cost Structure

External services supply, which refers to the costs of hiring external consultants to implement projects and paying fees to consortium partners whenever CESO is the project lead, is the firm's largest expense. It grew steadily in 2022, by 6%, and jumped by 55% in 2023. This trajectory was likely due to the increase in the implementation of activities covered by the projects due to the European Commission wanting to make sure the that budgets were fully utilized which required more work from the project implementation teams increasing expenditures with consultant fees.

Gross Profit remained relatively constant in 2022 and almost doubled in 2023. The 82% increase in Gross profit was the result of the increase in Sales and services rendered outweighing the increase in expenses with external services supply by a considerable margin.

Personnel expenses have increased slightly in 2022 and more considerably in 2023, roughly 19%. This moderate growth compared to the magnitude of the increase in external services supply in 2023 showcases the fact that expenses with in-house personnel are less sensitive to changes in revenues. The value of Personnel expenses as a % of revenue has decreased substantially from 22% in 2022 to 16% in 2023.

CESO's EBITDA has been highly volatile throughout the past 3 years turning negative in 2022, mainly due to the higher expenses with external services supply and the increase in other expenditures and losses, and soaring right after in 2023 to a value almost 5 times larger than in 2021, mainly due to the increase in sales and services rendered.

The company's EBITDA Margin has increased significantly in 2023 compared to the previous two periods meaning that CESO was able to improve its operating efficiency, the amount of EBITDA generated per each 1€ of revenue, in 2023. This was mainly because the company was able to implement significantly more/larger projects without considerably increasing expenses with in-house personnel, such as hiring professionals for its internal workforce, paying significantly higher bonuses, which is a positive consequence of its business model. The firm relies on external consultants to implement the projects thus the amount of in-house personnel varies little with changes in the volume and/or size of projects.

1.3.2. Balance Sheet Analysis

Accounts Receivable, namely "clients", doubled in 2023 mostly due to the 60% increase in revenues, but likely also because a larger portion of clients paid on credit putting pressure on the company's working capital management.

The amount of cash received in advance from clients, related to consulting fees charged and advances from consortium partners when CESO is not the consortium lead, has more than tripled in 2022 and decreased slightly in 2023, partially offsetting the increase in receivables.

A portion of this decrease may be explained by the fact that CESO's clients seem to be paying increasingly on credit meaning that the firm does not receive the cash from the consulting fees right away.

1.3.3. Cash Flow Statement Analysis

Cash Received from clients decreased by roughly 50% in 2022, despite revenues surging slightly, increasing again in 2023, driven by a large increase in revenues, but reaching a value still significantly lower than in 2021. The evolution of the cash inflow from clients seems, once again, to be a consequence of a larger portion of sales being made on credit or an increase in the average collection period negatively impacting the firm's liquidity.

Cash payments to suppliers regarding travel, communications and office supplies rose by almost 70% in 2023 since the larger number of activities implemented required higher expenditures in these areas. “Other cash payments”, which account for the bulk of cash outflows, decreased slightly in 2022 and increased by 44% in 2023. This increase in expenditures with external consultants and consortium partners can be explained by the increase in the implementation of activities covered by the projects.

Cash Flows from operating activities were positive in 2021, turned negative in 2022 and became even more negative 2023, meaning that the company’s operations have been rapidly depleting the company's cash reserves in the past 2 years. If this trend remains the firm may soon face a liquidity problem and struggle to meet short-term financial obligations.

1.3.4. Financial Ratio Analysis

<u>Liquidity</u>

The company's liquidity position has been deteriorating at a rapid pace. Looking at the past 3-year trajectory of the Cash Ratio, which assesses the firm's ability to meet short-term financial obligations by using only its cash, we can see that the % of current liabilities covered byits cash has been decreasing drastically. According to this analysis, in 2021 CESO would have been able to pay 83% of its current liabilities by using only cash, while in 2023, that percentage dropped by 3%.

Working Capital Management

The organization's average collection period, the average number of days customers take to pay CESO, is significantly longer than the average payable period, which represents the amount of time it takes CESO to pay its suppliers. This mismatch means the firm, on average, must pay suppliers before receiving payment from customers, increasing its need for external short-term financing to complement internal flows.

In conclusion, if current trends continue, CESO may face liquidity challenges, struggling to meet short-term financial obligations due to longer client payment cycles and increased operating costs. Indeed, CESO should concentrate its efforts on improving liquidity management and operational efficiency by decreasing dependence on credit sales, renegotiating payment terms, optimizing consultant utilization, as well as increasing advance payments from clients.

1.4. International Development Consulting Environment

The international development consulting industry comprises companies and professionals that offer strategic support in global development sectors, aiming to enable Local Governments, International Organizations, and Non-Governmental Organizations to address socio-economic difficulties, aligning with Official Development Assistance (ODA) priorities and the Sustainable Development Goals (SDGs).

Within this industry, there are three main groups of players that can be identified. Part of the first group are large and small-to-medium-sized EU-based consulting companies, such as *GOPA Consulting Group*, *Ginger SOFRECO - Societe Francaise de Realisation D'etudes et de Conseil*, *EUGG Advisors SRL*, *GFA Consulting Group GmbH*. These companies are predominantly based in Northern Europe, being more specific in Germany, France and Belgium and possess extensive experience with significant references, making them strong contenders to CESO. The second category is composed of major Northern American companies that have entered the EU market by acquiring EU-based firms and leveraging their large-scale projects, such as *AECOM*, *Cowater International* and *ICF Consulting*, which utilize their global presence and resources to compete effectively within the EU. Thirdly, the sustainability divisions of large multinational consulting firms such as *Deloitte*, *PwC* and *McKinsey & Company* are part of the industry players. These divisions focus on helping businesses integrate sustainability into their strategies and operations, aligning with growing market demands for sustainable development practices. These companies engage in intense price competition, driving project profitability down to narrow margins, typically around 10-15% gross (Valente, personal written interview, October 7, 2024)

When analyzed through Porter's Five Forces (Porter 2008), this industry is revealed to be a complicated and competitive landscape. While the Framework Contracts have lowered entry barriers, the threat of new entrants is relatively low because competing in this field requires extensive experience, networks and an established reputation. Suppliers hold moderate bargaining power due to the demand for specialised expertise, however this power is gradually diminishing as the market becomes more competitive within the established players. On the other hand, buyers, such as major donor organizations like the European Commission and the World Bank, held significant power as they heavily influenced contract terms and budget allocation, positioning them as the rule makers in the market. The threat of substitutes remains low due to the nature of the industry. In fact, development consulting requires an important and deep knowledge of donor regulations and sector-specific knowledge, with few alternatives available. Lastly, industry rivalry is intense, with large, established firms fiercely competing for long-term contracts. At the same time, smaller enterprises often form partnerships or join consortiums to enhance their competitiveness and gain access to larger projects. In conclusion, there are considerable barriers for small and medium sized companies that want to invest in development projects, namely the high tickets for project financing, meaning the fact that only projects above a certain size threshold are eligible to receive financing from multilateral development organizations. (Jácome, personal interview, October 28, 2024)

1.4.1. Financial Trends and Sources

The international development consultancy field is financed by public and private funds, with increasing participation from private companies. Originally, funding was mostly provided by governmental agencies and multilateral organizations; however, public-private partnerships (PPPs) are becoming more and more important, with private investments making up around 50% of total funding. Governments and international organizations see the engagement and the relationship with private sector as essential for amplifying and providing alternative solutions and sources of investements. In line with this, projects and initiatives such as the EU Global Gateway, which seeks to generate €300 billion for sustainable global infrastructure, benefit from this partnership (European Commission 2023).

In terms of areas of engagement, consultancies work across different areas belonging with the SDGs and many national and international policy frameworks, such as the European Green Deal. The projects firms are assigned to are often awarded through competitive procurement processes managed by entities such as the European Commission and the World Bank.

In terms of the geographical attractiveness, Africa and Asia are especially appealing due to their significant development needs and large inflows of funding from multilateral organizations and donor governments (OECD 2023) But, regulations and practical limits can make entering these areas difficult. As stated before, smaller companies can now enter more easily, though, thanks to framework contracts and working with area groups, but established players still have an advantage over new ones as they have more resources and experience, which makes it easier for them to deal with complicated government processes.

The changing funding and trends highlight the continuing importance of Official Development Aid (ODA). As private investments and partnerships become more and more important, it is important to understand the degree to which Official Development Assistance (ODA) shapes and influences this shift.

1.5. Official Development Aid: traditional and modern approach

Official Development Aid (ODA) represents government aid intended to promote socio-economic development in underdeveloped regions by using concessional financing instruments such as grants and soft loans. According to the OECD Development Assistance Committee (DAC), ODA is the "gold standard" and main source of development aid (OECD, 2023). There are mainly 3 types of ODA including bilateral, multilateral and blended. Bilateral ODA refers to a direct donor-recipient relationship between two countries while multilateral ODA is channeled through international organizations to beneficiary countries. The blended format combines government or institutional financing with private investment to leverage larger investments.

The ODA ecosystem relies on several institutions. Some of the most relevant governmental institutions include USAID (United States), DFID (United Kingdom) and GIZ (Germany) which finance development projects on behalf of their governments. When it comes to multilateral organizations, the key players include the UN, World Bank, OECD, EU and regional development banks.

In recent history, we can trace ODA back to the post-WWII period when development aid emerged as a tool for the economic recovery and infrastructural reconstruction of the countries affected by the war. During those years the Marshall Plan initiative by the US and the newly created Bretton Woods institutions were the main agencies financing the reconstruction projects. A second push in ODA came at the turn of the century. After the Cold War and with the UN's Millennium Development Goals (MDGs), financing efforts turned away from geopolitical motivations and toward achieving development goals in dimensions such as poverty, health, education and the environment. From 2015 onwards, the MDGs were replaced by the Sustainable Development Goals (SDGs) reflecting the growing commitment towards sustainable development and setting out specific and quantifiable targets. The 17 SDGs represented an urgent call to action to surpass what was achieved previously while reducing inequalities, fighting climate change and spurring economic growth.

Up until this point, most of the development spending came from governments and multilateral institutions (World Bank 2015). Because these resources are public, there is a great deal of responsibility and regulations regarding their application to ensure they are directed toward their most efficient and effective use. To decide which development projects better fit these criteria, tender processes are often used. In a tender process, the participants – consulting companies for example – bid for a contract, that is, the right to carry out the project and earn compensation as outlined in the contract terms.

Most of CESO's projects have been awarded through tender processes. The company monitors project opportunities, decides on which to participate, and, together with its partners or on its own, prepares a bid. After submitting its bid, which includes a technical part and a budget, the hosting institution awaits the decision, which will compare and decide upon the several different bids received. Finally, if CESO wins the contract it moves toward the implementation phase and carries out the project.

More recently a new trend emerged in ODA characterized by a significant participation of the private sector in development projects. This was prompted by the push to achieve the highly ambitious SDGs as well as the expansion of economic prospects in poor nations due to institutional changes made in earlier decades. The EU's Global Gateway Strategy, introduced in 2021, is arguably the most significant outcome and driver of this emerging tendency. According to the European Commission, the Global Gateway aims to "*boost smart, clean and secure links in digital, energy and transport sectors and to strengthen health, education and research systems across the world*" (European Commission 2023). It is viewed as a template for transformative impact demonstrating the EU's dedication to reaching the SGDs. Furthermore, it also acknowledges that the substantial investment needed to carry out its vision requires the participation of private investors (outcome).Therefore, it intends to mobilize €300 billion in sustainable investments globally by 2027 by utilizing both public and private resources (driver). Other multilateral organizations have also adopted strategies to attract private investment and address sustainable development challenges. These strategic changes mark a shift in the ODA from traditional institutional capacity building to facilitating private investment.

For ODA stakeholders the emergence of the private sector means unlocking an incredibly large investment potential. With more funds available an increase in the number and scale of development projects is expected. Consulting companies like CESO stand to benefit from this expansion in the market. However, the market is not only growing but it is also changing. Consequently, only the companies that are able to adapt to the new environment, reach the private sector and position themselves to leverage programs such as the Global Gateway can hope to fulfil the growth opportunities associated with the ODA shift.

1.6. Key Takeaways

The changing environment of Official Development Aid (ODA) has led to in changes in the industry, including increased private sector participation and a shift in funding trends. Despite having a long history and expertise in the sector, CESO is currently facing a crossroads. Its generalist approach and dependency on tender processes and references might have been effective in the past, but now the company must be looked through in light of the increased competition, the larger contracts concentration, and the rising importance of private funding sources. Throughout this thesis, we will examine these trends and find an answer to the main question:

"How can CESO complement its business model to adapt to the shifting ODA landscape while outpacing its competitors?"

By doing so, we intend to propose actionable steps for CESO to achieve the key goal.

6. Key Takeaways and Implications for CESO

6.1. Main recommendations and implications

Following the 7Ps framework we propose recommendations on 7 dimensions including Product, Price, Place, Promotion, People, Process and Physical Evidence. The underlying aim, common to all dimensions, is to capitalize on the shift in the landscape of development aid by adjusting CESO's business model to serve also the private sector.

To do that CESO should extend its service offering to include Private Sector Advisory Services and complement them with pricing strategies that take into account the specificities of each service as well as customer needs. This will require CESO's technical department to broaden its expertise to include areas relevant to private sector entities, such as financing solutions, and learn, either through training or via talent acquisition, how to adapt its existing know-how to fit the needs of the new customer segment. It constitutes learning opportunities that will expand the knowledge and skills of the team and that could be transposed to the public sector service offering. Serving the two customer segments means that the experience gained could be cross-applied to improve overall service quality, creating a virtuous cycle.

Regarding pricing, for *Consultancy & Studies,* we suggest a tiered hourly rate with separate tiers capturing differences in required expertise and complexity of the service provided. *Monitoring & Evaluation* should follow a hybrid pricing strategy that combines a design and maintenance fee with a bonus fee for achieving performance targets. A similar hybrid model is recommended for *Head Hunting* with an upfront retainer fee and a placement fee at the end of the process. Finally, for *Financing Solutions* a diagnosis fee together with a bonus fee for securing financing is the most appropriate approach. Behind these different strategies is the same guiding principle: offer a pricing model that is aligned with the goals of the customers without compromising CESO's financial situation. The new pricing model will have implications for the firm’s Financial Department. Different pricing mechanisms (e.g., bonus fees, retainers) introduce complexity in revenue forecasting and accounting, necessitating detailed tracking and reconciliation processes. With the introduction of *Head Hunting* services CESO must scale up its talent identification capabilities and adjust the profile of the experts to include people with experience in implementing projects with private sector entities. In compensation for increased complexity, profitability is expected to rise due to higher margins from value and outcome-based components. At the same time, risk should be limited since some fees are to be collected upfront, establishing a degree of predictability.

Reaching the target audience is a considerable challenge and to overcome it the company must improve its performance in existing customer touchpoints, namely, events, social media and website. Furthermore, promotional strategies must be aligned across channels to convey CESO’s value proposition in a credible way. For that, we recommend taking more active participation in industry events and strengthening its digital presence on social media by regularly sharing content regarding the new service offering and its impact on previously implemented projects. Additionally, we propose improving the website's user-friendliness and include new features such as “book a meeting” which bring CESO closer to its customers. Considering the vital role of the new service offering for CESO’s future performance, the firm should create a dedicated marketing team. This decision will imply incurring costs with recruitment, salaries and training of personnel; however, other departments will be released from marketing-related tasks, allowing them to focus on their core activities where they generate the most value for the company. More importantly, it will mean having people with the necessary knowledge and skills to manage and implement the GTM strategy in the most effective way possible, maximizing brand awareness and client acquisition, key factors for the initial success of the new service offering and the long-term sustainability of CESO.

CESO's process will also require adjustment to enhance the company's ability to create demand for its new service offering. In this case, we recommend adding two stages in the beginning of the process which are *Project Design* and *Presentation to Prospective Clients*. This requires CESO to continuously monitor current development needs across key sectors and regions and coordinate between the technical and marketing departments to align the design and presentation stages. If successfully implemented they will have an important role in the roll-out of the Private Sector Advisory Services by generating demand at a time when this service offering isn't yet firmly established in the market. With time, we believe that these stages will be transferred to customers, in the sense that, they'll be the ones coming to CESO with pre-designed projects seeking support in their implementation. As a result, CESO should be able to shift focus to more profitable stages of the process.

As highlighted above, each department has an important role to play to ensure the smooth adoption and implementation of the proposed recommendations. However, individual adjustments in isolation won't be enough, instead, a coordinated effort is needed to achieve long-term growth. For that, the involvement of the board members in further discussion, acceptance, and implementation of the proposed recommendations will be key. The board defines the strategic vision for the company and has profound knowledge of the company and industry environments. Thus, it has the indispensable role of guaranteeing the fit between the strategic vision and the recommendations to be implemented as well as engaging its people to embrace and support the necessary changes.

6.2. Conclusion

To conclude, this work has enabled us to explore in depth the challenges and opportunities CESO is facing, in a context where Official Development Assistance (ODA) is evolving rapidly. Between the shift in donor priorities towards more complex and sustainable projects, and the growing integration of private players in financing, CESO is going through the necessary transformation of its business model.

In order to carry out this analysis, we have structured our thinking in several key stages. First, we studied the global ODA context and the specifics of CESO's current business model, identifying its strengths and weaknesses. From this base, we examined the impact of current transformations on its activities, drawing on both internal (resources and capabilities) and external (market trends and competitive positioning) analysis. Our conclusions were enriched by interviews with key industry stakeholders, enabling us to anchor our proposals in a pragmatic, action-oriented vision. This rigorous methodological approach has enabled us to draw up concrete recommendations and an action plan tailored to CESO's reality.

The recommendations formulated in this work offer a real action plan to enable CESO to adapt and prosper. By diversifying its customer base, CESO can reduce its dependence on traditional public institutions. In addition, we have highlighted the importance of integrating innovative technologies to better meet growing expectations for transparency and efficiency. We also stressed the need to strengthen local partnerships and further develop in-house expertise. By basing its projects more firmly in local realities and drawing on stronger in-house skills, CESO will be better equipped to respond both to public and private clients. These areas of intervention, organized in a clear, prioritized action plan, are designed to make CESO an even more agile player, in line with the Sustainable Development Goals.

Although the challenges are many, we firmly believe that CESO has what it takes to meet these transformations. With a proactive strategy, integrated solutions and a strengthened capacity for innovation, CESO can not only adapt, but also become a benchmark in the sustainable development sector. This moment of change is a unique opportunity to redefine its business model and maximize its impact, while consolidating its position in a rapidly changing market.

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Appendix

Appendix 1: Financial Statement Analysis of CESO Development Consultants

a) Income Statement Analysis

Income Statement Analysis				
Unit: k €	#	FY23	FY22	FY21
Sales and services rendered	1	€ 8,874	€ 5,523	€ 5,382
Yoy change in %		61%	3%	
External services supply	2	(€ 6,848)	(€ 4,411)	(€ 4,154)
Yoy change in %		55%	6%	
Personnel expenses	3	(€ 1,458)	(€ 1,222)	(€ 1,157)
Yoy change in %		19%	6%	
EBITDA	4	€ 558	(€ 69)	€ 122
EBITDA Margin (% of revenue)	5	6%	-1%	2%
External Services Supply (% of revenue)		77%	80%	77%
Personnel Expenses (% of revenue)		16%	22%	21%

Source: CESO Audited Accounts 2021, 2022, 2023

b) Balance Sheet Analysis

Balance Sheet Analysis				
Unit: k€	#	FY23	FY22	FY21
Total Non-current Assets		€ 623	€ 641	€ 695
Clients	1	€ 4,286	€ 2,135	€ 2,572
Yoy change in %		101%	-17%	
Cash flow and bank deposits	3	€ 182	€ 1,332	€ 2,872
Yoy change in %		-86%	-54%	
Total Current Assets		€ 9,981	€ 6,959	€ 7,621

Total Capital and Liabilities		€ 10,604	€ 7,600	€ 8,316
DSO		176	141	174
DPO	2	21	24	32

Source: CESO Audited Accounts 2021, 2022, 2023

c) Cash Flow Statement Analysis

Cash Flow Statement Analysis				
Unit: k €	#	FY23	FY22	FY21
Received from clients	1	€ 5,511	€ 4,343	€ 8,860
Yoy change in %		27%	-51%	
Payments to suppliers	2	(€ 1,496)	(€ 892)	(€ 1,022)
Yoy change in %		68%	-13%	
Payments to employees		(€ 1,373)	(€ 1,246)	(€ 1,222)
Other cash receipts/payments	3	(€ 4,825)	(€ 3,361)	(€ 3,798)
Yoy change in %		44%	-12%	
Cash flows from operating activities	4	(€ 2,197)	(€ 1,135)	€ 2,703

Source: CESO Audited Accounts 2021, 2022, 2023

d) Financial Ratio Analysis

Financial Ratio Analysis			
	FY23	FY22	FY21
Interest coverage ratio	4,45	-1,24	17,20
Current ratio	1,41	1,33	2,19
Cash Ratio	0,03	0,25	0,83
Average collection period	394,38	363,80	310,83

Average payable period	21,39	23,96	32,21
Breakeven point	6.580.671	5.886.821	4.861.635
Margin of safety	26%	-7%	-10%

Source: CESO Audited Accounts 2021, 2022, 2023

Appendix 2: Personal interviews conducted

Date	**Interview**
18th September 2024	Meeting with Helena Valente, COO, CESO Development Consultants
7th October 2024	Written interview with Helena Valente, COO, CESO Development Consultants
22nd October 2024	Interview with Chloe Teevan, Head of Digital Economy and Governance, European Centre for Development Policy Management (ECDPM)
23rd October 2024	Meeting with Helena Valente, COO, CESO Development Consultants
28th October 2024	Interview with Inês Jácome, Member of the Multilateral Organizations department, Agência para o Investimento e Comércio Externo de Portugal (AICEP)
29th October 2024	Interview with Fracisco Franca, Chief Executive Officer, Lobito Atlantic Railway (LAR)
30th October 2024	Interview with Henrique Gomes, Director of Business Development, CESO Development Consultants
8th November 2024	Interview with Paulo Silva, General Manager and Board Member, CJR Renewables
18th November 2024	Meeting with Helene Valente, COO, CESO Development Consultants