

A Work Project, presented as part of the requirements for the Award of an International Master's degree in Management from the Nova School of Business and Economics.

**STRATEGIC BUSINESS MODEL TRANSFORMATION FOR DEVELOPMENT
CONSULTANCY**

A STRATEGIC PLAN TO SERVE THE PRIVATE SECTOR

DIOGO VIEIRA DA SILVA

Work project carried out under the supervision of:

Advisor: José Miguel Pita

17/12/2024

Abstract

In an international development sector with boundaries increasingly blurred, consulting firms must respond to shifts in Official Development Assistance (ODA) and adapt to new emerging trends. This paper explores how CESO Development Consultants can reinvent its business model to react to these changes. By using a qualitative research approach, including semi-structured interviews with key industry stakeholders, the study identifies opportunities and proposes clear recommendations across seven business dimensions including Product, Price, Place, Promotion, People, Process and Physical Evidence. The findings provide a strategic plan for CESO to adjust its business model, strengthen its competitiveness and achieve long-term growth in an evolving landscape.

Keywords

Development Consulting, Development Projects, CESO, Official Development Assistance, ODA Shift, Global Gateway, Private Sector, Private Investment, Business Model Adaptation, Private Sector Advisory Services, 7Ps Framework, SDGs, Partnerships.

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

Disclaimer

Conducting a financial analysis of the proposed strategic business model and the go-to-market strategy was proven to be challenging due to the nature of the target market, which is experiencing rapid growth with no definable boundaries yet. Therefore, reliable data on its size, growth rate, and limits is either unavailable or highly speculative. These limitations impacted certain aspects of our analysis and constrained our ability to execute any financial forecasts, as it could have reduced the credibility of the analysis. As a result, instead of offering financial projections that may misrepresent the market's potential, the thesis focuses on other important characteristics of the business model, such as its value proposition, scalability, and alignment with industry trends.

1. Strategic Business Plan for Adaptation

CESO is a consulting firm that provides advisory and capacity-building services to public institutions and international organizations, particularly in developing countries. The company's expertise lies in formulating, implementing, and evaluating development projects across various dimensions of sustainable development. It operates on a traditional consulting model with the primary revenue source being the fees charged for consulting services.

In recent years, the multilateral development organizations that CESO works with have adopted new strategies to address sustainable development challenges, emphasizing the role of private sector investment and the need to leverage private capital to complement Official Development Assistance – “government aid that promotes and specifically targets the economic development and welfare of developing countries” (OECD 2023). Consequently, international development organizations are transitioning from traditional institutional capacity-building projects to facilitating private investment.

The growing involvement of private entities in development projects (ODA shift) brings larger funds but also a wide range of potential partners and clients for CESO. This work aims to build on CESO's existing strengths to seize the opportunities and mitigate the risks created by the ODA shift. The 7Ps framework are used to propose a set of actionable recommendations that align with internal capabilities and meet client expectations. The structure of this framework allows for extensive coverage of all the areas targeted by the recommendations, together with, the necessary compartmentalization to clearly define the scope of each suggestion. On top of this, it showcases a customer-centric approach by addressing dimensions that directly impact customer decision-making towards a product. Any service offering already carries an amount of uncertainty by default due to its inherent characteristics, namely, intangibility, however, this is exacerbated by the fact that CESO will also be serving a new market. Using the 7Ps framework highlights the fact that, to attract customers and increase demand, service providers

must reduce uncertainty by demonstrating their service quality through its people, processes and physical evidence (Kotler and Keller 2016). A key characteristic of each recommendation is that it creates value for both CESO and its clients without compromising its financial situation. If implemented, they will result in an expansion of the company's current business model. In order to encompass all the required adaptations, we've created an updated version of the Business Model Canvas, which will guide us in the understanding and implementation of the proposed recommendations. Finally, the aim of this section is to provide an answer to the question:

“What specific changes can CESO make to its business model to capitalize on the evolving development assistance landscape, while leveraging its existing strengths and expertise?”

1.1. Recommendations

1.1.1. Product

Despite its considerable experience in the Development industry, we believe that CESO must evolve to take advantage of the opportunities created by the shift in ODA. That doesn't mean it should move away from its core business – participating in tender processes and implementing projects promoted by Multilateral / Governmental Institutions – in which the company has been very successful. Public clients and projects are expected to remain CESO's largest segment in the short to medium term. However, capitalizing on the growing participation of the Private Sector will allow the company to diversify its client pool and benefit from the huge financial upside associated with the increased availability of funds for development projects – European Union's Global Gateway strategy plans to mobilize €300 billion for sustainable high-quality projects (European Commission 2023). The potential benefits associated mean that competitors will also be looking at how they can tap into the private market. This is exacerbated by the fact that successful projects are more likely to lead to long-term business relationships when dealing

with this type of client compared to public clients, where participation in tenders is almost always required. Thus, timing is of the essence for CESO to make the necessary adjustments to reach this customer segment before others do.

With this in mind, we recommend that CESO expand its product offering to include Private Sector Advisory Services (see table 3). This new product would rely on CESO's existing expertise to deliver tailored solutions for clients participating in development projects. The services to be provided include *Consultancy & Studies*, *Monitoring & Evaluation*, *Head Hunting* and *Financing Solutions*. *Consultancy & Studies* refers to the identification and design of projects, feasibility studies, and specialized technical assistance. *Monitoring & Evaluation* encompasses design and implementation of Monitoring and Evaluation systems to guide projects towards the achievement of predefined goals. *Head Hunting* regards identifying and placing expert consultants with the necessary skills and experience to ensure project success. *Financing Solutions* includes advising on the institutional financing mechanisms best suited to support each project and providing assistance on accessing them.

Both *Consultancy & Studies* and *Monitoring & Evaluation* represent services that are already part of the current portfolio offered to public clients and will only require adjustment to better respond to the needs of the private sector. Even though *Head Hunting* and *Financial Solutions* represent new services, they will rely on the existing capabilities of the company. The former leverages CESO's access to a wide pool of expert consultants to identify and place the most appropriate ones by matching their experience and skills with project needs. The latter will draw on the company's knowledge of existing institutional frameworks and financing mechanisms, resulting from 40 years of experience in navigating the public ecosystem, to guide clients to the best solution depending on the scope of each project. Given these synergies, large investments or deep structural changes wouldn't be required to make the new services available to clients.

In summary, we believe that expanding CESO’s product offering to include Private Sector Advisory Services represents a key step toward generating long-term value for the company. By leveraging its extensive experience and reputation in the Development industry, high-level project management skills and readily access to a pool of highly qualified experts, CESO will be able to mitigate its overdependence on tender processes and capitalize on the growing role of private investment and blended finance. Taking a proactive approach will not only enhance CESO’s competitiveness by fostering long-term relationships with private entities but also future-proof the company against evolving industry dynamics. With minimal structural changes required, this recommendation ensures the company remains agile, innovative, and well-prepared to lead the future of Development Consultancy.

Table 3: Recommended product portfolio to serve the private sector

Private Sector Advisory Services	
Service	Description
Consultancy & Studies	Project design, Feasibility studies, Specialized technical assistance, Regulatory advisory
Monitoring & Evaluation	Design and implement M & E systems to guide projects towards completion
Head Hunting	Identify and place expert consultants with the necessary experience and skills
Financing Solutions	Advise on appropriate institutional financing mechanisms and how to access them

1.1.2. Price

To accompany the introduction of the Private Sector Advisory Services, appropriate pricing models should be set in order to maximize the value created and captured by CESO. Given the intrinsic differences between the four services provided, it must be that the choice of pricing model takes into account the specificities of each service, instead of a one-size-fits-all approach. For example, while a competition-based pricing model, which is driven by market conditions

and competitors' behaviour, may be suited for a scenario of low product differentiation and a large number of competitors (ex: pens), it isn't optimal for the case of an innovative high-end product (ex: a new microchip). The same logic applies to the proposed Private Sector Advisory Services, in the sense that, the pricing model best suited for one of them isn't necessarily the best suited for the other services. Given this, identifying the appropriate pricing model for each service will be key to strengthening the service offering, responding to clients' needs and maximizing value for CESO.

Consultancy & Studies

As we've seen before *Consultancy & Studies* refers to the identification and design of projects, feasibility studies, and specialized technical assistance. For this type of product, customers value quality above all else. Here quality means delivering high-impact and viable project designs, accurate feasibility studies and effective technical assistance. The value delivered to clients comes from CESO's 40 years of experience in development projects, the extensive knowledge of its people and its expertise in providing technical assistance. Thus, the pricing should reflect the value of CESO's high-quality deliverables and so we recommend that CESO employs a value-based pricing model. With this model, price is determined primarily by the perceived value of the product to the customer, rather than by an increment on production costs or benchmarking with competitors, which means it carries the potential for higher profits. In the words of Nagle and Muller (2017, 54) "the foundation of a profitable pricing strategy begins with a complete understanding of the economic value the product delivers to buyers". We believe it to be the best approach due to its customer-centric nature, competitive differentiation and higher potential profitability. It incentivizes CESO to deliver maximum value to its customers by creating a direct link between price and value, distinguishes its service from competitors based on quality; and generates higher margins relative to traditional pricing models which compare prices based on cost. This pricing approach would take the form of an

hourly fee per consulting hour dedicated to a project. In alignment with the value-based model, a set of tiered hourly rates should be defined depending on the necessary level of expertise and the complexity of the service, reflecting the value created for the customer. For CESO this provides predictable revenues, flexibility to adjust to changes in project scope and scalability regarding project size.

Monitoring & Evaluation

Monitoring & Evaluation encompasses the design and implementation of M&E systems to guide projects toward the achievement of predefined goals. M&E expertise and tools are at the center of this offering which is oriented towards tracking project KPIs and milestones. Furthermore, the service provider must be impartial and independent to the actual project. Considering this, we recommend a value-based pricing model reflecting the fact that M&E systems need to be planned and implemented in different ways to effectively serve the needs of different customers. In practice, it would be represented by a project-based fee for the design and maintenance of the systems. By introducing this monthly fee, CESO can guarantee that it is fairly compensated by the complementary activities required for high performance.

Head Hunting

Head Hunting relates to identifying and placing expert consultants with the necessary skills and experience to ensure project success. This type of service represents an innovation in the sense that it isn't in the portfolio of other development consulting companies or even mainstream consulting companies for that matter. Human resources and head-hunting companies are usually the ones involved in this market. To be successful in a new market with established companies CESO cannot position itself as a direct competitor, but instead, it should target a niche of customers looking to carry out development projects and searching for highly skilled and experienced consultants. Its pricing strategy should also convey this positioning. Thus, we also recommend hybrid pricing, between value-based and outcome-based pricing models. With

this model, CESO can capitalize on its value as a credible player in the development sector renowned for the strong technical aspects of its freelance consultants and projects (value-based). Moreover, the consultants CESO intends to place are experts, meaning their roles will directly influence project outcomes (outcome-based). In practice, the value-based part will constitute a flat retainer fee upfront to initiate the search for the right candidate, for which CESO will leverage its readily access to a network of expert consultants. The outcome-based part encompasses the successful placement of a candidate that guarantees customer satisfaction, upon which a placement fee is charged in the form of a percentage of the consultants' salary in the first year of the project. This way, the success-based placement fee ensures the client about CESO's commitment to identifying and placing the right person for the job, while the retainer fee prevents the company from expending resources without guaranteed compensation, securing some revenue even if placements take longer.

Financing Solutions

Financing Solutions include advising on the institutional financing mechanisms best suited to support each project and providing assistance for accessing them. As we've seen from the analysis of the interviews, access to financing is one of the standout challenges faced by companies who wish to participate in development projects – “*Often it is not very clear to which financing program a project should or should not be submitted to*” (Silva, personal interview, November 8, 2024). Since it is an outcome-oriented service, it makes sense that at least part of the price is also outcome-related, which offers high potential for win-win situations (Hypko, Tilebein, and Gleich 2010). An outcome-based pricing model reflects the importance of access to financing as a cornerstone of an entire project and could be achieved through a bonus fee conditional on securing the necessary funds. However, an outcome-based pricing model, on its own, carries considerable risk because achieving the predetermined goals is strongly dependent on the customer's performance which the service provider cannot control (Hou and Neely

2018). To reduce risk, we recommend that CESO adopts a hybrid pricing strategy with a mix between an outcome-based pricing model and a cost-based pricing model. Beyond that, hybrid pricing has been shown to have the potential to generate higher revenues than single pricing models (Bakhtiari et al. 2024). The cost-based part includes an initial assessment of the project itself, identification of available financing mechanisms, and development of a financing roadmap. This assessment represents an upfront cost for CESO and produces an output that has limited value for the customer. Given this, a cost-based pricing model would be appropriate, allowing CESO to cover the initial effort and cost required to assess the project, its financing needs, and identify potential sources of funding by charging a diagnosis fee upfront.

Considering the aforementioned, we recommend that CESO, once again, makes use of a mixed strategy, this time by combining cost-based pricing with outcome-based pricing. This is attractive for clients as it aligns CESO's incentives with their success on a crucial stage of the project, and for the company as it ensures compensation for upfront costs and high margins in case of success.

1.1.3. Place

In terms of geographical reach, CESO has a physical presence and easy access in Portugal and the PALOP countries – Portuguese-speaking African countries – where multiple opportunities and interest for development projects exist. There are other regions experiencing high demand for this type of project such as Southeast Asia and Latin America. While having a presence in those markets could be an advantage, the investment costs associated mean that such an option is out of reach for CESO. However, this lack of presence isn't a strong limitation for conducting business and projects in those regions, given that, it is possible to reach such markets through partnerships. The company has already applied this strategy successfully with public customers, evidenced by the fact that CESO has carried out projects in 116 countries across 4 continents,

as mentioned on its website (CESO Development Consultants, 2024). To serve private customers in distant geographical markets we recommend that CESO replicates this strategy and identifies strategic partners to compensate for the lack of presence while guaranteeing the quality of its service offering.

Other existing customer touchpoints include conferences, social media, and website. At the moment, we recommend that the main focus be on improving performance within the existing touchpoints by increasing both frequency - participating in more conferences, sharing content more regularly - and quality - sharing content relevant to private clients, improving the website's user-friendliness and interactivity – which we will cover in the “Promotion” and “Physical Evidence” part. Beyond this, we suggest that CESO creates an additional touchpoint by reaching directly to prospective clients to present project designs and generate demand. We expand on this in the “Process” and “People” parts.

1.1.4. Promotion

Even though CESO has an excellent reputation and vast experience in the development industry, it needs to change its marketing strategy to align with the increasing engagement of the private sector in digital platforms. CESO has mostly relied on networking, referrals, and project reports to manage its relationships with public sector clients. This approach is insufficient for reaching out to a wider audience, including the private sector which has a growing reliance on digital platforms and visible proof of expertise. The lack of active social media platforms and the level of participation in industry events mean CESO is missing opportunities to market itself to this new market segment.

For this reason, we see strengthening its digital presence as a way to position the company as a key player in the new private sector market enabling it to expand its outreach and effectively convey its value proposition. Social media platforms can be utilized to share weekly content

focused on raising awareness towards the projects that CESO is currently involved in, highlighting the company's tangible impact on said projects, and publishing thought leadership pieces on major themes. This type of content would showcase CESO's experience and ongoing activity in the development industry and draw a clear picture of the value it adds to projects enhancing its credibility in the eyes of prospective clients. In addition to strengthening its online presence, CESO should actively engage in industry events and conferences that offer opportunities to display its expertise and build connections with private sector stakeholders. Furthermore, securing networking opportunities or even having the chance to share its experience on stage at these events, where investment promoters are also present, will allow CESO to demonstrate its capabilities and communicate its value proposition.

1.1.5. People

CESO carries out projects by leveraging a network of specialized freelance experts who work alongside the beneficiaries to implement the projects. This is complemented by its technical department, which is responsible for centrally managing the projects. While this system works well with public sector clients and tender processes, further functions are required to capture and serve the private sector. Moreover, serving the private sector means that the demand for projects is likely to increase. To address this we recommend that CESO expands its implementation team using a mix of in-house project management and freelance consultants.

The other big challenges associated with the initial stages of the new service offering will be raising awareness among customers and showing how CESO can add value to their projects. However, the company has limited experience in interacting with this type of customer and, on top of that, its in-house team is already working at close to capacity. For this reason, we believe CESO should create a Marketing team that will be responsible for engaging the private sector clients. This team would be the key to identifying and developing business relationships,

speaking directly with potential customers to understand their needs, and promoting CESO's Private Sector Advisory Services.

This recommendation is both useful and feasible since it presents a huge upside potential per customer reached, at a controlled cost. Despite potentially requiring additional costs for hiring and maintaining a marketing team, CESO can leverage the existing knowledge and experience of its existing human resources to provide the necessary training to complement the skills that incoming employees bring to the company. Moreover, from its long-lasting activities in the development ecosystem, it already has an existing network of relationships with other organizations, including some private ones, which it can build on and further expand.

1.1.6. Process

CESO's current process includes monitoring contract opportunities, securing contracts through successful tender bids, managing the projects, allocating the necessary resources and delivering on their implementation. While this process has been successful in addressing public clients, a different process is required to cater to the specific needs of private clients. The participation of the private sector in development projects has been growing in the last few years, however, this is a relatively recent trend without an established blueprint regarding the interactions between different stakeholders.

The focus point, in creating a process for dealing with these clients, must be on how to reach and engage them. Given this, we recommend that the two initial stages of the process be: Project Design and Presentation to Prospective Clients. The Project Design stage consists of leveraging CESO's 40 years of experience in the Development industry to identify existing needs and opportunities across key sectors, such as education or infrastructure, and regions, for example, Portuguese-speaking African countries, followed by designing projects that address those needs and opportunities, that are achievable, and that create value for those interested in implementing

them. The Presentation to Prospective Clients stage refers to getting in direct contact with potential clients that are a fit with the designed project, that is, have the necessary resources and stand to benefit from its implementation. These contacts and presentations, carried out in part by the new marketing team, will allow CESO to create stronger relationships with potential clients, gauge market interest and generate demand for its advisory services. Furthermore, it has the potential to position CESO as a top-of-mind brand when it comes to conducting development projects which will boost future demand.

Process for private clients:

1. Project Design
2. Presentation to Prospective Clients
3. Contract Agreement
4. Project Management
5. Allocation of Resources
6. Project Implementation

1.1.7. Physical Evidence

In line with the suggestions made until now, CESO should make efforts to enhance its physical evidence by increasing the user-friendliness of its existing website and facilitating direct interactions between visitors and CESO. For example, allowing clients to effortlessly book an initial online meeting with CESO's team would give them the opportunity to get to know better the company's offering or study the potential for establishing a business relationship.

Given the simplicity of the proposed actions and the availability of a wide range of cost-effective tools for website design we believe that their implementation is feasible and requires minimum investment. On top of that, a well-designed customer portal would create a more professional, user-centric and seamless experience for clients engaging with CESO. It would

also speed up CESO's process for getting new clients by reducing administrative constraints related to complex communication channels. In addition, customers who enter the website to book a meeting with the company will be exposed to other company content on display, showcasing CESO's successful projects and value proposition in a visually appealing way, which will increase trust and familiarity with the company.

1.2. New Business Model Canvas

Following our suggestions, we think CESO should adapt its strategy to grow into the private sector. As a result of this shift, CESO will be able to diversify and expand its customer base and revenue streams to achieve long-term growth. The primary activities that CESO does will also expand to support the implementation of its new service offering. For example, a separate Marketing team will be in charge of creating demand by reaching out to prospective customers, building relationships and trust, understanding their current needs and conveying CESO's value proposition. In addition, CESO will use digital marketing to increase visibility through posting content regarding the company's ongoing activities, sharing a measure of its value-added to projects and publishing thought leadership content. As we've already addressed, CESO should redesign its website and offer an easy-to-use tool for customers to schedule an initial meeting with the company. Participation in industry events, regularly sharing contents on social media platforms, and referrals will further support client acquisition and retention.

CESO's value proposition is meant to expand to accommodate the specific needs of private sector clients. By bridging public and private sector interests, CESO can deliver innovative, cross-sector solutions to complex development challenges. Enhanced digital tools and a dynamic online presence will further differentiate CESO as a leader in development consultancy. Building strong, personalized relationships with clients will remain a cornerstone of CESO's strategy. The Marketing team will ensure that client-specific needs are taken into

account to inform tailored support throughout their journey, enhancing trust and satisfaction. Personalized outreach efforts will underscore CESO's commitment to delivering meaningful and impactful solutions.

CESO's customer segments will expand to encompass three key groups: multilateral organizations that host tender processes, which will remain a cornerstone of CESO's operations; private sector clients, such as corporations and businesses requiring development consultancy services, which will become a significant focus, diversifying CESO's client base; and governments and local authorities, which will continue to benefit from CESO's expertise in governance, capacity building, and social impact, ensuring a balanced approach to market demands. CESO's key resources include its skilled in-house team, an extensive network of freelance consultants, and a trusted reputation. To support its private sector expansion, CESO will invest in digital tools, including the development and maintenance of the customer portal, and enhance its digital marketing capabilities. Thought leadership content creation and staff training will further bolster CESO's ability to meet private-sector demands while maintaining excellence in public-sector services. These investments will position CESO to deliver exceptional consultancy services across both sectors. The proposed shift will entail manageable but strategic investments. These include salaries for the Marketing team, digital marketing efforts, and improvements to its website. Participation in industry events and staff training programs will also represent additional costs. Revenue streams will diversify to include consultancy fees for project design, feasibility studies, and technical assistance; headhunting fees for identifying and placing experts into projects, and bonus fees for goals achieved using CESO's M&E systems or through its financing advisory. This diversified approach will reduce reliance on public sector tenders and enhance CESO's financial sustainability.

By implementing these changes, CESO will establish itself as a strong player across both public and private sector development consultancy. This business model adaptation is structured into

the recommended Business Model Canvas (see table 4). It builds on CESO’s existing strengths, addresses emerging market opportunities, and ensures the organization remains agile and competitive. These initiatives not only support CESO’s growth aspirations but also enhance its ability to deliver impactful, sustainable solutions to its clients.

Table 4: Recommended Business Model Canvas

NEW Business Model Canvas	
BMC Dimension	Content
Key Partners	<ul style="list-style-type: none"> - Freelance Consultants - Multilateral Organizations, Development Banks, NGOs, NPOs - International Development Consultancies, Bilateral Development Agencies for Partnerships, Consortia - Local Business Chambers, Events Platforms
Key Activities	<ul style="list-style-type: none"> - Consultancy & Studies - Monitoring & Evaluation - Head Hunting - Financing & Partnerships - Project Management - Tender Processes
Key Resources	<ul style="list-style-type: none"> - Highly Skilled In-House Team - Readily access to a wide pool of expert consultants - Project management skills - Knowledge of institutional frameworks and financing mechanisms - Reputation and Experience - Development industry network - Digital Presence
Value Propositions	<ul style="list-style-type: none"> - Project Management and Technical Expertise - High-quality consulting services - Client-Centric Approach - Bring together Public and Private Sectors - Credible partner
Customer Relationships	<ul style="list-style-type: none"> - Tailored Client Solutions - Transparent Communication and Continual Support - Interactive Networking Opportunities - Long-term Engagement - Strategic Partnerships
Customer Segments	<ul style="list-style-type: none"> - Multilateral Organizations - Local Authorities in Developing Regions - Private Sector Clients
Channels	<ul style="list-style-type: none"> - Tender Processes - Industry Events and Conferences - Digital Platforms - Presentations to Prospective Clients
Cost Structure	<ul style="list-style-type: none"> - Personnel Costs - Training and Development - Travel and Accommodation - Technology and materials - Digital Marketing and Content Creation - Events Hosting and Participation

Revenue Streams	<ul style="list-style-type: none"> - Consultancy Fees from Public Sector Projects - Private Sector Advisory Services Fees - Event-based Revenue
------------------------	--

1.3. Key takeaways

This section drew on the previous analysis of the company, the context and the interviews with industry stakeholders to provide structured recommendations for how CESO can adapt its business model to effectively and efficiently expand into serving private sector clients looking to participate in development projects. The proposed recommendations cover 7 dimensions including Product, Price, Place, Promotion, People, Process and Physical Evidence focusing on strategic decisions to deliver on its new Business Model Canvas.

2. Implications for CESO

2.1. 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.

2.2. 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. ⁸⁶ 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.

References

- Bakhtiari, Arsham, Ashraf Uz Zaman Patwary, Francesco Ciari, Ali Moeini, and Ali Hajebrahimi. 2024. "A Comparative Analysis of Time-Based and Hybrid Pricing Models for Electric Vehicle Charging." *Procedia Computer Science* 238 (April): 757–762 <https://doi.org/10.1016/j.procs.2024.06.088>.
- CESO. n.d. "Company" CESO. Accessed December 12, 2024. <https://www.ceso.pt/company>.
- European Commission. n.d. "Global Gateway". European Commission. Accessed October 12, 2024. https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en.
- Hou, Jingxian, and Andy Neely. 2018. "Investigating Risks of Outcome-Based Service Contracts from a Provider's Perspective." *International Journal of Production Research* 56 (6): 2103–2115. <https://doi.org/10.17863/CAM.9760>
- Hypko, Phillipp, Meike Tilebein, and Ronald Gleich. 2010. "Benefits and Uncertainties of Performance-Based Contracting in Manufacturing Industries: An Agency Theory Perspective." *Journal of Service Management* 21 (4): 460–489. <https://doi.org/10.1108/09564231011066114>
- Kotler, Philip, and Kevin Lane Keller. 2016. "Designing and Managing Services". In *Marketing Management*, 424. Pearson. <https://ebookcentral.proquest.com/lib/fel/detail.action?docID=5185776>
- Nagle, Thomas T., and George Müller. 2017. "Economic Value The Guiding Force of Pricing Strategy." In *The Strategy and Tactics of Pricing: A Guide to Growing More Profitably*, 6th ed., 54. Routledge. <https://doi.org/10.4324/9781315185309>
- OECD. 2023. "Official Development Assistance (ODA)." *OECD Development Assistance Committee*. Accessed December 13, 2024. <https://www.oecd.org/en/topics/policy-issues/official-development-assistance-oda.html>

Appendix

Appendix 1: Personal interviews conducted

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

Appendix 3: Interview analysis

Theme	Insights	Conclusion
Old ODA Model	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): "The traditional development projects tend to focus in many cases much more on supporting governments in different sectors... there tends to be a focus in terms of the interactions on governments, on civil society." - Henrique Gomes (CESO): "In other words, the tender processes have been roughly the same for 20 years or more." 	
New ODA Model	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): There is now a sense that perhaps the model of development that we were on... wasn't actually achieving what we hoped to achieve and there needed to be a much stronger focus on job creation on economic opportunity alongside the strong focus on social sectors in the past. - Paulo Silva (CJR Renewables): "The main opportunity is for companies to have financial support mechanisms available beyond traditional bank 	

	financing (...) under more interesting conditions than traditional banking."	
Drivers behind ODA shift	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): "With the shift to the right of many European governments... there is this growing focus on working with the private sector and on using ODA to facilitate private sector investment." "The other aspect is the Chinese factor... China, by focusing much more on economic development, investments in infrastructure and private sector development... is actually being viewed a lot more positively and getting a lot more visibility compared to the EU." - Inês Jácome (AICEP): the amount of financing required to promote the economic development and well-being of developing countries is far too great to be fulfilled by using public funds only the growth of the beneficiary countries' private sector is crucial for these nation's development. - Fracisco Franca (LAR): "The Global Gateway strategy also emerged here a little bit as competition to this Chinese presence and success." - Paulo Silva (CJR Renewables): "The model is interesting and can help leverage new investments since it is directed to the private sector (...) things happen faster than in the public sector (...) can be interesting precisely to help kick-start some of these projects." "There is another reason, which is that (...) there were always delays in the execution and sometimes goals or objectives fall way short of the targets." 	<ul style="list-style-type: none"> - The shift in ODA reflects a strategic pivot towards engaging the private sector, driven by the need to mobilize greater financial resources, accelerate project implementation and enhance outcomes. - Geopolitical competition, particularly from China, has pushed the EU to redefine its approach, move faster and deliver on its development projects to counterbalance China's influence.
Global Gateway	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): "The issue is actually that there are still relatively few opportunities. We actually have a lot of Member States coming to us and even employers, and organizations asking 'well, how do we actually access funds under the Global Gateway?'" "It's a bit of an issue in terms of sequencing with having these big announcements before there was actually anything to really show for it." - Inês Jácome (AICEP): The Global Gateway's main goal is to align the efforts of different development agents including governments, financial and development institutions of developed nations, multilateral development organizations and governments of beneficiary countries to maximize their collective impact. 	<ul style="list-style-type: none"> - Aims at aligning stakeholders' efforts across the development ecosystem to maximize collective impact. - Lack of clarity regarding the requirements for a project to be included under the umbrella of the Global Gateway. - Strong promotional efforts around the Global Gateway weren't followed by a concrete roll-out of projects.

	<p>To support these initiatives there are several financing instruments (no new instrument emerged from the GG) that should be used in a coordinated manner, namely NDICI which includes the EFSD+.</p> <ul style="list-style-type: none"> - Fracisco Franca (LAR): "The purpose of the Global Gateway [in the Lobito Corridor project] is to support all [other] activities related to the Lobito corridor. We're talking about agriculture, industry, job promotion, and a range of initiatives like professional training." "The Global Gateway is involved with other initiatives along the corridor... For example, agricultural projects being developed in parallel to ours." - Paulo Silva (CJR Renewables): "The Business Advisory Group is precisely a group of companies in different sectors (...) advising on good practices (...) so that they can be transposed to the various programs." 	
<p>Challenges</p>	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): "The funding for public entities via the EIB is working fine, but the envelope for private sector funding is barely operational" "The tools don't really work super well at the moment. So what we really need going forward is a better tool for when it comes to the next EU budget and the next external financing instrument." - Inês Jácome (AICEP): 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. The most significant limitation (..) is the competitive bidding criteria which is very closed and significantly restricts the companies that can be shortlisted to submit a proposal. - Fracisco Franca (LAR): "The challenge in many African countries is that, even when infrastructure is funded by the World Bank or the European Union, management and maintenance often fall short when it's up to state entities." "Western countries also need to understand that we can't keep spending millions on studies and projects that never get implemented on the ground. Meanwhile, the Chinese come in and just execute the projects." - Henrique Gomes (CESO): "The European Union has been concentrating 	<ul style="list-style-type: none"> - Funding is complex, unclear and not fully operational. - There are barriers for SMEs looking to invest in development projects because only projects above a certain size threshold are eligible to receive financing from Multilateral Institutions. - Project processes need to be streamlined to reduce elapsed time between the initial feasibility study and implementation. Requirements should be reviewed to decrease te share of projects that spend millions on studies and never get off the ground.

	<p>fewer contracts but in larger ones. This trend is making it increasingly difficult for medium-sized companies like ours to compete."</p> <p>"we end up still being quite dependent on the European Commission and we have tried to make this diversification and in fact it is not that easy"</p> <p>"The European Union is concentrating contracts into larger ones, favoring big companies and niche firms over generalist companies like ours."</p> <ul style="list-style-type: none"> - Paulo Silva (CJR Renewables): Often it is not very clear to which financing program a project should or should not be submitted to. 	
<p>Opportunities For Investment Promoters*</p>	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): "At the moment there is the EFSD+ guarantees and what is actually functioning are the big loans from the EIB." - Inês Jácome (AICEP): the EFSD+ is practically the only instrument available and it provides financial guarantees to leverage investment. Other instruments to be mobilized include Member States' Financial Instruments, European Investment Bank, Development Banks, Export credit agencies. - Fracisco Franca (LAR): "It's about the business potential. (...) They [Mota-Engil,Trafigura, Vecturis] joined forces because they saw a major business opportunity here. given that this is a highly viable project." "Mota-Engil, for instance, will always have an interest, as it is an infrastructure company with a focus mainly on construction.(...) it depends on the economic viability of the projects." - Paulo Silva (CJR Renewables): "The main opportunity is (...) for companies to have financial support mechanisms available, beyond traditional bank financing, and to have these funds available under more interesting conditions than the conditions of traditional banking." "to have this support in certain types of projects, namely in the area of sustainability, with part of the support being non-repayable, which reduces the investment value and the need for equity investment, thus making the projects more profitable" 	<ul style="list-style-type: none"> - The EFSD+ and other financial instruments, including guarantees from development banks and export credit agencies, could offer investment promoters critical support mechanisms enhancing profitability. However, complexity must be reduced. - Investment opportunities are increasingly driven by project viability and business potential.

<p>Opportunities For Development Consulting Companies*</p>	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): "I think that creating that linkage in partner countries, building an ecosystem and understanding of ecosystems is important for sure." "EU delegations do depend on the Member States and their implementing agencies to help with that" - Inês Jácome (AICEP): Given their experience in dealing with beneficiary countries' stakeholders and the knowledge regarding how to navigate the complex development ecosystem they have the potential to mediate between private sector entities and multilateral development organizations. - Fracisco Franca (LAR): "Since we rely on international financing, we need to work with credible consultants who can make an impact with the financing entities" - Henrique Gomes (CESO): "We are, for example, at the moment (...) preparing an application for a grant linked to the Global Gateway that will cover Angola, in which we position ourselves as the technical partner, (...) we do the part now of supporting the application, but then all the part of supporting the financial management, project management will also be ensured by CESO. - Paulo Silva (CJR Renewables): "Development consulting companies are generally better prepared. Either because of the experience in other projects they have executed, or because they are closer to those who prepare the programs, they tend to have greater knowledge to set up projects to apply for these funds." "Through a consulting company... it will be relatively simple to find a specific fund where I can fit my candidacy." 	<ul style="list-style-type: none"> - Understanding local ecosystem and making the linkage with local stakeholders. - Knowledge of how to navigate complex institutional ecosystem and apply for the appropriate financing mechanisms. - Credibility in order to have an impact with financing entities.
<p>Strategic Positioning to Capitalize On Opportunities</p>	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): "Development consulting companies can also create that linkage and have teams focused on private sector." "we're working with GIZ on a project that is about engaging the private sector better and they have a lot of people who have kind of expertise in that área." - Fracisco Franca (LAR): "When we talk about these consultants and consulting companies, this represents a good business opportunity for them(..). We, as private companies, have to hire these firms to conduct these studies to make the project viable and 'bankable.'" - Henrique Gomes (CESO): "CESO (...) in Portugal is perhaps the only company that works consistently in this type of processes and this puts it in an 	<ul style="list-style-type: none"> - Expand business model to focus also on the private sector and support their growing participation in development projects. - Trusted and credible partner of Investment Promoters to guarantee project viability and help secure financing. - Expert and leading company in Portugal and the PALOP countries with extensive experience - Leverage its knowledge of the institutional ecosystem and closeness to the EU to understand the most appropriate programs to support specific projects.

	<p>advantageous position because when large international companies look for a company with experience in this type of tender processes in a Portuguese-speaking country, typically come to us." "CESO has been around longer than most of our partners and competitors. There is already a wealth of experience accumulated (...). It has also allowed us to go through many projects, many countries, and (...) this also creates in our partners and competitors an image of solidity."</p> <p>"It is not yet evident to me that in fact, this is a niche in which we can position ourselves or not"</p> <ul style="list-style-type: none"> - Paulo Silva (CJR Renewables): "[Portuguese private companies] should identify what project they have and then use a first contact, either the Global Gateway itself or through a consulting company, preferably one that is present closer to the EU, in Brussels, to understand which programs are open to the specific project." 	
<p>Risk factors associated with private investment</p>	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): "How do you make sure that (...) ODA is being used specifically for projects that further the development goals?" "There are big questions around how you tie together what is (...) a focus on increasing European investments externally and supporting European businesses." - Inês Jácome (AICEP): The most significant limitation (..) is the competitive bidding criteria which is very closed and significantly restricts the companies that can be shortlisted to submit a proposal - Francisco Franca (LAR): "We're talking about thousands of kilometers in a challenging region, where political risk may be one of the biggest concerns." "we've been engaged in the due diligence process for financing for almost a year and a half, getting everything aligned with today's compliance and legal standards" "The challenge in many African countries is that, even when infrastructure is funded by the World Bank or the European Union, management and maintenance often fall short when it's up to state entities. There's no continuity in maintenance." - Paulo Silva (CJR Renewables): "The first [risk] is the speed with which things are usually done in companies, which is much higher than... in the public sector." 	<ul style="list-style-type: none"> - More challenging to guarantee that ODA is being used to pursue SDGs - Long and complex processes for Investment Promoters to access financing for the projects. - Political and security risks in some regions where projects are being implemented. - Public Institutions have slower processes than Investment promoters which may hinder coordination. Furthermore, legislation and bureaucracy associated with Public institutions may cause delays in projects.

	<p>"The second [risk] are restrictions that introduce delays... rules, laws, or directives... all the legislation and bureaucracy associated with the public entity."</p> <p>"we sometimes see companies or entrepreneurs who, even if there is an economic rationale for a project, are always waiting for the execution of the funds to move forward with it. Thus, the availability of funds to the private sector, if not well framed or executed, instead of working as a lever, might work as an obstacle"</p> <p>"the [financial] programs themselves are not 100% clear."</p>	
<p>Risk Mitigation</p>	<ul style="list-style-type: none"> - Chloe Teevan (ECDPM): "It's about having a wider toolkit so that you are able to respond to very different contexts and that ODA is actually used for development purposes." "Better coordination between... Export Credit Agencies and development finance institutions in order to make sure that you are able to also finance European companies." - Inês Jácome (AICEP): Prospective companies must take part in consortia, establish partnerships or be subcontracted. Alternatively, the personnel of firms trying to enter this market can explore possibilities to offer services as experts and provide individual consulting services to gain references. - Fracisco Franca (LAR): "We need to implement something that already existed previously... the World Bank financed the infrastructure and then required the private sector to undertake 10 years of maintenance or operation and maintenance of that infrastructure." - Paulo Silva (CJR Renewables): "Public entities, as a general rule, exist to serve the citizens and not to generate profits so to speak. I would say that [risk] is difficult to mitigate." 	<ul style="list-style-type: none"> - Better coordination between export credit agencies and development finance institutions to provide the appropriate financing for different project scopes. - Improve public-private cooperation and define common goals to make sure both parties work efficiently and effectively in their achievement.