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Promoting development through business

Exclusives from:
Andris Piebalgs, EU Commissioner for Development

Lapo Pistelli, Deputy Minister of Foreign Affairs, Italy

Daphne Mashile-Nkosi, African CEO of the Year, 2014

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Promoting development through business

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Editorial

That the private sector is a key driver of economic prosperity is stating the obvious in the eyes of business people. For development cooperation actors, however, the role of private sector in development, and how to engage with it, is a less familiar and more controversial issue.

In recent years, it has received increasing attention in international forums and currently in the United Nations led debate on the post-2015 development agenda to move beyond the Millennium Development Goals. Following the financial crisis and economic slowdown, stringent budget constraints and the fast rise of so-called emerging economies, most developed countries are reconsidering the role of aid in their development cooperation agenda. Emphasis is now put on alternative sources of financing for development, including private finance (a trend to be addressed in the September issue of *GREAT Insights*) and on different delivery modalities, which increasingly include working with business.

There is growing recognition that focusing on social dimensions is necessary but not sufficient to address development challenges, and that structural transformation towards productive employment is a key condition to achieve economic growth. This is at the top of the agenda for an increasing number of developing countries, and in particular in Africa, where economic transformation and industrialisation towards sustainable and inclusive growth have become a continental priority. Private sector development must be at the core of this endeavour. While support to micro, small and medium size enterprises and the informal sector may serve more social and immediate poverty alleviation objectives, promoting economic transformation through higher productivity and value addition may require attention to larger firms. In certain conditions, the private sector may also improve service delivery in social sectors – something being experimented with in a number of countries.

Yet, how to ensure inclusiveness and sustainability of this economic growth agenda? Based on the much discussed evidence by Thomas Piketty, rising inequality appears as a key feature of capital in the 21st Century, and rich countries seem to have little lessons to give to developing countries in that respect. One thing is certain though: business attitude, and the public-private dynamics are key parameters affecting the inclusiveness and sustainability of development, including poverty reduction.

In this context, the European Commission communication outlining the new EU strategy on private sector for development is a much awaited and welcome contribution. In a short document, the Commission manages to balance most of the important considerations regarding the EU development cooperation framework, as discussed in this issue of *GREAT Insights* by EU Development Commissioner Piebalgs and Italian Deputy-Minister of Foreign Affairs (ahead of the forthcoming Italian Presidency of the Council of the EU). But beyond welcomed principles, it is the implementation that represents the main challenge for donors, and the measurement of concrete impact on development. While past private sector support by the EU has paradoxically not given emphasis to quality job creation objectives, the UK government has recently been criticised for making too bold assumptions on the design and impact of its development cooperation for private sector development, in particular on the benefits on employment and poverty alleviation. As for NGOs, their watchdog and advocacy role is gaining prominence in denouncing abuses by companies and the risks of donors' capture.

Finding the right balance between commercial interests and development objectives, and the optimal synergy between the two, is the new grand bargain. In doing so, all stakeholders should keep in sight the structural transformation required to achieve sustainable and equitable development. This means a stronger focus on quality job creation and social transformation. This is no easy task.

We hope the range of perspectives presented in this issue of *GREAT Insights* can usefully contribute to this debate. As always, your comments and contributions are welcome.

Dr San Bilal (Editor), *Head of Economic Transformation Programme, ECDPM.*

Andris Piebalgs is currently serving as European Commissioner for Development at the European Commission.

Working with the private sector for a stronger link between growth and poverty alleviation

In every market-based system the private sector is the main engine that powers economic growth. But can the private sector also contribute to poverty reduction? Yes, say many economists, assuming that growth, by pushing up incomes, will eventually bring about a rise in incomes among the poor. The fact is, however, that this trickle-down effect is not always automatic, and may set in only in the long run. At the Commission, we believe that to have an immediate effect on poverty reduction, private sector-led growth has to be inclusive.

This is why we have made support for inclusive and sustainable growth a key priority in EU external cooperation that encompasses a people-centred vision of development in which everyone is able to participate in, and benefit from wealth and job creation, while preserving the natural environment on which the livelihoods of present and future generations depend. Many of the varied factors that help make growth inclusive and sustainable depend on the state and the quality of its institutions and policies. Growth is more likely to benefit the poor in societies where governments have established equal access to basic services, an impartial legal and judicial system and an appropriate social protection system. Yet the private sector, as engine of economic growth, has a major role of its own to play in determining whether the growth it creates is inclusive and hence contributes to poverty reduction.

It is precisely a stronger role for the private sector in achieving inclusive and sustainable growth in developing countries that is behind the Commission's new private sector development strategy. Adopted as a Commission Communication on 13 May 2014[1] and given broad support by EU Member States in the Foreign Affairs Council a week later, the strategy proposes 12 actions to address the role of the private sector in development on three fronts.

First, we have set out actions to offer support in areas such as domestic regulatory environments, business development services and access to finance that further private sector development objectives in partner countries. We want to promote economic opportunities for the poor, which is why in all these areas we will mainly focus our support on segments of the economy where most of the poor are active, namely on micro and small enterprises and those operating in the informal sector.

A second set of actions identifies opportunities for making private sector development objectives part of support strategies for sectors where the private sector is a main actor and has particular potential to contribute to inclusive and sustainable growth. Such sectors include sustainable agriculture, where the majority of poor people in developing countries are employed; sustainable energy, bringing electricity and efficient lighting solutions to the poor; physical and digital infrastructure, using information and communication technologies to achieve financial inclusion of the poor and connect rural farmers to markets; and green sectors, whose contribution to building a green and inclusive economy is essential for the 70% of the world's poor who live in rural areas and whose livelihoods depend directly on biodiversity and ecosystem services.

The Communication proposes a third raft of actions to act as a catalyst to get local, European and international businesses engaged in development as part of their core business strategies. By investing responsibly in developing countries, or engaging in sustainable trade, the private sector can have a significant and positive impact on the lives of poor people. Moreover, businesses can contribute directly to inclusive growth if they adopt inclusive business models that include the poor in economic processes. On the demand side this will involve

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innovative, accessible and affordable solutions to improve their economic choices; on the supply side it will involve empowering them economically as producers, distributors or workers. Here the EU can facilitate the private sector's own engagement for development. For instance, it can share the risks stemming from investments that benefit the poor but would otherwise not receive sufficient capital. It can help build an ecosystem of local support institutions for inclusive businesses. And it can facilitate dialogue, knowledge-sharing and partnerships with NGOs, whose local knowledge is often very valuable in addressing the needs of the poor.

The multitude of forms of private sector engagement for development, and the variety of private sector actors that require differentiated approaches of engagement, have made relations between development agencies and the private sector a lot more complex than in the past. To ensure clear direction and a focus on poverty reduction amidst this complexity, the Commission proposes a set of guiding principles in the new Communication for the design and implementation of public support for private sector development and public-private collaboration in development cooperation. Notably, support actions should place a strong emphasis on results and should have a measurable development impact, with help in meeting development goals assessed in full transparency. Support actions should provide clear added value; they should not crowd out the private sector, replace other private financing or distort the market. On the contrary, they should catalyse market development by crowding in other private sector actors for the replication and scaling-up of development results. Partnerships with the private sector should strive for cost-effectiveness, shared interest and mutual accountability for results, with the risks, costs and rewards shared fairly. Social, environmental and fiscal standards should be upheld at all times. Actions should focus on job creation, inclusiveness and poverty reduction. They should take account of the fact that private sector activity can take many forms and will impact on economic development in various ways. They should also be able to deal with different local contexts and fragile situations. And they should observe policy coherence in areas affecting the private sector in partner countries.

The European Union has established this comprehensive set of principles with a view to ensuring that the partnerships it undertakes with the private sector follow one overarching aim: giving the private sector the right conditions and support to enable it to engage in meaningful activity that helps foster inclusive and sustainable growth for poverty reduction and sustainable development in partner countries.

Note

1 http://ec.europa.eu/europeaid/what/economic- support/private-sector/documents/psd-communication-2014_en.pdf

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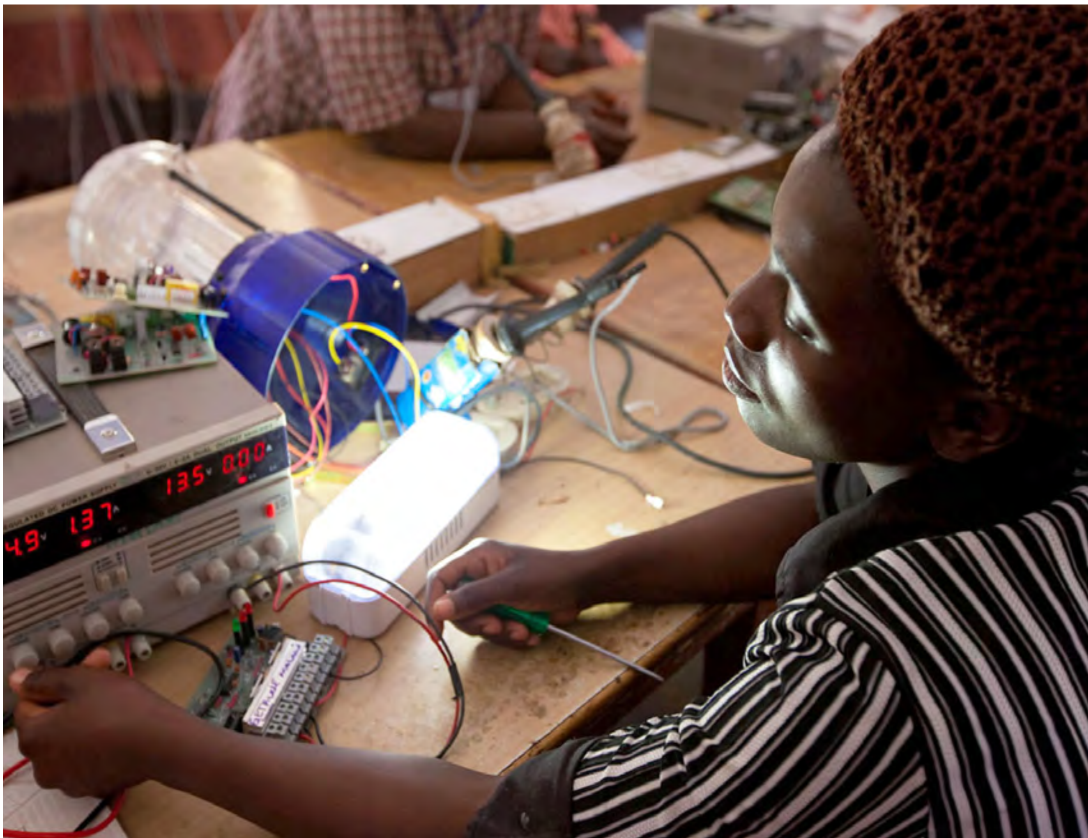

INTERVIEW

Editor San Bilal talks to Italy's Deputy Minister of Foreign Affairs, Lapo Pistelli on the upcoming Italian Presidency of the European Union and his views on Private Sector for Development.

Private sector can significantly contribute to sustainable and inclusive development. Yet, evidence of what works for private sector development, as well as which partnership models with the private sector for development are effective, is still scarce. What is the Italian experience and what key lessons do you draw from it?

Pistelli: For too long private sector contribution to partner countries' development has been looked upon with suspicion. But in recent times it has become clearer that economic growth and development are not two distinct goals, and should not be approached in distinct ways. Development policies should focus on achieving inclusive and sustainable growth. Inclusivity and sustainability should therefore be the most important elements of economic growth. But the latter cannot be achieved without a strong involvement of the private sector. In the past this reasoning did not seem to be quite obvious, that is why, in my opinion, there is still a lack of evidence of what works and what does not work for the private sector in a development perspective. Quite unfortunately, for many years, both policy makers and civil society did not reflect on the role of the private sector in fostering development, so we have to welcome every initiative that can bring an added value to the creation of a new narrative on this subject.

If you think of the Italian experience, one cannot forget the path that led us to full development during the last century. The role of small and medium sized enterprises was essential to boost growth and create employment. To this day small and medium enterprises (SMEs) are a fundamental component of the Italian economy. I do believe that our economic model has a lot to offer, especially as regards sustainability.

The European Commission has just released its Communication on the role of the private sector in development. How do you assess it? What do you see are the key priorities and main challenges?

Italy evaluates the recent Communication and the recognition made by the European Commission on the increasingly primary role played by the private sector in the fight against poverty very positively. We welcome the introduction of a new approach which, in addition to the traditional tool of the "Private Sector Development", involving partnerships with governments and local business for the creation of an enabling environment in partner countries, foresees a more active engagement of the European private sector in development projects as a financing partner, through its involvement in other relevant areas of intervention such as agriculture,

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> The key for a successful involvement of European companies in initiatives with a true impact on development is giving them the opportunity to work with local companies in partner countries.

energy, infrastructure and "green" sectors. We also believe that a strong partnership between the private sector and NGOs should be encouraged in order to better work towards the achievement of sustainable forms of economic and social growth. In this context, Italy strongly supports the role of European SMEs, cooperatives and social enterprises and their capacity, if well guided, to bring an inclusive development model in partner countries.

What do you think the EU needs to improve in terms of strategies, capacities and ways of working, both with the private sector and with EU Member States, to realise its ambitions?

The Commission Communication on the role of the private sector in development points out several important instruments and principles to follow in order to maximise the impact of the EU aid policies for a more inclusive and sustainable growth in developing countries. Some examples include the flexibility in the support strategies on the ground, based on local contexts and fragile situations; the strengthened coordination among all stakeholders (EU headquarters, Member States, EU Delegations, etc.); the structured dialogue between the European and local private sector; and the increased use of innovative financial instruments. Making such actions and tools operational should be a priority if we want to maximise the EU aid impact, in line with the principles of the Agenda for Change and the recommendations of the Global Partnership for Effective Development Cooperation.

As far as the Member States are concerned, we should work closely together with EU Institutions as well as with partner countries, in order to fully implement the Commission Communication. Of course we must respect and promote the ownership principle, which will be crucial for an efficient application on the ground of the strategies outlined by the Communication.

As regards civil society, we should not ignore the criticisms recently expressed about the Communication by some important networks and NGOs. At the same time, we must understand that the implementation of the Communication can prevent the private sector from developing unsustainable and harmful ways of doing business. The private sector is already providing jobs and growth in partner countries, we cannot close our eyes and pretend that this is not happening. Therefore the EU must facilitate an active involvement of civil society organisations through the establishment of periodical consultations on both political and technical levels.

What role do you see for Italian companies investing in developing countries? How can Italy and the EU best promote and productively channel sustainable and inclusive investments?

Italian companies are already strongly contributing to private investments in developing countries. This is true both on a large scale, with multinationals, and on a smaller scale, thanks to the work of SMEs. It is then necessary to develop a differentiated approach that can promote a sustainable way of doing business for all types of companies. Italy has a lot of experience in the agribusiness sector thus in this field Italian SMEs and cooperatives can bring knowhow, technology and resources.

The Italian Cooperation, which is also very active in this sector, developed an interesting initiative in Ethiopia called "Filiere Agricole in Oromia", aimed at the rural development of the region of Oromia. In the framework of this project, the Italian company PEDON, specialised in the processing and distribution of cereals and legumes, signed an agreement with five Ethiopian cooperatives. Thanks to the agreement, the Italian company will supply the seeds to the local cooperatives, and will then buy cereals and legumes directly from them, without going through intermediaries. The project is a concrete example of private sector engagement that was made possible thanks to a development cooperation initiative.

Can Italy promote its "enlightened interest" towards win-win public private partnerships that benefit both Italian companies and developing countries, without compromising development objectives?

As you rightly suggest, the goal of a new "enlightened" development policy must be promoting a responsible role of the private sector, in line with general development objectives. That is possible only if policy makers and development agencies provide strategies and tools to the private sector both in Europe and in partner countries. Italy can promote fruitful public private partnerships, especially as regards access to credit and collaboration between Italian companies and local ones. For example, through an instrument regulated by Art. 7 of l. 49/1987, the Italian Cooperation offers subsidised loans to Italian companies participating in joint ventures with local partners in a list of developing countries (Low and Lower-Middle Income Countries, Least Developed Countries and Highly Indebted Poor Countries) in several sectors such as industry, agriculture, education, microfinance, health, energy and environment.

In fact, I do believe that the key for a successful involvement of European companies in initiatives with a true impact on development is giving them the opportunity to work with local companies in partner countries. Each time a European company develops a responsible and sustainable business with a company from a development country, we get closer to achieving sustainable and inclusive growth.

Private Sector for Development: How private investments have helped mining sector growth

Today's widely accepted thesis that the private sector is a key engine of economic growth stands in stark contrast to the model that most post-colonial African countries adopted during the early years of their independence. The model adopted by most of these countries at that time predicated the economic growth and development prospects of these countries on the public sector playing the central role. However, these countries faced a number of challenges which became pronounced in the 1980s with the fall of commodity prices, leading to extended economic hardship. This necessitated new economic reforms which saw the scope of the public sector being significantly reduced and more emphasis being put on the role of the private sector for economic development. The resultant change in the economic trajectories of these countries did not only prove to be successful, but also sustainable. That being said, this economic success continues to be heavily dependent on the public sector's ability to provide a favourable political and business environment in order for the private sector to thrive. Clearly, there is a need for both the private sector and the public sector to co-exist as partners for economic development.

Private investment

For example, when gold was discovered in 1886 in the Witwatersrand, South Africa, the government of the time understood the critical role of private investment and founded the Johannesburg Stock Exchange in 1887, with the specific intention of raising capital that would fund the mining sector. It is the same capital that was later used for further prospecting and development in the gold industry, which also spawned a number of secondary industries. Not only did this discovery of gold birth the Johannesburg Stock Exchange, it also served as a catalyst for the development of infrastructure such as road, rail, electricity, and water, as well as the manufacturing and services industries. A number of State Owned Enterprises like Eskom, Spoornet, Rand Water, also owe their existence to these goldfields.

It is quite important to note that without the mobilisation of private capital specifically to fund the mining sector, such economic development would not have been possible, at least at the rate at which it occurred. This mobilisation of private capital and the consequent infrastructure development, gave South Africa its prominence on the African continent as the most developed economy.

> Private investment not only brings the required capital to companies, but also the requisite skills that will sustain the running of their operations.

Skills, technology and profits

Furthermore, private investment not only brings the required capital to companies, but also the requisite skills that will sustain the running of their operations. This is a critical component as the lack of such skills can undermine their development prospects.

Now, in order to sustain their operations, companies need to be profitable. To ensure the desired levels of profitability, the appropriate skills again become critical. It therefore becomes clear that without the required skills, the desired levels of profitability would be difficult if not impossible to attain.

Another critical component that private investment brings is technology diffusion and innovation that would ensure that mining operations are efficient, dynamic, profitable, and sustainable. Technology and innovation provide new ways in which minerals can be extracted, in a manner that ensures both efficiency and safety. Evidently, technology is indispensible when it comes to activities such as geophysical logging, geochemistry, geological mapping and surface contouring. Also, given the riskiness and complexity of mining, a skilled workforce is necessary to use these technologies. This further highlights the need for the mining sector to enter into partnerships with academia in order to fund the development of new technologies and find innovative ways of mining. An edge in technology and innovation could mean increased levels of productivity and profitability, thus sustaining the sector.

Sustainable mining

Unlike in the past, mining activities need to be conscious of the need to preserve the environment for posterity. This requires substantial amounts of investment to be channelled towards the preservation of the environment, and private investment becomes critical in ensuring that this is indeed the case. Complying with the stipulated environmental, health and safety standards is important as failure to do so could result in penalties being incurred, which would not be in the interest of private investors. It is therefore in the best interest of private capital to comply in order to avert the unnecessary loss of revenue.

> Without the required skills, the desired levels of profitability would be difficult if not impossible to attain.

Given the challenges that prevail in Africa, especially where mining activities take place, there is a need for mining houses to be good corporate citizens. This could take various forms, including assisting the affected communities through skills development, enterprise development, economic linkages where mining inputs are sourced from local enterprises. Also, the remoteness of the areas where mining activities occur requires substantial investments in infrastructure as indicated earlier on in the case of South Africa – which infrastructure investment proves difficult without private capital. It is the same infrastructure that in turn benefits the communities and improves their living conditions as well as their economic prospects.

Driving force of Private Sector Investment

The African continent has realised the importance of private capital in expanding and growing the mining sector on the continent, given its mineral endowment. This is supported by the unprecedented investments in its mining sector from countries such as China and India, which have assisted in fuelling the continent's economic growth and infrastructure development. For example, between 2010 and 2012, mining investment in the form of mergers & acquisitions reached approximately US$15 billion in Africa, as reported by KPMG. The top four countries that invested in Africa were the UK at US$4.1 billion, China at US$4 billion, Australia at US$2.6 billion and India at US$1.9 billion. Eight African countries including South Africa, Namibia, and the Democratic Republic of Congo accounted for more than 90% of the total mining mergers & acquisitions investment during this period. However, such investment initiatives can be undermined by the complexity of issues on the ground.

Mining sector challenges in South Africa

For example, the South African mining sector has historically relied on a migrant labour system which ensured the supply of cheap black labour from the homelands – places where black people had their "independence". This system fuelled deeply entrenched inequalities which resulted in abject poverty coexisting side by side with extreme wealth. Unfortunately, this continued into post-apartheid South Africa, despite some interventions to arrest it.

Another contemporary challenge has to do with the seeming collapse of collective bargaining. In 2012, the Congress of South African Trade Unions (COSATU) outlined challenges that the collective bargaining system was experiencing.[1] Chief among these were the constant destabilisation and fragmentation of collective bargaining institutions as well as the absence of a coherent wage policy in the country to address poverty and inequality amongst workers; or a coherent framework to link labour market strategies and institutions to a broader economic development strategy. The COSATU study lamented that "At the level of wages,

> The African continent has realised the importance of private capital in expanding and growing the mining sector on the continent.

the many gallant struggles of workers, have not succeeded in fundamentally changing the apartheid wage structure, with the partial exception of the public service and local government, some pockets of the manufacturing sector, such as metal and engineering and less so, mining. The wage structure remains highly stratified and unequal."[2]

It also pointed out that in 2010, about 50% of the workers earned below US$280 per month, when the minimum wage level was US$400 per month.

This highlights some of the reasons causal to the propagation of the inequalities which are undermining the mining sector.

The stand-off is a poignant reminder that the challenges are indeed complex, and would require all stakeholders to work together towards lasting solutions. South Africa is in the midst of the most protracted strike as a result of these challenges. However, it is heartening to note that government has also started a process aimed at finding solutions, and thus ending the strike.

It is against this backdrop that the idea of Africapitalism becomes apposite. Africapitalism is a concept coined by the Nigerian banker Tony Elumelu – a form of capitalism that is tailored to the needs of the African continent. At its heart, Africapitalism is challenging the historical exploitation of the continent and promoting profit making initiatives that will address the socio-economic and infrastructural challenges of the continent. While the sector yearns for private investment, it is in the best interest of private investment to be sensitive to the plight of the communities.

Having said that, private sector investment will continue to be the engine that will drive economic growth, address the infrastructure gap on the continent which will unlock its economic potential, in the light of improving political and business conditions, and also the agenda to beneficiate these resources which will need financial resources to develop the requisite infrastructure to make this a reality.

Note

1. www.cosatu.org.za/docs/discussion/2012/cec_conceptpaper.pdf
2. ibid

Daphne Mashile-Nkosi is CEO of Kalagadi Manganese Company, South Africa. She was named CEO of the Year at the Africa CEO Forum in March 2014.

The Dutch approach: combining aid and trade and working together for effective private sector development

In pursuit of a more coherent policy for development cooperation, Lilianne Ploumen was appointed Minister for Foreign Trade and Development Cooperation in November 2012. A significant decision since it was the first time that the Dutch government decided to combine efforts to boost exports with those of fighting poverty. Adapting to a new economic reality in which the private sector has a crucial role to play, Minister Lilianne Ploumen[1] laid out her new agenda for aid, trade and investment. An agenda that embraces three ambitions: to eradicate extreme poverty within a generation, to promote sustainable and inclusive economic development worldwide, and to facilitate success for Dutch companies doing business abroad. Minister Ploumen pursues a combined agenda for aid, trade and investments.[2] As such, the Netherlands has now taken steps towards a more coherent and sustainable agenda for aid *and* trade.

Improving and facilitating synergy between aid and trade with private sector development at the interface has many advantages. It creates sustainable growth and decent jobs in both developing countries and The Netherlands. It lays the foundation for an effective new partnership with developing countries experiencing economic transformation. Building a trade relationship starts with opening up markets and promoting private sector development. Building on the relations of development cooperation makes it easier to become strong trade and investment partners. The new policy also encourages investments and trade activities in parts of the world often overlooked when it comes to doing business. This benefits both people and the environment, creates employment opportunities, and makes the transfer of knowledge and skills possible.

Dutch agenda for Aid and Trade at a glance

Combining the two agendas is both rational and challenging. In essence, with our new agenda, we aim to find win-win solutions: contributing to sustainable and inclusive growth in low and middle income countries, whilst promoting Dutch businesses to invest in and trade with these countries, and finding and accelerating innovative solutions with the capacity to contribute to sustainable and inclusive growth throughout the world. These are the solutions we search for every day.

Private sector development is at the heart of the agenda for aid, trade and investments because sustainable and inclusive growth starts with a better business climate. It allows the private sector to develop jobs and generate sustainable economic growth. A good business climate is important not only for commercial parties in low and middle income countries, but also for Dutch SMEs wishing to operate there. For any small or medium enterprise (SME) to succeed, whether Dutch, Vietnamese or Congolese, an environment that facilitates the creation and development of SMEs is required. Our activities therefore invest in a better business climate in low and middle income countries, such as increasing access to markets, building trustworthy institutions and constructing decent infrastructure.

The new approach is mutually beneficial. The integration of low income countries into global supply chains is necessary to trade beyond national borders and to receive foreign investments. For example, inadequate knowledge of the market and quality standards for products to be admitted to the European market are a barrier to producers in low- and middle-income countries. The Centre for the Promotion of Imports from Developing Countries (CBI) helps exporters in these countries resolve these issues themselves and take advantage of any opportunities to connect with import chains. Similarly, emerging markets are attractive for Dutch companies because that is where the potential for growth lies over the coming decades. Yet we only encourage an increase in sustainable and inclusive trade and business. For example through the Sustainable Trade Initiative (IDH) which focuses on making marketing chains more sustainable. In 2013, for example, 560,000 small tea producers in Kenya were certified thanks to IDH.

Finance for development

Private sector development is also about providing direct supports to businesses. For example, SMEs have very limited access to finance: it is the main constraint for entrepreneurs to start or expand their business in a low or middle income country. To overcome this liquidity squeeze, the Dutch Good Growth Fund has been created, providing an innovate solution to this problem. Not only will the fund create financing opportunities for local SMEs in low and middle income countries, it will also enable Dutch entrepreneurs to invest in or export to these countries. As such, it effectuates our goal to integrate aid and trade: Dutch SMEs are supported to do business in low and middle income countries and local SMEs gain access to finance.

To further reduce the financial vulnerability of SMEs we also, amongst others, strengthen the insurance industry in low- and middle-income countries, allowing it to develop products for people on low incomes. One good example is the Health Insurance Fund (HIF) administered by the Dutch NGO Pharm Access International. The goal of HIF is to develop health insurance for people who cannot pay their own medical expenses and often have no official documents. The publicly-funded HIF has led to the establishment of a private investment fund: the Investment Fund for Health in Africa (IFHA). The IFHA is a private investment fund, established with an initial donation from Achmea, Aegon, SNS Reaal, Heineken, Unilever and Shell. It currently has assets totaling €50 million and invests in SMEs in the medical sector in low- and middle-income countries.

We support Public Private Partnerships (PPPs) because they can encourage investment in sustainable development activities. Dutch companies, NGOs and knowledge institutions have a wealth of knowledge and expertise that can be pulled together around our development goals. The biggest constraints for Dutch entrepreneurs to invest abroad are that many companies are unfamiliar with local circumstances and have difficulties in finding a suitable business partner. This is why we support new partnerships, sometimes between unusual partners. If needed, we will also become a partner ourselves, for example to support a favourable business climate in cooperation with counterpart authorities. Building PPPs allows knowledge to transfer and to build a sustainable business model.

‘ Private sector development is at the heart of the agenda for aid, trade and investments because sustainable and inclusive growth starts with a better business climate. ’

An example of a successful and innovative Public Private Partnership is The Global Alliance to Improve Nutrition (GAIN), an alliance to reduce malnutrition through sustainable strategies aimed at improving the health and nutrition of populations at risk. As a result, over 300 million women, children and girls are consuming more nutritious foods.

Future prospects: from aid to sustainable trade and investments

In the coming years, our goals are to accomplish the objectives to eradicate poverty, accelerate inclusive and sustainable growth, and facilitate success for Dutch companies worldwide. Minister Lilianne Ploumen for Foreign Trade and Development Cooperation is paving the way for synergy and sustainable solutions. Successful aid removes obstacles for sustainable economic development and opens the door to trade and investments. To succeed in our efforts, cooperation with the private sector, through PPPs or development funds, with other governments, knowledge institutes and civil society, is fundamental. Only by cooperating, can the whole become more than the sum of its parts.

> ‘Successful aid removes obstacles for sustainable economic development and opens the door to trade and investments.’

Notes
1. Ploumen, L. 2013. A world to gain: Going faster and further in development. ECDPM GREAT Insights Vol.2 Issue 8, November 2013. http://ecdpm.org/great-insights/multiple-dimensions-trade-development-nexus/world-gain-going-faster-development/
2. A World to Gain, a new agenda for aid, trade and investment, 2013: http://www.government.nl/documents-and-publications/letters/2013/04/05/global-dividends-a-new-agenda-for-aid-trade-and-investment.html

Jeroen Roodenburg is Ambassador of Private Sector and Development Cooperation at the Ministry of Foreign Affairs, The Netherlands.

Team Finland doing good home and abroad

What is Team Finland?

Team Finland is a network that brings together public bodies and actors who promote the internationalisation of Finnish companies, Finland's country brand, external economic relations and bringing foreign private investments to Finland. The operational model applies a coordinated whole-of-government approach under the guidance of the Prime Minister's office. The strategy of Team Finland is drawn up annually.

The recent Team Finland strategy from June 2013 emphasises that "the interaction between development cooperation and business activities will be increased and supporting tools and means developed. There are promising opportunities, for example, in cooperation related to clean water, development of cleantech solutions, health care services or education".

Team Finland helps create jobs

The promotion of Finnish business both in Finland and abroad, as well as that of foreign investments in Finland, facilitates job creation in Finland. The Finnish companies' increasing business interest in low-income emerging markets also accelerates the economic activity in those developing countries and helps them reduce their need for external aid. Building more profound synergies between business and trade promotion, on the one hand, and development cooperation, on the other, is already a reality in today's world.

Economic development is not the only benefit that Team Finland can potentially bring to poverty reduction and sustainable development. For example cleantech companies can improve energy supplies and energy efficiency, thereby reducing both costs and the use of natural resources. Finnish cleantech know-how is of high quality and is being utilised internationally, increasingly also in developing countries.

The engagement of the private sector in sustainable development is a rapidly growing phenomenon globally. The so-called Post-2015 discourse revolves strongly around this theme. ECDPM's activity in this area is also most welcome.

> The engagement of the private sector in sustainable development is a rapidly growing phenomenon globally.

All this necessitates, of course, that companies act responsibly. International standards, tools and networks, such as the OECD Guidelines for Multinational Companies, United Nations Global Compact and the ISO26000 of the International Organization for Standardization, help companies in their efforts to improve their corporate social responsibility.

From theory to practice: developing the bottom-up operation model for joint pilot projects

In May 2013, the Team Finland network initiated, together with Kuopio Innovation Ltd., the Finnish business development company, a new kind of pilot experiment: a co-creation workshop in Zambia in a mining area with the locals of the Lumwana village.[1] The co-creation operational model ensures that the cooperative development projects are created with the bottom-up principles to serve local needs. Companies, public officials, representatives of civil society organisations, educational institutes, developers from both of the countries involved and local beneficiaries participating in the workshop. Some 100 people participated actively in analysing the burning developmental needs, co-creating solutions for them and forming partnerships between Finnish and Zambian private and public sector players and civil society organisations for further development cooperation projects. The projects launched or still in evolving phases will, for instance, incubate and accelerate new enterprises, improve energy supplies, provide low-cost housing and increase the contribution of arts to development.

"Innovations for development" programme on the horizon

Various ministries and other state agencies in Finland have traditionally availed their own support and funding arrangements for companies, civil society organisations, academic institutes and others. These instruments are compartmentalised in that they are administered by different operators, have different application processes, forms and schedules, use different criteria for assessing potential projects, and so forth. It goes without saying that the walls of these siloes have been almost impenetrable. Neither is the prevailing situation conducive to partnerships in the first place.

In February 2013, Finland's Ministry for Foreign Affairs and Ministry of Employment and the Economy set up a Task Force on Innovations for Development and Business. The Task Force includes representatives from the Team Finland network, trade and industry organisations, universities and civil society organisations.

The Task Force's work culminated in a seminar with 250 people, "Business & NGO Forum", where it proposed a new "innovations for development" programme and related fund to be established. The aim of the programme would be to find sustainable solutions for poverty reduction and the promotion of sustainable innovation and business activities directed at the base of the pyramid markets in developing countries. The idea behind the proposed programme would be to combine development, growth and innovation funding of various ministries into a single entity. The programme could also provide support for joint pilot projects initiated and implemented by enterprises, civil society organisations, education institutes, state agencies and other actors together with their local partners. The momentum is building now.

Note

1. www.humansecurityfinland.fi

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Swedish experiences of challenge funds: case of Innovations Against Poverty

Sida's experience of challenge funds covers both funds established by the Swedish International Development Cooperation Agency (Sida), such as, Innovation Against Poverty (IAP)[1] and The Challenge[2] (in Bosnia), as well as funds set up through co-financing with other donors, such as the Africa Enterprise Challenge Fund (AECF),[3] Securing Water for Food,[4] Powering Agriculture[5] and Making All Voices Count.[6]

IAP was run as a pilot until December 2013, and managed by a consortium led by PriceWaterhouse Coopers (PwC). The programme had an active monitoring component, which has allowed for some initial learnings and conclusions to be drawn from it. We therefore focus this article on lessons learnt from IAP, along with some additional reflections made by Sida and PwC based on their experience with challenge funds.

1. A background to challenge funds

When engaging with the private sector, public development assistance needs to ensure that this is done in a manner where the assistance provides the smartest and most cost-efficient solutions without creating market distortion. With innovation increasingly being seen as a solution to major poverty and environmental problems, using a mechanism that allows the widest possible canvassing of innovative ideas is therefore seen as essential in order to harness private sector creativity to tackle development challenges. Challenge funds have emerged over the last few decades as a funding mechanism that allows for all of these elements to be taken into account. As successful applicants are also required to match the grant provided by a certain percentage with own funds, it also offers a mechanism for leveraging private capital for development assistance.

Challenge funds are always set up to meet specific objectives in the form of generic results rather than specific outcomes. Proposals are assessed against transparent and pre-determined criteria, where grants are awarded to the projects that best meet the objectives of the fund and fulfill various pre-established eligibility criteria. By backing many different projects the assumption is that there is a higher likelihood that you will have a number of projects that are likely to provide substantial impact for the end beneficiaries.

2. The example of Innovations Against Poverty

Unlike many other challenge funds, IAP was neither geographically nor sectorially limited. Applications for funding were received in two cycles per year from a total of 71 countries for ventures in 80 countries in Africa, Asia and Latin America. Key sectors for poverty alleviation, such as agriculture, renewable energy, health and education were all prominent in the applications.

Two types of grants were provided. Small grants of up to €20,000 that were essentially aimed at funding feasibility studies, initial pilots and other preparatory work, and

> Donors also need to contribute to the establishment of best practice/benchmarks in the field, especially in relation to systemic development impact beyond the micro level, and impact measurement in heterogeneous portfolios.

large grants of €20,000-200,000 aimed at full scale pilots, implementation of piloted approaches and scaling up of successful business models.

Technical assistance (TA) was not foreseen to be any major component at the outset, in reality TA had to be provided both on programme procedures and on business skills and sector knowledge. In order to be able to offer tailored TA, IAP cooperated with Challenges Worldwide[7], a mentoring network offering a flexible low cost TA solution.

Differentiating features of the IAP programme from other challenge funds were an integrated approach to monitoring and evaluation (M&E) and a strong emphasis on sharing of lessons learnt through an active knowledge exchange (KE) component. More than a third of the management input was dedicated to these elements of the programmes. KE was done both through two learnings reports and two conferences, and through an internet hub co-hosted with DfID.[8]

After five funding cycles the IAP portfolio consists of some 65 ventures in 26 countries in a wide variety of sectors. The total grant amount was twice what was originally foreseen as other larger grants were provided.

3. Summary of some key lessons learnt

The IAP learnings report from November 2013, titled *From Paper to Practice*[9], summarises a number of lessons drawn by the projects funded, which are useful for other Inclusive Business practitioners. In this article we focus on key learnings from a donor's perspective.

Sida's objective with the fund was to share the entrepreneurs' risk of developing and testing innovative, sustainable business ideas that can meet essential needs of people at the Base of the Pyramid. Through the embedded M&E component of the programme, IAP has already been able to see some **clear indicators of development impact** after only 1-2 years of implementation. Commercially the success has been mixed with some ventures showing promising signs of growing sales, and even wider impact through duplication by other entrepreneurs, while others have already concluded that their models will not work. By capturing the reasons for this lack of success and making them available to the wider IB community, IAP has ensured that value is derived also from such "failures".

Through its focus on innovation, IAP managed to harness private sector innovation. Keeping the fund open to a variety of sectors probably lead to more innovative projects as innovation often arises in **the cross-section between sectors** rather than within the boundaries of one sector. IT and mobile phone technology were often used as enabling platforms for ventures in other sectors.

At inception, the expectation was that a total of 100 applications would be received annually. In reality the programme received 400-450 applications. Over the five cycles of the project a total of 1,059 applications were received. It is clear that IAP has filled a gap in the funding of innovative IB ventures and that there is an **overwhelming demand for funding**. The gap between incubation and fully commercially fundable enterprises is, however, **still big**. Indeed, pioneers in the IB area, such as the Shell Foundation, point out that it takes between 10 and 15 years for an innovative venture to reach full commercial operation. A more continuous supply of patient capital, with a greater variety in terms of blending of grants and loans, rather than time-limited, grants-only programmes, should therefore be considered.

To ensure maximum impact, the support to early stage, innovative IB ventures needs to come in a package with **both financial and tailored technical assistance**. While TA in most cases does not have to be provided by international experts it does, however, have to be individually tailored.

Sharing of useful learning to the wider public is essential to justify the use of public funds. For such knowledge exchange to be filled with useful content it is important to keep **the M&E and KE** as ongoing activities that are part of the programme rather than as external ex-post elements.

In their completion reports, IAP grantees have been invited to reflect on improvements on the design of similar funds for the future. Apart from a wish for financial grants to be available over a longer time period, and for such

> If the purpose of the intervention is to support innovation, challenge funds appear to be effective instruments that encourage the private sector to implement innovative projects where the social impact is high, but the financial return is uncertain.

funding to be complemented by technical support, the grantees also would have liked to see **other forms of non-financial direct involvement by the donor**. An area where such involvement would have been welcome was in the leveraging of relationships with local governments, potential partners and development agencies.

The IAP grantees also react to the logistics involved in contracting and disbursement, feeling that **the timeline from application to actually getting the funding was too long**, creating difficulties for the companies on the ground. They also felt that **the reporting requirements should be less onerous**. Through the IAP pilot, Sida has endeavoured to streamline both contracting and reporting, but these comments show that more needs to be done to ensure that the flexibility and pragmatism essential to small innovative entrepreneurs is delivered.

4. Some generic lessons of the impact of challenge funds

Both Sida and PwC have summarised lessons learnt from the organisations' work with challenge funds. Sida published Guidelines for Challenge Funds[10] in 2013 and PwC issued a lessons report[11] on the DfID funded BIF-programme in December 2013 and held a meeting on challenge funds where key issues common to most, if not all challenge funds, were discussed. Some of the key conclusions drawn in this work are:

- Challenge funds appear to be effective in terms of the projects funded achieving the stated objectives and of the funder being able to stimulate development which otherwise would not have happened. This is especially the case in terms of the funds' ability to harness the private sector to drive and effectively deliver innovation in development.
- These conclusions are, however, primarily based on success stories rather than hard facts. More work is needed to improve the results measurement of the funds, which will require more resources to be set aside for M&E within the programmes. Donors also need to contribute to the establishment of best practice/benchmarks in the field, especially in relation to systemic development impact beyond the micro level, and impact measurement in heterogeneous portfolios.
- Discussions on challenge funds hosted by PwC UK in January highlighted that one reason for the lack of evidence of additionality of the donor input is that the grant catalyses more effective development of private sector capital and creativity, making the causal factor hard to ascertain.

A key advantage of the challenge fund mechanism is that it provides a transparent and accountable process for selecting which private sector projects to finance. On the other hand, more hands-on development of the projects selected, through TA and a closer relationship between grantees and managers, also appears to lead to better projects. Delegation of fund management to independent organisations appears overall to have worked well to ensure professional management of the funds. Some reviews highlight management issues, primarily linked to the donors' role, including a tendency for micro-management.

- The funds are successful in leveraging private capital in a ratio of from 1:1 to 1:4, with the higher rates seen where multinationals or other larger companies are involved. Companies appear to apply for funding in order to access risk-willing capital, rather than to access subsidised or 'free' money, which would imply that repayment might be less of an issue. Alternatives to grants, such as conditional loans, could therefore be used to increase leverage of limited donor funding.

If the purpose of the intervention is to support innovation, challenge funds appear to be effective instruments that encourage the private sector to implement innovative projects where the social impact is high, but the financial return is uncertain. To ensure that as much benefit as possible is derived from such funding, much effort is however needed to mentor the grantees and to develop good evaluation practices.

Notes

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2. http://challenge.ba/about-the-challenge/
3. http://www.aecfafrica.org/
4. http://securingwaterforfood.org/
5. http://poweringag.org/
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9. http://businessinnovationfacility.org/page/innovation-s-against-poverty-knowledge-exchange-report-2013
10. http://www.sida.se/Publications/Import/pdf/sv/Guidelines---Challenge-Funds_3466.pdf
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Corporate sustainability emerging as major driver in the UN's post-2015 agenda

The corporate sustainability movement is growing in every region of the world. Every year, more companies place responsible business practices and sustainability objectives at the heart of their business strategy. Companies are increasingly helping to tackle the world's most pressing problems through their core businesses, and realising benefits and opportunities from doing so. There is a growing recognition that, in a globalised world, general prosperity can only be built if business enterprises are involved in finding solutions to low living standards and environmental degradation.

An historic opportunity

With the targets of the Millennium Development Goals (MDGs) set to expire in 2015, a new global sustainable development framework is under construction, which is expected to define priorities and approaches for the next era. UN Member States are currently working on a set of potential Sustainable Development Goals (SDGs), to be adopted in 2015.

This post-2015 development agenda presents an historic opportunity for the international community to mobilise companies to more effectively advance global priorities. Now is an opportune time for the international business community to elevate their missions and strategies to align with the post-2015 vision, producing outcomes that benefit the global society and economy – and drive business success.

The United Nations Global Compact has been asked to bring private sector perspectives and action to this agenda, creating the opportunity to scale up and align business contributions to United Nations priorities. The overlap between public and private interest in sustainable development is increasingly clear, and the development of the post-2015 agenda will require an unprecedented level of interplay between business, governments, civil society and other key stakeholders.

The process officially began in Rio de Janeiro in June 2012, as Governments at the UN Conference on Sustainable Development (Rio+20) agreed to negotiate a set of SDGs, to be synchronized with the post-2015 development agenda proposed by the UN Secretary-General. The parallel Rio+20 Corporate Sustainability Forum[1], organised by the UN Global Compact and key partners, brought together nearly 3,000 representatives from business, the investment community, UN, civil society and academia. Following the announcement of 200 corporate commitments to action and 120 sessions under the theme, "Innovation and Collaboration for the Future We Want", business executives at the Forum indicated their desire to work with governments in setting goals and targets – seeing the SDGs as a driving force to move sustainability ahead.

> In a globalised world, general prosperity can only be built if business enterprises are involved in finding solutions to low living standards and environmental degradation.

Sustainable businesses have a built-in motivation to see development succeed

Following Rio+20, the UN Secretary-General asked the UN Global Compact to gather input and perspectives from the private sector[2] on the post-2015 agenda. A globe-spanning series of consultations, surveys and focused discussions were held, and roughly 1,000 companies committed to responsibility and sustainability provided their views on global development priorities they consider central to any future development agenda.

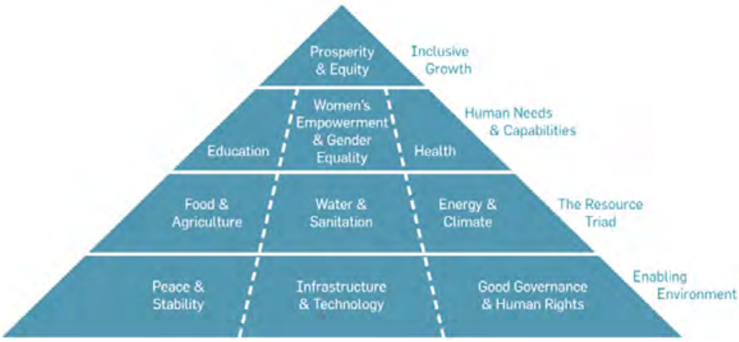

Figure 1. Sustainable Development Goals Proposed by Business

The results of these consultations reflect a growing convergence between the priorities of the United Nations and those of the international business community on an ever-widening range of global issues and challenges:

- **Inclusive Growth**: Ending extreme poverty and a strong start on extending prosperity to the majority of the world's people are now achievable. The hallmarks of the post-2015 agenda should be sustained economic growth that is inclusive and equitable; more and better jobs; and access to credit and entrepreneurship opportunities, especially among the poor.
- **Human Needs and Capacities**: Progress and unmet challenges in the core MDG areas of education, health and advances in the standing of women and girls need to continue past 2015 – all closely related to poverty and its eradication.
- **Environment and Natural Resources**: The resource triad of water and sanitation, energy and climate, and agriculture and food bring together the three pillars of sustainable development. Each meets basic human needs, has the capacity to power sustainable economic growth and is directly related to climate change.
- **Enabling Environment**: Good governance and respect for human rights, settings of peace and stability, and modern and green digital and physical infrastructure are enabling factors important enough to be elevated to worldwide goals.

Engaging businesses in sustainable development

Following the consultations on global development priorities identified by businesses, executives at the UN Global Compact Leaders Summit 2013[3] endorsed an architecture for engagement unveiled by the UN Secretary-General. The Post-2015 Business Engagement Architecture[4], in Figure 2, illustrates the main building blocks necessary to enhance corporate sustainability as an effective contribution to sustainable development, creating value for both business and society:

- **Corporate Sustainability**: Central to the Architecture is a new corporate sustainability philosophy and orientation rooted in three dimensions – i) respecting universal principles; ii) taking action to support broader UN goals; and iii) engaging in partnerships and collective action at the global and local levels.
- **Sustainable Development Goals and Long-term Business Goals**: Businesses contribute to the advancement of sustainable development goals by implementing corporate sustainability strategies that advance inclusive economic growth, social equity and progress, and environmental protection. Those same strategies and practices are increasingly understood to contribute to revenue growth, resource productivity and the mitigation of operational, legal and reputational risks.
- **Transparency and Accountability**: Building on more than a decade of experience of engaging business around UN priorities, it is clear that the Architecture must incorporate a set of robust accountability measures in order to make business commitments transparent and to ensure that progress towards them is real.
- **Platforms for Action and Partnership**: An especially promising component of the Architecture is the Platforms for Action and Partnership, which can help optimise and scale up corporate sustainability efforts as well as contribute to corporate participation in the broader multi-stakeholder efforts to achieve UN goals. These supporting elements include various forums and platforms that enable companies and other stakeholders to work together – by geography, sector and/or issue.

- **Drivers and Incentives**: The “business case” for corporate action on sustainability issues has been significantly strengthened over the last decade, driven by very important developments in a number of areas. These include the strengthening of society-based drivers, reflecting changing norms and expectations for responsible business. Similarly, market-based drivers have been strengthened as sustainability increasingly impacts a company’s ability to attract and retain customers, investors, employees and business partners.

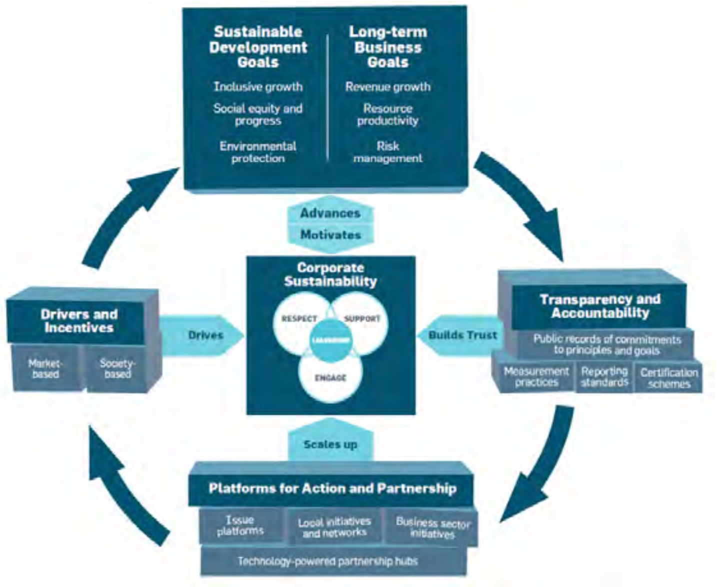

Figure 2. Post-2015 Business Engagement Architecture

Private Sustainability Finance: From managing risks to embracing new opportunities that create value for business and society

The financing needs of an ambitious and truly transformational post-2015 agenda will require a significant increase in financial resources that address social, environmental and economic development needs. With the world on a slower growth path where external funding conditions – particularly Official Development Aid – are gradually becoming more restricted, there is a growing consensus that the bulk of sustainable development finance will need to come from the private sector.

As the corporate sustainability movement grows around the globe, the private sector is embedding sustainability considerations in trillions of dollars worth of investments and increasing its impact on sustainable development.

The adoption of sustainability considerations in private investments started as a risk management practice to avoid harmful investments – Responsible Finance with a “do no harm” approach.

Now a number of principle-based responsible and sustainable finance initiatives are starting to gain critical mass throughout the investment value chain. Examples include the UNEP Finance Initiative (UNEPFI)[5] and UN-supported Principles for Responsible Investment (PRI)[6], the Equator Principles[7], the Principles for Sustainable Insurance[8], the Sustainable Stock Exchanges (SSE)[9] initiative and innovative approaches to sustainable foreign direct investment by multinationals.

These initiatives are increasingly taking a more proactive and deliberate approach, seeking investment opportunities that deliver measurable positive social or environmental results in addition to financial returns, and supporting the development of innovative finance mechanisms for this purpose. This new mindset, Responsible and Impactful Private Finance, is critical to create long-term value for business and society and is gaining global attention throughout the investment value chain.

This new mindset has the potential to turn private sustainability finance into a key driver of sustainable development, with responsible and impactful private sustainability finance in the USD trillion range in the coming years.

A better future for all

Delivering a better future for all requires action by all – governments, corporations, citizens, consumers, workers, investors and educators. Business is at the heart of virtually any widespread improvements in living standards and markets are essential for creating and diffusing solutions that will drive the changes our world needs. Assessing the issues that comprise the future global development agenda and providing a role for business in the post-2015 process will ultimately help to make corporate sustainability a transformative force in achieving a shared, secure and sustainable future.

Notes

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2. http://unglobalcompact.org/Issues/partnerships/post_2015_development_agenda.html
3. http://www.leaderssummit2013.org/home
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Africans doing business in Africa - the impact of a midsized private company on the Ugandan economy

Uganda is among the fastest growing countries in Africa with average GDP growth of 7% over the last 20 years. The economy was liberalised in 1989. Government owned enterprises were prepared for privatisation and three Ugandan entrepreneurs bid successfully for the Lake Victoria Bottling Company Ltd. The company had been kept in business for many years by government subsidies but failed to meet the demand for carbonated soft drinks in the country.

The company was renamed Crown Bottlers Ltd. (CBL), restructured and recapitalised. In parallel, the government was continually improving the investment climate through ensuring peace and stability, improving infrastructure, controlling inflation, providing education and services to the people etc. The company had to provide all its needs to get its product to market as there were few successful local small enterprises and Uganda was only beginning to attract foreign investment. CBL therefore owned a fleet of trucks and managed distribution networks all over the country and they set up and manned depots in all urban centres. Most raw materials were imported.

Crown Bottlers Ltd. story of growth

Ugandans are entrepreneurial by nature and with the improving investment climate and a number of specific programs to build the capacity of small enterprises by government, private sector and academia, CBL was able to divest itself of many of these non core activities through linkages with other companies and small enterprises. The market expanded with the growing middle class and the regional markets created by the East African Community (EAC) regional block. CBL was faced with a fast growing market, which required further investment in new production lines. They faced the difficulties investors in Africa face where the financial sector was weak and interest rates were as high as 30% or more. A partnership formed with a foreign company was not successful as the company did not understand the business. Sales dipped and competition took over market share.

The original shareholders bought back their shares and now found a more responsive financial sector. The Central Bank was better able to regulate the sector and maintain single digit inflation. Clear monetary policies, laws and regulations had been enacted and were being enforced. A number of financial institutions from South Africa, Kenya, Nigeria and Uganda had invested in financial institutions in Uganda and interest rates were coming down. CBL was able to access credit from the East African Development Bank and the Orient Bank, which was a local bank, and with strong management, turned around the company to become the fastest growing Pepsi Franchise (see Figure). The company is among the top taxpayers, employs over 600 workers directly and over 4000 indirectly. It has played a key role in the growth of the creative industry by supporting music and sports. Many other enterprises in the value chain have benefited from this growth. For example, a female owned restaurant that has supplied food to the workers over the years has grown into a middle-sized hotel with its own premises.

Competition, innovation and value additions

CBL continues to innovate to respond to increased competition in the market. Over 60 companies have invested in table water production. Others now produce juices. The EAC and the Common Market for East and Southern Africa (COMESA) regional blocks brought an attractive export market for CBL's products, which can now be found in Kenya, Rwanda, Burundi, South Sudan and Democratic Republic of Congo. The downside to this is that Uganda also became a market for products from as far as Egypt, Kenya and Tanzania. CBL responded with new brands such as the popular Mountain Dew, new packs like PET and invested in table water production. It is an interesting time to be doing business in Uganda and Africa as a whole.

The impact of businesses on communities through job creation and linkages through the value chain are more sustainable than donor funding of services to communities.

"Government and donor funding should be chanelled to improving road and rail infrastructure to allow trade between African countries and regions."

"The impact of businesses on communities through job creation and linkages through the value chain are more sustainable than donor funding of services to communities."

Government and donor funding should be chanelled to improving road and rail infrastructure to allow trade between African countries and regions. Value addition through manufacturing will only be competitive in Africa if electricity is reliable and cheap. Donor funds could be used to leverage private sector funds in Public Private Partnerships (PPPs). The Bujagali Hydropower Project in Uganda is a good example of a successful PPP where the private IPS group has been supported by financing from International Finance Cooperation, CDC and Asian Development Bank, insurance from MIGA and a guaranteed Power Purchase agreement from the government.

Donor funding should also target capacity building, information dissemination and access to credit for SMEs, especially in the agriculture sector where Africa can become a global supplier of food.

I have shared the experiences of CBL doing business in Uganda only to demonstrate the opportunities and challenges faced by companies doing business in Africa. I hope I have shown how far Africa has come in addressing the main challenges and where support is still required. Markets are now assured with the fast growing middle class in the region and the global demand for African products. Through linkages with SMEs and job creation growth will become more inclusive and therefore more sustainable. It is an interesting time to be doing business in Africa as it is increasingly possible to succeed, even beyond all expectations.

Prof. Maggie Kigozi is President of the International Federation of Business and Professional Women (BPW), Uganda.

Private Sector Development: The role of Food and Agriculture Business principles

No country can develop without a thriving private sector. Most developing countries have a large share of their GDP in agriculture, feeding the local population and providing important export revenues. So the need for a strong private sector is even greater in agriculture in developing countries.

Even when smallholder farms are the dominant productive units, few are able to thrive unless they organise themselves as agribusinesses. More and more are finding it useful to follow the emerging consensus on voluntary Food and Agriculture Business (FAB) principles, developed by the United Nations Global Compact.

Cultivating healthy value chains

FAB principles originate in the call for responsible businesses to align to the goals of the United Nations, as articulated in the Rio+20 Outcome document *The Future We Want* [1]. They provide important strategic guidance to all business in the value chain—from cultivation to retailing:

1. Aim for Food Security, Health and Nutrition;
2. Be Environmentally Responsible;
3. Ensure Economic Viability and Share Value - throughout the value chain;
4. Respect Human Rights, Create Decent Work and Help Rural Communities to Thrive;
5. Encourage Good Governance and Accountability; and
6. Promote Access and Transfer of Knowledge, Skills and Technology.

Private firms adhering to the principles are providing nutritious food in a sustainable way, helping to meet global needs, with improved resource efficiency and sharing value across the entire value chain from farmers to consumers. This way of doing business should improve the lives and purchasing power of workers and farmers, respect the rights of the people and provide equal opportunities, avoid corruption and respect the law.

Most challenges business faces have to do with systemic failures as corruption. No single company alone can solve it. Platforms such as the UN Global Compact and Companies United can push for it with less risk.

Sustainable performance

FAB principles help accountability and transparency. Transparency creates the right enabling environment to be competitive and to facilitate partnerships which will realise the sustainable transformation of food and agricultural systems.

Knowledge sharing is key to supporting the three pillars of sustainability, and extension and advisory services are a vital knowledge sharing institution: protecting natural resources, productive processes, marketing and entrepreneurial skills and nutritional needs.

> Most challenges business faces have to do with systemic failures such as corruption.

Corporate sustainability has not penetrated the majority of companies operating in markets around the world—the global tipping point has not yet been reached. Advanced performance by leading companies, also leading small and medium enterprises (SMEs), that anchor the principles in their business strategy, and not just isolated good practices, offers crucial inspiration. It is about the way you do business and generate income and not about what you do with the income.

Answering to FAB principles

Being responsible and following FAB principles means planning a business model that allows you to grow, integrating sustainability concerns in your business. Developing things of worth, with high and nutritional value for the people, and communicating it to the society which will benefit the position of your products in respect to competitors.

Stimulating sustainable food production and systems and increasing incomes of smallholder farmers is not philanthropy. It is, rather, being a good corporate citizen who generates jobs and income, creating opportunities for improving the living conditions of the people. Responsibility has to be in the minds of the top managers, in the training and extension work, in the relationship with other companies along the value chain - it is understanding how things should be done and what direction we should take in the longer term.

There is a general and growing private sector interest in adopting goal setting as the UN Global Compact principles. Large companies are helping their own supply chain which consists mainly of SMEs to help them responsibly manage their business. Large companies like Yara can be key to reaching SMEs and promoting the FAB principles with their stakeholders in their value chain. After all, we work in 150 countries and are participating actively in developing and promoting FAB principles, as part of our wider efforts at contributing with the international community in our quest for food and nutritional security.

Some SMEs are doing corporate sustainability but they do not know it and they are not promoting it strategically. The consciousness of the companies of being sustainable and committed can turn them into leaders in their sector and differentiate them from their competitors if they communicate it well. SMEs have the advantage that their size represents an opportunity to integrate sustainable action and a comprehensive model will scale up easily.

Comprehensive food systems

Smarter governments have to promote and leverage business, and good business performance, especially for SMEs that have less resources. They can reward and give visibility to those good practices and business models.

Food and Agriculture Business principles means investing in sustainable food systems, in agriculture development models that are comprehensive and can be multiplied, that cover all elements such as access to financing facilities that complement existing commercial and donor funds to help establish new agribusiness investments, investing in market development and supply last mile delivery. A good business model and strategies should maximise the positive impact in society, environment and economy to position the company strategically towards consumers.

These principles, if applied in developing countries, may create an enabling environment for more responsible governance in the private sector, thus strengthening these key actors for development. The time has come for a new culture to take us in a new direction.

Note

1. http://www.uncsd2012.org/thefuturewewant.html

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> Smarter governments have to promote and leverage business, and good business performance, especially for SMEs that have less resources.

Ending hunger: Not without the smallholder farmers!

Globalisation has many important benefits but there are some unintended externalities as well. Social media today is much more prevalent and communities are no longer living in isolation of each other. Many who perceived themselves as doing well within their own rural surroundings are no longer content because they see now the economic disparities between themselves and those living far away. Yet they do not have the means to bridge the gap which then fuels frustration and resentment. We see time and again that when people leave rural areas because they cannot make a living, this sense of destitution often embedded in extreme poverty and hunger manifests itself into social tensions and conflict whether it be in Syria, Central African Republic or South Sudan.

A hunger free world likely?

Despite our astounding economic progress, particularly over the last century, about 850 million people do not get enough to eat on a regular basis. Another two billion plus people suffer from micro-nutrient deficiencies costing the world about US$3.5 trillion or 5% of GDP annually. Then there are issues of growing global population demanding more and better quality food to be produced on increasingly shrinking arable land with less water and under the constant threat of climate change. Estimates suggest that cereal production will have to rise by 50% and meat production by 85% if we are to feed nine billion people by 2050.

So the question is whether we can properly feed the world going forward and what will it take to get it done.

We believe that a hunger free world within the next decades is realistically possible but time is running out. We need to understand that, unlike in the past, food security is no longer an individual problem but a collective problem requiring coordinated public and private action. No single entity whether public or private, national or international has the wherewithal to go it alone.

The solution probably lies around the 500 million smallholder farms supporting about two billion people around the world. Currently most of these smallholder families are struggling to get themselves and their families out of poverty and hunger. Supporting them to sustainably produce marketable surplus food will go a long way in reducing global hunger while ignoring them will compound food security and nutrition problems pushing many more into poverty and hunger. The consequences will be even more conflict in the future from the convergence of food, water and energy insecurity.

The Zero Hunger Challenge launched by the United Nations Secretary-General to end hunger within our lifetimes speaks of the necessity of an effective supply side response by doubling smallholders' productivity and incomes; implementing sustainable agricultural systems and eliminating food losses; if we are to make sure that everybody should have sustained physical and economic access to nutritious and healthy foods.

Strength in smallholder farmers

The success of smallholder farmers as globally significant surplus food producers will first depend on whether there is national and international political will and commitment to agriculture and rural development backed by appropriate levels of investments. Farmers need sustained access to land, water, financial services and extension services. Rural agricultural infrastructure, including appropriate storage and feeder roads connecting farmers to markets, needs to be developed and maintained. Strong farmers' organisations must be encouraged to improve how farmers collectively negotiate markets and influence agricultural policies and trade regulations at the national and global level. In the absence of such measures, smallholder farmers will continue to struggle with higher transaction costs and remain less competitive than their counterparts in food exporting developed countries even when the market conditions are favourable.

The "Purchase for Progress" (P4P) initiative of the World Food Programme (WFP) has successfully demonstrated that working with smallholder farmers is an economically viable business model. For instance, each year WFP purchases about US$1 billion worth of high quality food commodities at competitive prices from countries where WFP has active operations. Also, purchasing from smallholder farmers within these countries not only supports families and local economies but reduces transit times and transportation costs for WFP. This is particularly important for WFP as about half of the ninety plus million people assisted by WFP each year belong to the smallholder families. So it is only logical for WFP to design and implement initiatives like P4P which bring public and private stakeholders together to assist smallholder farmers become more productive and resilient. Besides, combining market demand with capacity development activities presents a promising opportunity for smallholder farmers to improve their national food security and contribute towards pro-poor rural economic development.

P4P has worked with more than 200 technical partners including the Food and Agriculture Organization and International Fund for Agricultural Development in 20 countries to train over half a million farmers in agricultural production, agribusiness management, agro processing, credit and financial literacy, farmers' organisations management, post-harvest handling, and gender equity. These capacity development initiatives have made farmers organisations more reliable suppliers of high-quality food for a wide range of public and private sector buyers. By learning to meet WFP's procurement requirements, farmers are also in a better position to compete for additional private and public sector demand through commercial marketing channels.

> "The success of smallholder farmers will depend on whether there is national and international political will and commitment to agriculture and rural development backed by appropriate levels of investments."

> Working with smallholder farmers is an economically viable business model.

Paving the way for the private sector

The public sector in developing countries is gradually realising the importance of prioritising food security and the associated pay-offs from investments in rural infrastructure and institutions. These investments are necessary conditions for the private sector to come and address some of the market failures that particularly impact smallholder farmers. The private sector is also realising the huge potential of investing in smallholders as new suppliers to meet the rapidly expanding demand in coming decades. The smallholder farmers are quickly becoming an integral part of the private sector business strategy rather than a half-hearted afterthought only to satisfy corporate social responsibility. P4P in many countries serves as a catalyst for public and private sector partnerships bringing smallholder farmers and the private sector together by building confidence on both sides.

Still there is a long way to go but the approach of connecting smallholder farmers to commercial and public markets is the right one. Thus far WFP has contracted more than 450,000 metric tons of food worth more than US$165 million through pro-smallholder modalities, primarily from farmers' organisations representing more than one million smallholder farming families. These organisations have also sold an estimated US$50 million worth of food to other buyers. This is a good start which will continue to pay dividends in the future if the current efforts of capacity development are brought to scale.

Strengthening the food value chain

There are growing pains and teething problems as smallholder farmers learn commercial behaviour and adjust to the domestic and international supply chain requirements including quantity and quality standards. Thus patience is necessary as strengthening the value chain will take time but enable smallholder farmers to become active participants in large and competitive markets in the long term.

WFP proposes to work with national and international private and public partners to develop a "procurement platform" that contributes towards overcoming capacity building needs of the smallholder farmers and market bottlenecks at scale. WFP is calling upon other buyers to join this platform to achieve the 100% increase in smallholder productivity and income target that WFP, national governments and the private sector have agreed to achieve under the United Nations Zero Hunger Challenge. Through combined demand from WFP, the private sector and national governments in 20 countries, WFP's target for the procurement platform is about US$750 million, benefiting 1.5 million farmers by 2016.

Finally, as the smallholder farmers become more efficient and organised, many will have to look outside the traditional subsistence farming system for livelihoods. These individuals and their families will require conditional and unconditional assistance through social safety net programmes until they find new income opportunities. Emphasis must be on growing rural economies by providing appropriate agricultural and rural development opportunities to people, particularly youth, who would otherwise migrate to urban areas out of pure economic desperation.

> Investments in rural infrastructure and institutions are necessary conditions for the private sector to come and address some of the market failures that particularly impact smallholder farmers.

Arif Husain is Chief Economist at the World Food Programme.

Inclusive economic growth through women's entrepreneurship promotion: what works and what doesn't?

Is entrepreneurship promotion a miracle solution to inclusive economic growth? No, we need to temper our expectations and look for alternative and feminist strategies to overcome issues of gender-inequality that underpin exclusive economic development.

With the recognition of entrepreneurship as a key driver for economic development, it is no surprise that many international donors and development organisations nowadays promote entrepreneurship as a potential pathway out of poverty. Both as drivers and main beneficiaries of this growth, women especially have been identified as vital and the 'new heroes of the developing economy'. As a result they are an important target group in private sector development programmes in general and entrepreneurship promotion[1] in particular.

What is surprising however, is that whereas more and more resources are being directed to develop the entrepreneurial potential of women and support their micro and small enterprises, little evidence is available on how entrepreneurship promotion in developing countries actually leads to economic growth that benefits (or harms) women.[2] Development practitioners and policy-makers anecdotally admit that such virtuous development rarely happens and only have intuitive answers to the critical questions: 'what works' and 'what does not' in entrepreneurship promotion and private sector development programmes, and whether interventions actually contribute to gender-just inclusive economic growth in developing countries.

> Little evidence is available on how entrepreneurship promotion in developing countries actually leads to economic growth that benefits (or harms) women.

Research indicates that the effects or alleged benefits of these policies and programmes for women remain unclear and that it is unrealistic to seek 'miracle solutions' in policy efforts solely focused at private sector development to overcome issues of gender-inequality, exclusion and marginalisation.[3] There are undoubtedly programmes that benefit a number of individual women but when the actual problem is left intact – which is that entrepreneurs, men and women alike, operate in patriarchal economies and societies that are biased against women over men, and as a result constrain women's position and entrepreneurial success– efforts will remain in vain and without any significant macroeconomic or social impact.

Serious change and real reform has yet to be demonstrated and with a persisting gender bias in entrepreneurship, we need to temper our expectations of entrepreneurship promotion to establish gender-just inclusive economic development that equally benefits both men and women, and look for alternative policy solutions and practices.

If private sector development programmes aspire to achieve inclusive economic growth, they should no longer automatically assume its benefits and effects for women but instead make more deliberate efforts to engage with a feminist driven body of knowledge that has convincingly critiqued and challenged its claims and assumptions and presented viable alternatives.[4] Three important building blocks for entrepreneurship promotion that may address the gender bias in the entrepreneurial context can be derived from this body of knowledge.

1. Be committed to gender justice: address underlying systems of power

First, programmes need to explicitly adopt a commitment to gender justice as a goal in itself and express how they intend to contribute to this in its theories of change. They need to make the gender bias in the context visible through their problem analysis and investigate how multi layered and gendered complex realities are experienced differently by specific people in specific places. Thus, whereas most contemporary programmes ignore the gendered power relations embedded in the social, legal and economic structures that define the entrepreneurial context and shape entrepreneurial behavior, they should instead 'politicise' these and find effective ways to address them.

Most programmes tend to list problems in a gender-blind matter or only as 'experienced' by women.[5] Her business is then seen as 'underperforming', not living up to her potential of generating economic growth, and therefore needs to be fixed.[6] This frequently results in interventions designed to advise and support individual women to enhance her business with leadership and networking skills or through training, counseling, mentoring and financing designed to 'repair' her under-performance. Here, issues such as gender based discrimination, institutionalised in legal and financial systems or informal practices are omitted and the context in which men and women alike operate is considered gender neutral, not representing it as society's (political) problem but as an individual issue. As a result, possible solutions and efforts to fix such gender biased systems and practices are not considered.

Instead, entrepreneurship promotion aiming to benefit women and inclusive growth should consider and address those underlying power structures and social norms formally and informally institutionalised and practiced in society, the market place, the legal system and the culture that produce gendered mechanisms of exclusion and marginalisation. Policy makers then become concerned with asking what kind of interventions can effectively address specific underlying gendered power structures that constrain inclusive economic growth. Who has or should have a voice in formulating and evaluating what are appropriate and effective programmes? Which stakeholders, using what formal and informal practices are reproducing, maintaining or changing these structures? In other words, rather than intensifying support programs such as entrepreneurship training and financing specifically for women, policy makers interested in inclusive economic growth, should consider solutions that may reform the gender bias in for example finance institutions by sensitizing bank employees and its leadership. Or, focus on ensuring the protection of fundamental freedoms, liberties and decision-making in an equal manner.

2. Consider economic and social impact: do no harm while changing places

Secondly, it needs to be taken into account that entrepreneurship promotion can potentially have both negative and positive effects, and result in economic gains such as profits and sales but also social gains. Entrepreneurship should be seen as a phenomenon that may reproduce, maintain or transform gendered local practices in diverging ways. Empirical findings are inconclusive as they demonstrate that entrepreneurship promotion can lead both to the advancement of women's position as well as to the further subordination of women in developing countries.[7] Moreover, it can "push" women into the formal economy but also expand women's presence in the informal economy or overstretch women's limited time, causing even further conflict and tension in the work-family interface.[8]

On the positive side, entrepreneurship promotion programmes may also change daily life in the household, a neighbourhood or a town through job creation for women, gendered innovations or gender-friendly support structures in the work place.[9] If we ignore such possible effects, we may miss out on important opportunities for social change or inadvertently contribute to the work burden some women already experience. Therefore programmes should at all times monitor and evaluate whether and how they benefit or harm women. How do programmes affect the daily lives and experiences of individuals and communities? How can we use private sector development as an instrument to advance different social and economic agenda and change places? How does entrepreneurship promotion reproduce, reduce or increase gender inequalities? What is key here is that policy makers engaged in entrepreneurship promotion and private sector development should carry out regular 'gender audits', 'gender risk assessments', gender impact studies' and make use of the rich experience that is available on 'doing gender' in policy and program development.[10]

3. Beyond the doorstep: family, marriage and children

Lastly, it is imperative that entrepreneurship promotion programmes acknowledge women's prime role in unpaid care work and take intra-household power dynamics into consideration. Entrepreneurship cannot be viewed in isolation of the family and society's gendered work divisions of unpaid care and reproductive work and needs to be taken into account in the policy-making process.[11] Worldwide women's position in society to a large extent depends on how care and the family is organised (elderly care, parental leave, day care, etc.) and whether policies or care services are in place. This strongly affects their entrepreneurial choices and chances, and definitions of success. If such care is not provided for or shared with others, it remains difficult for large groups of women to be successful on their own terms, choosing how they invest and distribute their time, energy and resources without being constrained by gendered rules, expectations and workdivisions imposed upon them by society.

> Entrepreneurship should be seen as a phenomenon that may reproduce, maintain or transform gendered local practices in diverging ways.

Studies indicate for example how female-headed households are much more receptive to, and benefit from entrepreneurship promotion or value chain development programmes as they are less constrained by husbands who demand that they devote their time and energy to taking care of them, the household and their children.[12] Here lies an important opportunity for those engaged in entrepreneurship promotion and interested in change towards gender-just inclusive economic development. We need to open up the domestic context for debate and start asking policy questions such as: How are men and women experiencing challenging and bending gendered power structures in their household on a daily basis, and how does that constrain or advance their entrepreneurial success? What support is needed and who can best provide this?

Real role of entrepreneurs

We need to remain critical about the assumptions that drive entrepreneurship promotion and stop considering entrepreneurs as solely money-driven and market-oriented individuals who have no sex, no gender, no class, no age, no family, no religion or ethnicity, and who live outside of any specific historical, social or geographical context. Entrepreneurs are not a homogenous group making decisions unhindered by socioeconomic inequalities, unequal distributions of power and income, and relieved of family obligations or care responsibilities. Moreover, they do not experience generic problems and thus are in no need of gender-neutral programs nor 'special women's programs' or other common solutions.

What is evident is that in order to achieve inclusive economic growth, we need policy solutions that address specific gendered constraints in specific entrepreneurial contexts that specific men and women experience in their daily lives at multiple levels. Feminist perspectives can help us develop frameworks for impact analysis that do justice to such complex contexts and unravel their gendered subtleties, listing alternative interventions and policy practices appropriate in particular contexts for specific people 'that work'.

> Entrepreneurship cannot be viewed in isolation of the family and society's gendered work divisions of unpaid care and reproductive work and needs to be taken into account in the policy-making process.

This article is based on the paper: Vossenberg (2013) Women Entrepreneurship Promotion in Developing Countries: What explains the gender gap in entrepreneurship and how to close it? MsM Working Paper Series, No. 2013/08.

Notes

1. Here I understand 'entrepreneurship promotion' as the deliberate organisation of a set of policy goals, problems and financial and non-financial solutions enacted by state and non-state actors with a view to influence and intervene in entrepreneurial behaviour and context that occurs across a range of sectors in both the formal and informal economy.
2. For an overview see Vossenberg (2013).
3. Rai and Waylen (2013); Duflo (2011).
4. For an overview see Vossenberg (2014).
5. Ahl (2006); Ahl and Nelson (2010).
6. Marlow and McAdam (2013).
7. Rai and Waylen (2013); Barrientos and Kabeer (2013).
8. Elson (2013) in: Rai and Waylen (2013).
9. Hanson (2009); Calás, Smircich and Bourne (2009).
10. Lombardo, Meier and Verloo (2009).
11. Brush, de Bruin, and Welter (2009).

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Co-creating new partnerships for financing sustainable development: the Furntech partnership model

The Furniture Technology Centre Trust (Furntech) is in the strategic business of wealth creation (Small, Medium and Micro Enterprises (SMME) development) and Human Resource Development (vocational skills development) in the furniture and wood products sector in South Africa. Its mission is to contribute to the growth of the industry by offering world-class training and innovative business technology incubation in order to assist in job and wealth creation in the furniture and wood products sector.

The success of Furntech is based on a Partner Driven Partnership (PDP) or Coalition model that has been implemented since our inception over 14 years ago. The fundamental principles of walking alongside and treating partners with respect and equality underpin our successful implementation of the PDP model.

This article will describe the background of Furntech; what we do and will demonstrate, through best practice, how Furntech has been able to sustain itself through the PDP model. We will also look at how the PDP model works and what are the major challenges of a PDP model.

About Furntech

Furntech was established as a public trust in 2000 in partnership with the South African Department of Trade and Industry (dti) and the Tibro Training Centre (TTC) in Sweden, through a bilateral agreement between the dti and the Swedish Industrial Development Agency (Sida). The South African Government's Small Enterprise Development Agency Technology Programme (STP) replaced the dti as the state agency working with SMME development.
Furntech's Board of Trustees consists of representatives from government, labour, the private sector, academia and other stakeholders. They provide strategic input and direction to the organisation.

Making a positive impact on local communities and businesses

Furntech's programme is designed to nurture and accelerate the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services. These services are developed and coordinated by the management team and are offered by both our staff and through our network of contacts. This focused approach has allowed us to invest our resources in the areas where we can have the greatest impact. It is our clients that create wealth and thus jobs that, in turn, stimulate the local, regional and national economies. All our interventions and activities are thus directed to creating an enabling environment for our clients.

The value added and success of Furntech's Business Technology Incubation (BTI) model lies in its flexible combination of skills training and business development processes, infrastructure, and people. It is designed to nurture and protect new and existing small businesses by assisting entrepreneurs with all aspects of starting up and developing their companies into sustainable businesses. The process promotes entrepreneurship and encourages the formation and development of viable, registered small and micro businesses. Another key contributor to the success of the Furntech's BTI model is the emphasis we place on developing the technical and management skills of all the businesses we work with.

Business Incubation as we have learned for more than a decade is a tool, when effectively implemented, can be the driver to meeting a variety of economic and socioeconomic policy needs, which include amongst others:

- Creating jobs and wealth;
- Poverty alleviation;
- Fostering a community's entrepreneurial climate;
- Diversifying local economies;
- Building or accelerating growth of local industry clusters;
- Business creation and retention; and
- Revitalising local communities and neighbourhoods.

An extensive network of local and international partnerships is used to assist incubatees to improve the range and quality of their products and to market their activities.

An integrated partnership approach

One of the most important contributors to the success of the Furntech model has been our coalition and partnership approach. We have been able to manage and integrate the objectives of Furntech with the objectives of the donors successfully. Our donors and sponsors can be divided into five categories:

1. State institutions

The state institutions with which Furntech has had an integrated approach over the past fourteen years include the South African Government, the Provincial Government and Local Municipalities. As part of the establishment phase of an incubator, the objectives of the incubator and the state institution needs to be synchronised and agreed upon. It is therefore imperative that we firstly had a clear understanding of what we wanted to achieve and why we had been established. Secondly, they need to understand what the state institution's objectives and goals are and by synchronising these sets of objectives through clearly defined deliverables and Key Performance Indicators (KPIs), the incubator can become a viable and successful entity. This integrated approach rather than a separatist approach means that we have agreement of what needs to be done. The how is an operational matter. Performance monitoring and evaluation is therefore relatively simple – have you or haven't you achieved the agreed upon KPIs?

2. International partnerships (Tibro Training Centre in Sweden)

From the outset, our relationship with the Tibro Training Centre (TTC) was based on a PDP model. The initial period was blighted by the two different existing agendas. TTC wanted to implement the Swedish Model with very little understanding of the realities in South Africa, while we wanted to get the best of the Swedish experience within the context of the reality on the ground. We recognised that both agendas required extensive surgery if we were to be successful. This was achieved when we agreed that we needed to understand local conditions and we needed to adapt our approaches to ensure that both mandates were attainable. From this moment success was assured. All our plans were designed to attain the KPIs that were jointly agreed upon and we now had a common goal. A testimony of this approach is clearly illustrated by the fact that what was initially a three year agreement continued for 12 years. A further testimony of this approach is that the KPIs were reviewed on a regular basis to reflect the evolving partnership. The KPIs in the final three years bore no resemblance to the initial agreements.

3. **Private sector including Corporate Social Investment (CSI)**
   Our partnership with the private sector is based on the basic principle that businesses are in business to deliver value to their stakeholders. This is a deliberate approach to move away from the principle of profit. Once we were able to "talk this language" and thus convince the private sector of their greater role in society, the process of developing sustainable partnerships became less of a challenge. The light bulb moment is when the private sector sees their value added not simply in terms of money but in terms of developing their stakeholders. The second light bulb moment is when the private sector can see direct benefits to their financial, social and environmental performance measures.
   Again the key is that there is synergy between the KPIs of our private sector partners and us.

4. **Academia**
   Partnerships with academia are probably the most difficult to achieve as their KPIs, until recently, were focused on the attainment of academic objectives. The growing shortage of funds has led academic institutions to see if they can convert their academic activities into commercial activities.
   Once again we were able to align our objectives with theirs to develop a sustainable partnership by translating research into practice versus the achievement of the primary objectives.

5. **Civil society**
   Civil society organisations, as implied by their name, focus on aspects that directly impact on local communities. They are sometimes referred to as the third sector being distinct from government and business. These institutions are usually established to address needs that the community feels is not adequately served by formal state institutions. Partnerships with such organisations must focus on their needs and how these can be adequately addressed. Our focus in these partnerships is in addressing local needs as compared to national priorities. In these instances our role is directed at vocational education for entrepreneurial activity and thus serves as a catalyst for local economic development in the community.

General operations of partnership model

We have always benefited from a multi-stakeholder approach that includes membership and association with various stakeholders in a variety of disciplines. This collaborative approach has been critical to us in developing sustainable partnerships that allow us to achieve our mandate. The key components of this collaborative approach are that the partnerships must:

- be based on mutual needs of the partners;
- be an open, transparent and honest relationship;
- not hinge on dictatorship, but should work together on achieving objectives;
- follow an integrated approach and not a separatist approach;
- work within the framework of existing objectives;
- build in compliance at inception;
- ideally have one set of criteria that satisfies stakeholders;
- have agreement from all stakeholders;
- build in Measurements of Results at inception;
- have agreement on value proposition at inception; and
- agree on predetermined results

Two further considerations are that the organisation should:

- have multi-stakeholder partnership to avoid dependency on single partner; and
- be able to cherry pick, (the ability to choose partners where there is synergy between mandates).

Challenges with the Partners Driven Partnership (PDP) model

With any model, no matter how well it is developed or implemented, due to the human factor involved, the model will face challenges. Some of the challenges of the PDP model include:

- competing interest, that is if the mandates of the parties are not the same;
- compliance requirements which could be a costly process;
- differences in the measurements of results;
- prescriptive approach by the donor;
- visibility of donors, which could be in contradiction with the organisation; and
- change of key personnel amongst partners could impact negatively on relations.

Nonetheless, since the Partners Driven Partnerships (PDP) model is based on the principle that all partners are equal, this serves to:

- reduce tension between the partners;
- promote the achievements of KPIs that add value to the society we work in; and
- increase productivity

The PDP model also reduces the risk of non-compliance or non-performance and for the organisation it means all their eggs are not in one basket.

Note

1. The incubation process also benefits from membership of the National Business Incubation Association of America (NBIA), South African Business Technology Incubation Association (SABTIA), the United Kingdom Business Incubation (UKBI), the Africa Incubation Network (AIN), and other incubation forums.

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EPA UPDATE

Compromise solution found to Nigeria's concerns, but way forward remains unclear

The group of West African nations asked to come up with a way of assuaging Nigeria's concerns over the West African Economic Partnership Agreement (EPA) has reportedly found a way out of the current impasse, according to Senegal's ENDA Cacid, an NGO active on trade matters in the region. Cacid's report was published by the International Centre for Trade and Sustainable Development (ICTSD), an organisation based in Geneva.[1]

Nigeria has up until now blocked the endorsement of the EPA, citing concerns such as revenue loss, deindustrialisation and lack of sufficient commitments from the EU on the development assistance package accompanying the EPA. It also raised a number of questions on articles concerning export taxes, domestic agricultural support in the EU, and compensation of fiscal losses, amongst others.

Meeting on the 10th of May in Accra, Ghana, ministers from Cote d'Ivoire, Ghana, Nigeria and Senegal were apparently successful in getting West Africa's largest economy to agree on wording that "advises heads of states to approve the negotiated agreement", while stressing that a number of clauses should be reinforced. It is unclear when Economic Community of West African States (ECOWAS) Heads of States will next meet.

Readers will remember that Nigeria had singled out 181 tariff lines that it considered problematic in the current liberalisation schedule. The report circulated by ICTSD, which looks similar in style to official ECOWAS reports, does not mention these products specifically but stresses the safeguard measures available to ECOWAS Member States should they seek temporary additional protection. It also goes on to mention that the EPA's five-year review will be an opportunity to address concerns to which satisfactory solutions have not been found.

A modification of the liberalisation schedule would have meant a re-opening of negotiations with the EU on the most controversial aspect of the EPA in West Africa, namely the level of opening of West African markets. It would also have entailed a re-opening of the market access offer negotiated amongst ECOWAS member states themselves.

The articles that the ministers have agreed should be reinforced concern the *Programme de l'APE pour le développement,* known by its French acronym PAPED, domestic agricultural support in the EU and compensation of fiscal losses.

It remains unclear the extent to which ECOWAS negotiators will seek to strengthen the articles in question, and whether formal negotiations will have to be re-opened with the EU. Domestic support to agriculture is a sensitive topic for the EU, which considers its offer to scrap export subsidies on goods exported to EPA signatories as a significant concession.

The PAPED has also been a controversial topic, with ECOWAS Member States generally worried that the financial support provided by the EU would not be additional to what it already provides. The Council of the European Union has issued conclusions aimed at reassuring the region of the EU's commitment to the PAPED in March.[2]

EAC in wait of a Ministerial Meeting

A long-awaited ministerial meeting is in the planning in the EAC region, where Karel de Gucht is expected to attend. For an overview of outstanding issues in the EAC EPA negotiations see our previous report on the region.[3]

SADC weighs up EU proposals, EU signals possible flexibility on October 2014 deadline should EPA be signed

Since their meeting in Brussels at the margins of the EU-Africa Summit, Southern African Development Community and EU negotiators met again in Johannesburg, South Africa

EPA Calendar

June (date TBC) SADC - EU negotiating round (location unknown)

June (date TBC) EAC-EU Ministerial meeting (EAC region, location TBC) in mid May to discuss relatively low-level issues of tariff rate quota administration, data exchange and rules of origin.

Prior to the EU negotiating session, an internal SADC EPA grouping of Ministers and Senior Officials was held to discuss the latest EU proposals on the last two outstanding issues: export taxes and agricultural safeguards. The mandate given to the SADC's EPA grouping negotiating team is unclear, but these two issues will in all likelihood dominate the next negotiating round.

According to our sources, discussions are taking place about the 1st of October 2014 "deadline" in cases where the SADC EPA would be signed but not ratified by SADC EPA member states. Whereas signing the agreement is a relatively straightforward process, it can take up to a year; and passing it through domestic legislatures for ratification is generally lengthy. The exact modalities for doing so vary from country to country.

This question has alarmed African countries currently negotiating an EPA for some time, with some trade diplomats also expressing concern about possible market access disruption. Keeping preferential access to the EU market running is perhaps the single most important goal for African countries negotiating an EPA. The situation whereby an EPA signatory, having concluded negotiations but unable to sign and/or ratify the agreement before the October "deadline", would lose preferential access and undoubtedly provoke strong reactions from African countries.

Pacific EPA grouping negotiating setup still unclear

As we reported back in February, Pacific EPA negotiations hit a snag when Papua New Guinea (PNG) walked out of regional negotiations.[4]

An interview with Adam Janssen, Head of the Political, Trade, Press and Information Section at the Delegation of the European Union for the Pacific, PACNEWS, outlines the latest regarding regional negotiations. According to the EU official, the shape of regional negotiations is still unclear. Janssen explains that the situation whereby the PNG would conclude an EPA by itself and the rest of the Pacific would continue negotiating is not workable for the EU since the Commission's mandate covers regional ACP pacific negotiations. According to him, the situation is still not resolved.

Notes

1. http://fr.ictsd.org/bridges-news/passerelles/news/ape-ue-afrique-de-l%E2%80%99ouest-le-comit%C3%A9-minist%C3%A9riel-ad-hoc-recommande-l
2. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/141593.pdf
3. http://ecdpm.org/great-insights/emerging-economies-and-africa/epa-update-april-2014/
4. http://ecdpm.org/great-insights/fostering-more-and-better-jobs/epa-update/

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Talking Points

Current discussions on ECDPM's blog on the challenges of the EU's international cooperation
www.ecdpm-talkingpoints.org

European Development Finance Post-2015: Public Meets Private?

Talking Points, Florian Krätke, 21 May 2014
Continuing ODI's financing progress series with a look to post-2015, Florian Krätke looks at the increasing importance of private finance and how European public aid is working alongside it – do private and public sources of finance see development in the same way?

Sahel Strategies Compared – Third Donors Conference on Mali Comparative Advantages or International Cooperation Jungle?

Talking Points, Damien Helly and Greta Galeazzi, 16 May 2014
Coordinating various strategies in the Sahel will allow donors and partners to build their legitimacy in responding to complex security and development threats in the region.

Will the Action Plan to Implement the EU's Comprehensive Approach Have Any Bite?

Talking Points, Andrew Sheriff and Volker Hauck, 16 May 2014
If ever there were a time when the EU needs to be more comprehensive and coherent in its international action, it is now – and not just in response to the crisis in Ukraine (...)

African Funds for African Development?

Talking Points, Sahra El Fassi, 15 May 2014
The African Union Commission (AUC) has turned the spotlight back on Africa's responsibility for its own development and efforts to curb illicit financial flows (IFFs) are firmly on the map. (...)

Monthly highlights from ECDPM's Weekly Compass Update

www.ecdpm.org/weeklycompass

Collective Leadership in the Sahel | African & European Positions on Post-2015 | PCD and the Post-2015 Agenda

Weekly Compass, 6 June 2014

The overarching goals of the Common African Position are to eradicate poverty and ensure human development. The goals are anchored in six pillars: (i) structural economic transformation and inclusive growth; (ii) science, technology and innovation; (iii) people-centred development; (iv) environmental sustainability natural resources management, and disaster risk management; (v) peace and security; and (vi) finance and partnerships. The position was formulated following a participatory approach and provides a unique opportunity for Africa to present a united and common set of priorities to ensure that Africa's position is heard and fully integrated into the global development agenda.

EU Development Council Conclusions European Development Finance Post-2015: Public Meets Private?

Weekly Compass, 23 May 2014

The African Development Bank (AfDB) held its annual meetings this week under the theme "The next 50 Years: The Africa we want". The African Economic Outlook 2014 was launched at the start of the meetings. It argues that more effective participation in regional and global value chains could serve as a springboard for Africa in economic diversification, domestic resource mobilisation and investments in critical infrastructure. However, the continent needs to avoid getting stuck in low value-added activities. Africa's exports to the rest of the world grew faster than those of any other region in 2012, but they remain dominated by primary commodities and accounted for only 3.5 percent of world merchandise exports in 2012. Avoiding that trap involves investing in new and more productive sectors, building skills, creating jobs and acquiring new technology, knowledge and market information according to the report.

Implement the EU's Comprehensive Approach | Sahel Strategies Compared Narratives on Business Partnerships | African Funds for African Development?

Weekly Compass, 16 May 2014

If ever there were a time when the EU needs to be more comprehensive and coherent in its international action, it is now – and not just in response to the crisis in Ukraine. In ECDPM's past analysis of the EU's Comprehensive Approach to external conflict and crisis we acknowledged that important progress had been made, but that real comprehensiveness was still ahead of us. We now have the recent Conclusions of the EU's Foreign Affairs Council to add to the mix. Now, ECDPM's Andrew Sherriff and Volker Hauck ask more practically, will this be a great leap forward in actual practice? The new action plan for the comprehensive approach will help to gather momentum for more comprehensiveness and partnering across the Union, providing the basis for concrete joint action starting with early warning, joint analysis, political activities and programming. Yet ultimately the success of this endeavour will be judged on results, not communications and conclusions.

ECDPM is Transparency Leader | Value Chains and Industrialisation | A Call to Action For Europe to Reshape Global Development

Weekly Compass, 9 May 2014

ECDPM is a leader in financial transparency according to a report comparing the funding of 169 think tanks worldwide. It is one of only 21 think tanks to receive the maximum five star rating, and it ranks as the top think tank for funding transparency in the Netherlands. Transparify, an initiative devoted to advocating for greater think tank transparency worldwide, said ECDPM showed "exemplary transparency" and "set the gold standard for the field as a whole". Transparify strongly believes that financial transparency boosts the credibility of a think tank's research findings and policy recommendations. Geert Laporte, Deputy Director at ECDPM, said: "ECDPM is very pleased to have been rated with the maximum score in terms of funding transparency... For ECDPM our excellent record on transparency is key to building and keeping the trust of all our partners and stakeholders."

Latest ECDPM Publications

Bringing Policy Coherence for Development into the Post-2015 Agenda – Challenges and Prospects. Knoll, A. 2014. ECDPM Discussion Paper 163, June 2014

The underlying ideas and principles of the concept of 'Policy Coherence for Development' are relevant for post-2015 discussions. Yet, conceptual and political challenges exist when promoting the PCD concept as developed in the OECD and the EU as a universal concept in the global discussions.

Various of the ideas and principles of PCD can be mainstreamed in the post-2015 framework without using strong PCD jargon. These include i) targets for Means of Implementation in thematic areas that effectively require strengthened PCD efforts, ii) targets in relation to capacity building for more integrated and evidence-based policy-making and iii) efforts to build a strong accountability framework.

Independent from whether a universal PCD concept will explicitly be part of the language of a new framework, real progress on PCD will have to remain a major, if not the most, important component of OECD and EU MS action in achievement of post-2015 commitments.

How can the EU and member states foster Development through diaspora organisations? The case of Ghanaian diaspora organisations in the Netherlands
Anthony Otieno Ong'ayo, ECDPM Discussion paper 162, May 2014.

Integration and participation 'here' significantly influence the ability of diaspora organisations to function 'there'. This derives from diaspora's dual affinity with and engagement in more than one homeland. Diaspora organisations provide diaspora communities with platforms for constructive engagement with host country institutions and participation in policy processes. Raising the visibility of diaspora participation and boosting its added value for host-country societies through policy and public debates would contribute to informed perceptions of migration. Diaspora organisations performing activities centring on enterprise and investment in the country of residence and the country of origin have the potential to address issues such as unemployment and burden on the welfare system.

The Global Game Has Changed: What Role for Europe-Africa Relations?
EARN (2014); CEI-ISCTE, IMVF and ECDPM, edited by Patrícia Magalhães Ferreira. Europe-Africa Policy Research Network: April 2014.

Seven years after the long-term vision established in the Joint Africa-EU Strategy (JAES), the overall ambitious goal of implementing a partnership between equals and take the Africa-EU relationship to a new strategic political level remain largely unfulfilled. The need for a mindset and paradigm shift is, however, more relevant than ever, particularly taking into account considerable changes in both continents in the last few years, in terms of social, demographic, political and economic dynamics.

Next issue of *GREAT insights* on "Extractive industries"
July 2014, Volume 3, Issue 7

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