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# Development and the Private Sector

*Review of MDG-F Joint Programmes  
Key Findings and Achievements.*

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## **Development & the Private Sector**

### **MDG-F Thematic Study: Review of Key Findings and Achievements**

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## EXECUTIVE SUMMARY

The Millennium Development Goals Achievement Fund (MDG-F) is an initiative created to accelerate progress on the achievement of the MDGs, by supporting high-impact innovative actions in selected countries and sectors; actions that could be wide replicated.

This report looks at the achievements of one of the eight ‘windows’ of the MDG-F on development and the private sector (PSD). There are 12 joint programmes in this window, each designed to tackle extreme poverty and hunger through inclusive, pro-poor business development. Each programme is jointly run by UN agencies (typically 4-5 agencies) in the host country, implemented in collaboration with national and local counterparts.

As Table 1-1 shows, many (but not all) of the 12 programmes are targeted at agricultural value chains. Other sectors include tourism, urban settlements and handcrafts. ICT and microfinance are not involved (with the exception of El Salvador). Several programmes tackle multiple value chains. Others take a multi-sectoral approach.

**Table: The 12 PSD Joint Programmes**

Country	Title	Direct beneficiaries to date	Main achievements
<b>Bolivia</b>	The Integration of Indigenous Andean Producers into New National and International Value Chains	1,880 farmers	<ul style="list-style-type: none"> <li>• Quality upgrades through certification</li> <li>• Reaching 6000+ farmers through 15 municipal committees</li> <li>• Meeting national food security priorities</li> </ul>
<b>Costa Rica</b>	Developing Competitiveness for the Brunca Region in the Tourism and Agro-industry Sectors, with emphasis on creation of green, decent employment for reducing poverty	c. 100 MSMEs in Brunca region	<ul style="list-style-type: none"> <li>• Pilot programmes in biomass energy &amp; tourism</li> <li>• Local students engaged in entrepreneurship</li> <li>• Attracting co-finance from 12 partners</li> <li>• High-profile regional competitiveness council</li> </ul>
<b>Cuba</b>	Support for New Decentralization Initiatives and Production Stimulation in Cuba	c.6,700 agricultural workers (36% women) & 2,000 cooperative leaders (25% women)	<ul style="list-style-type: none"> <li>• Increased yields; eg improved rice seeds</li> <li>• Training 4850 farmers (43% women)</li> <li>• Consistent with emerging SME &amp; decentralization agenda</li> </ul>
<b>Dominican Republic</b>	Strengthening the Banana Value Chain through the Growth of Inclusive Markets	7 producers’ associations + 6 homework support locations	<ul style="list-style-type: none"> <li>• Tackling pests through cuella de monja</li> <li>• Bringing Haitian migrants into decent work</li> <li>• Knowledge exchange with Costa Rica</li> </ul>
<b>Egypt</b>	Salasel: Pro-poor Horticulture Value Chains in Upper Egypt	2000 small holders (male)+13 female farmers & 300 female labourers	<ul style="list-style-type: none"> <li>• Productivity increases (esp pest management)</li> <li>• Affordable fertilizer supplies</li> <li>• Catering to large urban &amp; export markets</li> </ul>

			<ul style="list-style-type: none"> <li>• Strengthening Post-Harvest Centres</li> <li>• SALASEL brand</li> </ul>
<b>El Salvador</b>	Urban and Productive Integrated Sustainable Settlements	144 households in La Cruz shanty transformation	<ul style="list-style-type: none"> <li>• La Gran Manzana design competition</li> <li>• Local inhabitants supported</li> <li>• Mapping bottlenecks in local construction</li> <li>• Attracting Holcim into the programme</li> <li>• Securing key reforms in land tenure &amp; banking</li> </ul>
<b>Ethiopia</b>	Edible Oil Value Chain Enhancement	340 farmers & 71 processor groups in Oromiya and Amhara regions	<ul style="list-style-type: none"> <li>• Generating revenue from 'fallow' crops</li> <li>• Tackling each bottleneck in value chain</li> <li>• Foreign investors looking at sector</li> <li>• Ministry committed</li> </ul>
<b>Panama</b>	Entrepreneurial Opportunities Network for Poor Families	100+ micro-enterprises in Coclé, Herrera, Veraguas and Chiriquí regions	<ul style="list-style-type: none"> <li>• Novel approach to rural tourism routes</li> <li>• Training &amp; participatory planning process</li> <li>• Thematic roundtables</li> </ul>
<b>Peru</b>	Inclusive Creative Industries: an innovative tool for alleviating poverty	Workers in 55 projects in Ayacucho, Cusco, Puno and Lambayeque	<ul style="list-style-type: none"> <li>• Better &amp; safer dyeing techniques</li> <li>• Funding 55 projects</li> <li>• Linking with De Mi Tierra Un Producto &amp; Marca Perú brands</li> </ul>
<b>Serbia</b>	Sustainable Tourism for Rural Development	2,500 rural stakeholders in 19 municipalities	<ul style="list-style-type: none"> <li>• 70 projects funded</li> <li>• Institutional and legal framework enhanced</li> <li>• Master Plan for Development of Rural Tourism</li> <li>• Rural Tourism Task Force established in Ministry of Finance and Economy</li> </ul>
<b>Turkey</b>	Harnessing Sustainable Linkages for SMEs in Turkey's Textile Sector	100+ SMEs in Malatya, Adiyaman, Gaziantep and Kahramanmaraş	<ul style="list-style-type: none"> <li>• Energy efficiency programmes</li> <li>• Using CSR to gain competitive advantage</li> <li>• Working through main business association</li> <li>• Influencing next 5-year Plan</li> </ul>
<b>Viet Nam</b>	Green Production and Trade to Increase Income and Employment Opportunities for the Rural Poor ('Crafting out of Poverty')	4,822 households in Nghe An, Hoa Binh, Thanh Hoa and Phu Tho	<ul style="list-style-type: none"> <li>• Sustaining raw materials eg improved mulberry seeds</li> <li>• Improving quality &amp; design</li> <li>• Helping producer groups get to market</li> <li>• Engaging Dutch CBI importer agency</li> <li>• Linking Vietcraft and Vietrade</li> </ul>

The programmes are medium to large scale, typically targeting dozens or hundreds of enterprises (firms, cooperatives or associations) or several thousands of beneficiary households (or both). Some programmes are approaching 10,000 beneficiaries (eg Cuba, Viet Nam). Others, while being tightly focused in terms of direct beneficiaries, have a large multiplier effect due to successful policy reforms (eg El Salvador).

The report is not in any sense an evaluation of the programmes. It focuses instead on key themes emerging from the programmes, based on achievements to date, as the programmes move from the mid-term towards completion. The focus is therefore on common constraints overcome and shared strategies for success. Although robust data on impacts is frequently hard to identify in PSD initiatives, the joint programmes have concrete instances of increased net income and employment for poor households directly attributable to the programme:

- In **Upper Egypt**, a single farmer saw his revenue increase 30% and was able to generate 14 jobs by accessing a new market of urban consumers for his fresh tomatoes;
- In La Palma municipality of **Cuba**, producers saw an increase of 68% in sales of beans and 55% increase in sales of rice to state produce markets in 2011 over 2010;
- In **Serbian** rural municipalities, visitor numbers and off-farm income increased 20-25% between 2010 and 2011;
- In **Viet Nam**, the indigenous weavers cooperative Vong Ngan won a VND 300 million contract by participating in the October 2012 Hanoi Gift Show.

Just as important but harder to measure is the economic empowerment that many of the programmes have achieved through capacity-building, particularly for women. Multiply these impacts across three continents by the tens of thousands of direct beneficiaries shown in Table 1-1 and the potential of inclusive business becomes clear. This is why PSD has become so central to development cooperation.

In the 12 countries, there are over nine million formal micro, small and medium enterprises (MSMEs), and possibly 12-27 million MSMEs altogether (including informal ones). In most countries, the number and density of MSMEs is growing, and these countries are also mostly achieving success in halving extreme poverty, according to the latest data. These two factors are correlated, so increasing firm formation, employment and productivity really matters.

The 12 joint programmes are all also aiming to influence policy, and thereby leverage greater benefits to huge numbers of pro-poor enterprises either sectorally, regionally or nationally. In the case of the **El Salvador** programme, the ratio of direct to indirect beneficiaries achieved through legislative reforms is 1:1,000.

The programmes are supporting pro-poor business in some of the poorest regions and with some vulnerable groups, often suffering multiple dimensions of poverty. These groups include women, youth, ethnic minorities and indigenous communities, and some programmes have explicitly targeted such groups.

The joint programmes face a set of constraints, exemplified by the difficulties facing **Peru's** creative industries. In Section two, these are identified as:

- 1) **Ineffective regulatory environments**: entrepreneurs in all 12 countries face competitiveness challenges due to overdue reforms in public and private institutions. In **Costa Rica's** Brunca region, for example, registration for the 'patente municipal' (local tax) can take 57 days.

- 2) **Inadequate infrastructure:** is a huge concern for the programmes, from unreliable energy to protracted export procedures. For *Ethiopia's* edible oils sector, poor logistics are coupled with out-dated refinery equipment and restrictive land tenure.
- 3) **Restricted access to financial products and services:** Despite a decade of work on banking for the poor, 9/10<sup>th</sup>s of adults in the 12 countries do not have business banking. In many of these countries, government financial support for pro-poor businesses is inadequate. *El Salvador's* shanty town dwellers have multiple needs for financial services.
- 4) **Limited market information:** despite the proliferation of mobile phones, many entrepreneurs still lack information on market dynamics. In Upper *Egypt* and *Dominican Republic*, for example, farmers' associations need better awareness of European Union requirements in terms of pesticide residues on pomegranates and bananas respectively. In Peru, government was slow to realize the significance and dynamism of the artisanal gastronomy sector.
- 5) **Missing knowledge and skills:** Most enterprises don't train workers, and entrepreneurs often lack good knowledge-based economic networks. In *Turkey*, large firms network with each other - but not with smaller firms. Useful networks can be formal (eg trade fairs, business associations mandated by government) or informal (eg study tours, exchanges with exporters in other developing countries).

In addressing these constraints, the joint programmes have employed a very wide range of interventions. Section three focuses on the programmes' achievements, grouped into five major themes:

- 1) **Innovation:** while most poor entrepreneurs are risk-averse, the programmes have found ways to unlock incremental innovation in products and processes. In Upper *Egypt*, SALASEL worked first with a wealthier farmers' association and only once that work was demonstrably successful were poorer farmers engaged. In Dominican Republic, all seven banana producers associations have now embraced innovation in the organic and fair trade banana sector.
- 2) **Investment:** *Ethiopia's* edible oils value chain had masses of potential – domestic and export - but many dozens of individual actors were too fragmented and mistrustful to unlock upgrading. The programme succeeded in forming new business entities to build up trust - and is now attracting inward investment. Some programmes have provided direct grants to local partners and producer groups.
- 3) **Capacity-building:** Most of the programmes have offered frequent training and technical assistance support to help move producers along the value chain. In *Cuba*, the programme has improved incomes and food security for thousands of producers, many of them women. In *Bolivia*, nearly 2,000 small-holder farmers have already gained organic certification, and are also improving their own nutrition levels.
- 4) **Partnership:** Programmes have managed to engage dozens of implementing partners at different points of the programme, despite formidable coordination challenges. The private sector has been drawn into programmes and in *Turkey*, the main textiles business association ITKIB has internalized training programmes into their offer to 16,000 members, thereby ensuring impacts at scale.

- 5) **Advocacy**: business-government relations in many countries are problematic, especially for pro-poor small businesses. In *El Salvador*, the programme succeeded in capturing the attention of senior policy-makers with a carefully targeted set of reforms in land tenure and banking. In *Serbia*, government has taken ownership of the rural tourism sector.

Most programmes can boast of successes in most of these five areas, although some have focused more on some interventions than others. This is not surprising, because the 12 joint programmes differ in many ways, not least in terms of their experience of PSD, their geographical locations and their progress, with some finished and others using no-cost extensions. Despite this diversity, Section five draws together the main conclusions of the study. The core strategy of each programme can be understood by looking at its position on three axes: innovation, complexity and impacts.

The first strategic axis for the programmes is **innovation**: whether to focus on radical innovation –building a new value chain, as in El Salvador’s focus on self-building – or on incremental upgrading of an existing value chain – such as Egypt’s horticulture sector. The choice depends on recognizing the degree of risk-aversion among poor households and the existence of local champions who can demonstrate success.

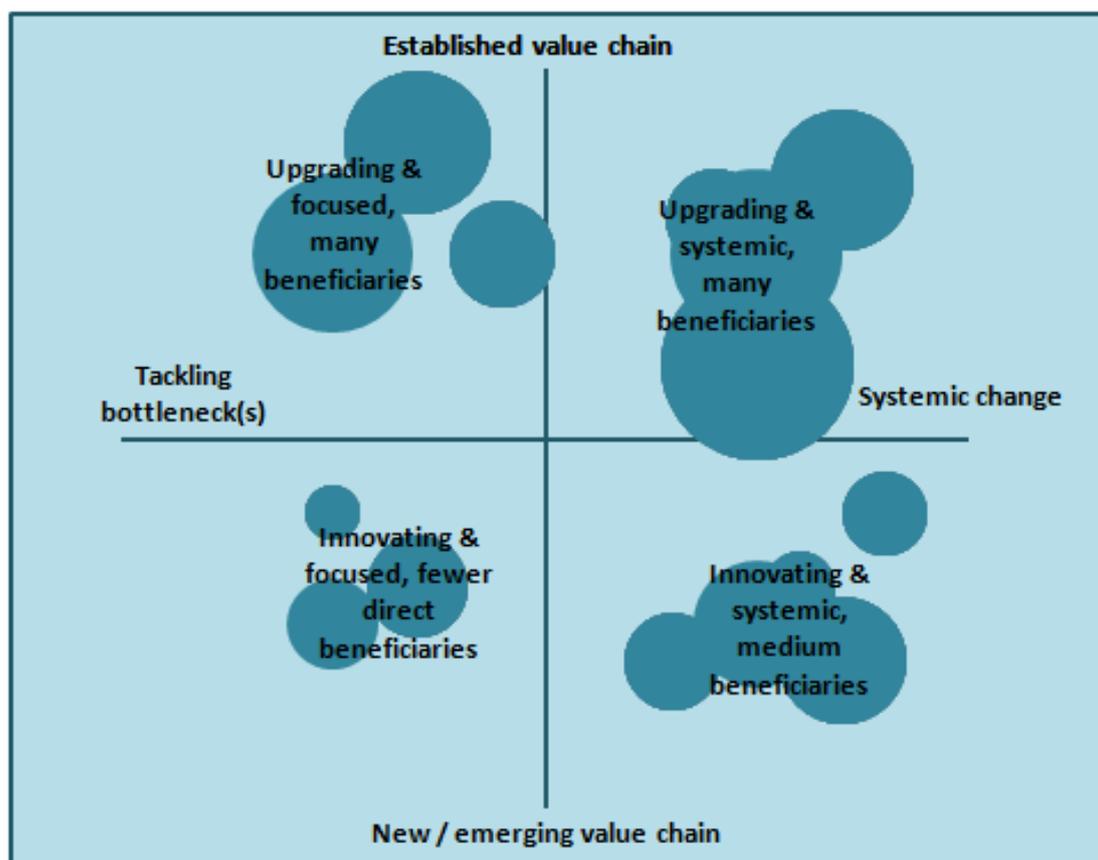
The second strategic axis is about **complexity** or the degree of ‘joint-ness’ in the joint programmes. Some programmes have adopted a *relatively* focused attack on one or a few bottlenecks in the value chain (eg Turkey), engaging those partners directly implicated, while others have gone for systemic interventions with multiple partners (eg Cuba). The difference is between managing a handful of key relationships or many dozens of stakeholders.

The third strategic axis is about the type of intended impacts and therefore the achievable scale of beneficiary numbers. Most programmes have tried to achieve *both* direct economic benefits (income, jobs and firm formation) as well as economic empowerment through capacity-building. Capacity-building efforts in the form of training reach large numbers of beneficiaries (over 8,700 in Cuba), while direct technical assistance or grant support may be limited to 50-100 firms.

Programmes can be mapped on a matrix based on their overall strategies on these three axes. Essentially, this suggests four core strategies employed by the PSD joint programmes (see Figure 1-2). Each of the four strategies has its advantages.

- Upgrading efforts with a systemic approach can empower large numbers of producers, with major results in terms of business climate (eg women’s business skills);
- Upgrading with a focus on key bottlenecks also reaches large numbers of beneficiaries, but capacity-building may be more technically oriented (eg in pest management, certification and product design);
- Innovating in a new or emerging value chain with systemic interventions will benefit a smaller though still substantial group, such as the oil processors in Ethiopia, and may attract other investors who suddenly see the potential; and
- Innovating with focused interventions may target fewer beneficiaries initially, but if the programme is successful in its advocacy, as in the case of El Salvador, the demonstration effect can leverage major impacts down the line.

*Figure Error! No text of specified style in document.-1: Four strategies in PSD programmes (bubble size = beneficiaries)*



The core strategy also influences programme design in terms of its ability to **target women and other groups experiencing multiple dimensions of poverty**. The programmes had a mixed record of addressing this issue at the design stage, some making women an overt focus and others assuming they would be benefited in a general approach of targeting for example the rural poor. It is hard to change the beneficiary focus in a complex programme; however the case of Egypt shows that empowerment can be achieved even for groups like farmers’ associations where women have traditionally been marginalized.

The importance programmes attach to their **branding strategy**, and how to communicate it, is also dictated by their overall strategy. Recruiting large numbers of beneficiaries requires a visible brand (eg Cuba, SALASEL in Egypt, Crafting out of Poverty in Viet Nam). For innovation-focused programmes, high profile has been less of a priority, although it proved useful for the Serbian programme. Again, branding is not easy to achieve if left until the end.

**Knowledge networks** have been prioritized by many of the programmes. Sometimes, this required support for informal networking such as study tours as well as best-practice stakeholder management with formal and sometimes hierarchical parts of the business ecosystem.

Some of the programmes have already made good progress in terms of securing their **sustainability**, through embedding ownership with relevant ministries (El Salvador, Peru, Serbia), attracting investor interest (Ethiopia, Egypt, Viet Nam). Donors are increasingly becoming aware that achieving scale in PSD programmes can take a long time - sometimes longer than the programme funding timescale.

Section five also makes a number of recommendations for those developing PSD portfolios or individual projects:

- ***Green jobs***: identify during the evaluation process which interventions have had the greatest 'green' impacts (generating new 'green and decent work' and improving sustainability along the value chain);
- ***Encourage more South-South networking*** among peer programmes, either on a supply-chain or geographical basis;
- ***Capture the most successful capacity-building techniques*** developed by the programmes and make them available in user-friendly format;
- ***Understand the lessons from the programmes in middle income countries (MICs)*** to feed into the post-2015 anti-poverty agenda for MICs; and
- ***Engage systematically with other PSD portfolio programmes.***

## ABBREVIATIONS, ACRONYMS AND DEFINITIONS

<b>BoP</b>	The Base (or Bottom) of the Pyramid is a term describing the four billion people living on less than US\$2.50 a day. A BoP business model can be defined as one that “takes into account possible customers at the BoP as individuals and as a community in its strategic decision-making, and then allows them to take part in the firm's operations thus letting them add value to the final product directly and indirectly.” <sup>1</sup>		
<b>DCED</b>	The Donor Committee for Enterprise Development, the forum in which donor and UN agencies share their practical experience of PSD, and agree guidance on effective practice.		
<b>JP</b>	Joint Programmes; one of the 12 joint programmes supported under the Private Sector and Development window of the MDG-F.		
<b>M4P</b>	Making markets work for the poor, a PSD initiative from UK Swedish and Swiss development agencies, managed by Coffey.		
<b>MDG-F</b>	The MDG Achievement Fund is an international cooperation mechanism whose aim is to accelerate progress on the Millennium Development Goals (MDGs) worldwide. Established in December 2006 with a generous contribution of €528 million Euros (\$US710M) from the Spanish Government to the United Nations system, the MDG-F supports national governments, local authorities and citizen organizations in their efforts to tackle poverty and inequality. <sup>2</sup>		
<b>MIC</b>	The World Bank divides economies according to 2011 GNI per capita, calculated using the World Bank Atlas method. The groups are: low income, \$1,025 or less; lower middle income, \$1,026 - \$4,035; upper middle income, \$4,036 - \$12,475; and high income, \$12,476 or more. Thus middle-income countries are those with an income between \$1,026 and \$12,475. They are home to more people living in poverty than the low income countries. Apart from Ethiopia, the remaining PSD joint programmes are in MICs. <sup>3</sup>		
<b>MSME</b>	Micro-, small- and medium-sized enterprises. IFC's working definitions are when an enterprise meets two of the three conditions below <sup>4</sup> :		
Indicator	Micro Enterprise	Small Enterprise	Medium Enterprise
Employees	<10	10<50	50<300
Total Assets	<\$100,000	\$100,000<\$3 million	\$3 million < \$15 million
Total Annual Sales	<\$100 000	\$100,000<\$3 million	\$3 million < \$15 million
In this report, co-operatives, social enterprises and informal businesses are included in the term MSME.			
<b>PSD</b>	Private Sector Development or Private Sector and Development. In UNDP's “ <i>Unleashing Entrepreneurship: Making Business Work for the Poor</i> ” private sector development is described as: “ <i>lifting the barriers and creating the capacity for a market-oriented business ecosystem, one that operates efficiently and generates economic growth.</i> ” <sup>5</sup> In the MDG-F, the term ‘Development and the Private Sector’ is used to emphasise “the development of pro-poor growth policies that increase the participation and benefits of the poor in private sector development.”		
<b>SME</b>	Small- and medium-sized enterprises. See MSME above.		
<b>Results chain</b>	A systematic approach for linking desired results and outcomes with resource decisions, while considering all the required activities and conditions for success.		
<b>Value chain</b>	A series of activities that enterprises undertake when they produce a good or service, adding value to the inputs at each stage. ‘Value Chain Development’ seeks to “maximise the value of any given type of product, whilst incurring the least possible cost to the producers, in the places along the production chain that give the most benefit to poor people”. <sup>6</sup>		

## BACKGROUND: MDG-F'S PRIVATE SECTOR AND DEVELOPMENT WORK

*"We can report broad progress... Working together, governments, the United Nations family, the private sector and civil society can succeed in tackling the greatest challenges."*

**UN Secretary-General Ban Ki-Moon, *The Millennium Development Goals Report 2012***

This chapter introduces the Millennium Development Goals Achievement Fund (MDG-F), and then explains the logic behind the MDG-F's support for 12 private sector and development (PSD) joint programmes as a means to reduce poverty and achieve other goals. It examines the track record in reducing poverty in the 12 host countries, and the status and trends in micro, small and medium enterprises.

### ABOUT THE MDG-F AND THIS STUDY

The Millennium Development Goals Achievement Fund (MDG-F) is an initiative created to accelerate progress on the achievement of the MDGs, by supporting high-impact innovative actions in selected countries and sectors, actions that could be wide replicated.

In December 2006, the Government of Spain and the United Nations Development Programme (UNDP) signed a partnership agreement to advance progress towards the Millennium Development Goals and other development targets through the United Nations System. The MDG-F was established to address priority development challenges at the country level. The goal was to enable the combined knowledge, norms and services of the UN system to be channelled more efficiently to address these challenges through joint programmes.

The MDG-F supports innovative programmes with the potential for large-scale impact and replication in key countries and sectors within the framework of the Millennium Declaration's Global Partnership for Development, and the Paris Declaration on Aid Effectiveness. Its approach ensures national and local ownership, alignment with national strategies and development priorities, coordination with other donors, results-orientation and mutual accountability.

With the resources assigned to this fund (a total of €618 million), the MDG-F has supported more than 130 joint programmes (JPs) in fifty countries from five regions around the world. Over twenty UN agencies have been involved in the formulation and implementation of MDG-F JPs, with an average of six agencies participating in each programme.

The MDG-F has operated through eight thematic windows, each designed to accelerate progress towards more than one of the MDGs. Each window employs joint programming as the implementation model, articulating strategic outcomes at country level that contribute to the achievement of national economic and development priorities, as well as the expected outcomes of the UN Development Assistance Framework and the overall MDG goals. The Joint Programmes are coordinated through UN Country Teams to harmonize and increase the coherence between UN interventions in partnership with national counterpart institutions. One of the eight thematic windows is on Private Sector and Development (PSD).

This report was commissioned by the MDG-F Secretariat to identify, systematize, and then describe for a broader audience the achievements of the JPs to date, connecting them to the broader PSD debate, by situating the achievements with the context of issues such as enterprise density, knowledge networks, and SME finance. The Secretariat also wishes to learn lessons and make recommendations for future multi-theme, multi-country

programmes. There is a particular desire to understand how the JPs have been addressing the multiple dimensions of inequality. The study is emphatically *not* an evaluation.

The report draws on interviews with joint programme staff, documents such as interim reports and mid-term evaluations, and communications materials developed by the JPs (eg briefings, press releases, web sites, social media). Most of the programmes had not been completed at the time of writing, and all views expressed in the report are those of the author, and do not necessarily reflect the views of beneficiaries, programme staff or the MDG-F Secretariat,

## ABOUT THE PSD WINDOW AND THE 12 JOINT PROGRAMMES

Before looking at the key features of the 12 joint programmes, we briefly review the broad concept of private sector and development (PSD) within its larger development context (Box 2-1).

### **Box 2-1: Private Sector and Development: the concept and examples**

*Private sector and development (PSD) is about economic growth as a means to human development. According to the 2008 report *Creating Value for All: Strategies for Doing Business with the Poor*, published by the UNDP Growing Inclusive Markets Initiative (GIM), PSD models “include the poor at various points in the value chain: on the demand side as clients and customers, and on the supply side as employees, producers and business owners. They build bridges between businesses and poor people for mutual benefit in the supply chain, in the workplace and in the marketplace. The benefits from inclusive business models go beyond immediate profits and higher incomes. For business they include driving innovations, building markets and strengthening supply chains. And for the poor they include higher productivity, sustainable earnings and greater empowerment.” (UNDP, 2008)*

*Other relevant definitions include:*

- *“A profitable core business activity that also tangibly expands opportunities for the poor and disadvantaged in developing countries...[engaging] the poor as employees, suppliers, distributors, or consumers and expand their economic opportunities in a wide variety of ways.” (BIF 2011)*
- *“An economically profitable, environmentally and socially responsible entrepreneurial initiative.” (WBCSD, SNV 2011)*

*PSD and Inclusive business is also sometimes described by terms such as ‘Base of the Pyramid’ and ‘Pro-poor. Well-known inclusive business sectors include micro-finance (eg Bangladesh’s Grameen Bank), mobile banking (eg Kenya’s M-PESA) and consumer goods (eg Hindustan Unilever’s Shakti Entrepreneurial Programme in India).*

*The UN’s pro-poor PSD initiatives, including the PSD window of the MDG-F, can be seen as progressions of UNDP’s Inclusive Market Development / Growing Inclusive Markets Initiative, designed to follow up on *Unleashing Entrepreneurship: Making Business Work for the Poor—the influential 2004 report of the UN Commission on the Private Sector and Development, requested by then-UN Secretary-General Kofi Annan.**

*Source: <http://cases.growinginclusivemarkets.org/countries>*

PSD is a rapidly growing branch of development assistance, and never more so than in response to the global financial crisis. It was in the immediate aftermath of the 2007-08 crisis, where many developing countries saw export collapse in key value chains, that the

MDG-F selected 12 joint programmes from 50 proposals and allocated US\$63 million to support them. This makes the MDG-F one of the major recent donors in PSD programmes.<sup>7</sup> The 12 JPs are helping to achieve the MDG goal of eradicating extreme poverty and hunger, halving between 1990 and 2015 the proportion of people whose income is less than US\$1.25 a day (or US\$38 a month). The joint programmes also aim to help achieve several other MDGs, notably tackling the gender gap and women empowerment (MDG3), ensuring environmental sustainability (MDG7), and developing a Global Partnership for Development (MDG8).

## ERADICATING EXTREME POVERTY THROUGH PRIVATE SECTOR AND DEVELOPMENT

*“Human development is the goal, economic growth a means.”*

### MDG-F

During the global economic crisis, countries all around the world are striving as never before to maintain and increase economic growth. There is an ever stronger focus on competitiveness and productivity, on the basis that GDP per capita is a key driver of human development and that growth reduces poverty. The World Bank’s latest *World Development Report* claims that the private sector now provides 90% of all jobs (WDR 2012).

The most recent information shows that there have been impressive achievements in eradicating poverty in many countries and in every region (see Box 2-2 below).

#### **Box 2-2: Millennium Development Goal 1 update**

As noted above by the UN Secretary-General, the global MDG report 2012 can report broad progress:

- *Extreme poverty is falling in every region:* For the first time since poverty trends began to be monitored, the number of people living in extreme poverty and poverty rates fell in every developing region—including in sub-Saharan Africa, where rates are highest. The proportion of people living on less than US\$1.25 a day fell from 47 per cent in 1990 to 24 per cent in 2008—a reduction from over 2 billion to less than 1.4 billion.
- *The poverty reduction target was met:* Preliminary estimates indicate that the global poverty rate at US\$1.25 a day fell in 2010 to less than half the 1990 rate. If these results are confirmed, the first target of the MDGs—cutting the extreme poverty rate to half its 1990 level—will have been achieved at the global level well ahead of 2015.
- *Vulnerable employment has decreased only marginally over twenty years:* Vulnerable employment—defined as the share of unpaid family workers and own-account workers in total employment—accounted for an estimated 58 per cent of all employment in developing regions in 2011, down only moderately from 67 per cent two decades earlier. Women and youth are more likely to find themselves in such insecure and poorly remunerated positions than the rest of the employed population.<sup>8</sup>

In some developing countries, however, there is still much work to do at the national and sub-national level, to ensure that about how national growth strategies translate into poverty reduction. Table 2-2 shows the latest data on progress from 1990 to 2008-10 on reducing poverty headcount in 11 of the 12 countries where PSD joint programmes are operating.<sup>9</sup>

**Table-2: Poverty headcount data**

	Poverty headcount (%) 1990 (or closest year)	Poverty headcount (%) 2008/10	Lowest decile share of income / consumption (%)	Population in multi-dimensional poverty (% , most recent year)
Bolivia	5.2%	15.6%	0.5%	20.5%
Costa Rica	8.5%	3.1%	1.2%	..
Dominican Republic	4.7%	2.2%	1.8%	4.6%
Egypt	4.5%	1.7%	4.0%	6.0%
El Salvador	17.1%	9.0%	1.0%	..
Ethiopia	60.5%	39.0%	4.1%	88.6%
Panama	20.9%	6.6%	1.1%	..
Peru	12.9%	4.9%	1.4%	19.9%
Serbia	0.2%	0.3%	3.7%	0.8%
Turkey	2.1%	0.0%	2.1%	6.6%
Viet Nam	63.7%	16.9%	3.2%	17.7%

Sources: PovcalNet (2012)<sup>10</sup>; and Alkire *et al*, (2011)

Most countries have reduced their poverty headcounts by more than half, as measured by the US\$1.25 a day poverty line. The progress in Viet Nam is dramatic, and Turkey has ‘eradicated’ extreme poverty. In the cases of El Salvador and Ethiopia, the 50% goal has not been met yet, though El Salvador is close to meeting the goal and Ethiopia has made strong progress. In the case of Bolivia, headline poverty has increased over the period, to nearly 16%.

Despite this progress, there are other important ways to think about poverty. Table 2-2 also shows that in terms of distribution of income and consumption, the countries, like many others, suffer from considerable inequalities. The poorest decile (10%) in most Latin American countries has less than 1.8% of total income/consumption. In Egypt and Ethiopia, the share of income of the poorest 10% is hardly above 4%. Turkey and Viet Nam occupy the middle ground, with the poorest 10% having some 2-3% of national income or consumption). In Viet Nam, the poverty rate for ethnic minority groups in 2008 was just over 50 per cent (50.3%) while the poverty rate for the Kinh majority was under nine percent (8.9%).

Low-income groups also often suffer from additional dimensions of poverty including informal and dangerous employment, poor health, nutrition, lack of adequate sanitation and clean water, social exclusion, low education, bad housing conditions, violence, shame and disempowerment. In the eight countries where multi-dimensional poverty has been recently measured (Bolivia, Dominican Republic, Egypt, Ethiopia, Peru, Serbia, Turkey and Viet Nam), it is higher (as a % of those affected) than the official poverty headcount. The situation in Ethiopia is particularly extreme. The prevalence and intensity of multi-dimensional poverty is generally higher in rural areas and in regions remote from the capital: exactly the areas that most joint programmes have targeted (Alkire *et al*, 2011).

## STATUS AND TRENDS IN MICRO, SMALL AND MEDIUM ENTERPRISE

***“Business is the undeniable engine for growth. It provides people with a sense of ownership over their own destiny.”***

**Marcela Escobari,**

**Executive Director, Center for International Development, Harvard Kennedy School<sup>11</sup>**

Over 200 million people are currently unemployed, and 600 million new jobs will be needed by 2020 to keep up with population growth, according to the latest *World Development Report*. As the private sector is expected to provide 90% of these jobs, enhancing the performance of existing businesses and helping to establish new enterprises is key to any PSD strategy, as illustrated by the case of Ibrahim Waheeb (see Box 2-2).

**Box 2-2: Fresh tomatoes for urban consumers in Upper Egypt**

*Bisected by the highly fertile Nile Valley, Egypt has agricultural traditions going back more than five thousand years. In recent years, agriculture has greatly contributed to the growth of Egypt's economy, but this growth has not directly improved the living standards of the typical Egyptian farmer. In rural parts of Upper Egypt, poverty levels have actually increased, with over 40 per cent now living below the poverty line.*

*These are mainly small-scale farmers who, as a result of inefficient harvesting and production techniques and poor quality and safety standards, have not been able to access high-value markets. Farmers like Ibrahim Waheeb, fifty years of age, struggling to maintain his livelihood growing tomatoes on his small one feddan (0.42 hectare) farm.*

*However, when he graded and packaged his tomatoes in convenient sized trays (foam plates with polythene wrapping and selling 1/4 and 1/2 kilo of fresh tomatoes) and worked directly with five street vendors, Ibrahim Waheeb saw a 30% increase in revenues and was able to provide work for 14 local agriculture labourers.*

*It was this insight - that there were better ways of doing things, new customers to include, new partners to involve - that lies at the heart of the MDG-F PSD portfolio. Across Africa, the Comprehensive Africa Agriculture Development Programme (CAADP) reckons that urban local markets are a largely under-served opportunity which could be worth US\$100 billion by 2030. Bearing in mind that Egypt exported US\$987 million worth of vegetables in 2011, and yet also imported US\$565 million worth of vegetables the same year, it is easy to understand the enthusiasm shown by Ibrahim Waheeb and many of his fellow small farmers in Upper Egypt.*

Alongside Ibrahim Waheeb, there are around 365-445 million micro, small, and medium enterprises (MSMEs) in developing countries, including informal and formal establishments (IFC 2012).<sup>12</sup> These numbers matter, because the business density of MSMEs is positively associated with income per capita (Kushinir *et al.*, 2010). MSME density is a key indicator of economic potential, though the effect is not necessarily causal and the correlation is far from universal. The number and density of MSMEs, as well as their share of total employment, is shown for nine of the PSD window countries in Table 2-3.

**Table Error! No text of specified style in document.-3: MSME numbers, density and share of employment for selected countries**

Country	Total MSMEs	MSMEs per 1,000 people	MSME employment (% total)
Bolivia	416,782	48.1	83%
Costa Rica	55,214	12.2	20%
Egypt	2,450,696	31.2	31%
El Salvador	179,085	29.6	23%
Panama	25,587	8.5	27%
Peru	685,662	24.1	60%
Serbia	81,006	11.0	21%
Turkey	2,564,809	35.1	34%

Viet Nam	2,707,800	34.0	17%
<b>Total / mean</b>	<b>9,166,641</b>	<b>26.0</b>	<b>35%</b>
<i>Source: Micro, Small and Medium Enterprise Country Indicators (MSME-CI), IFC<sup>13</sup></i>			

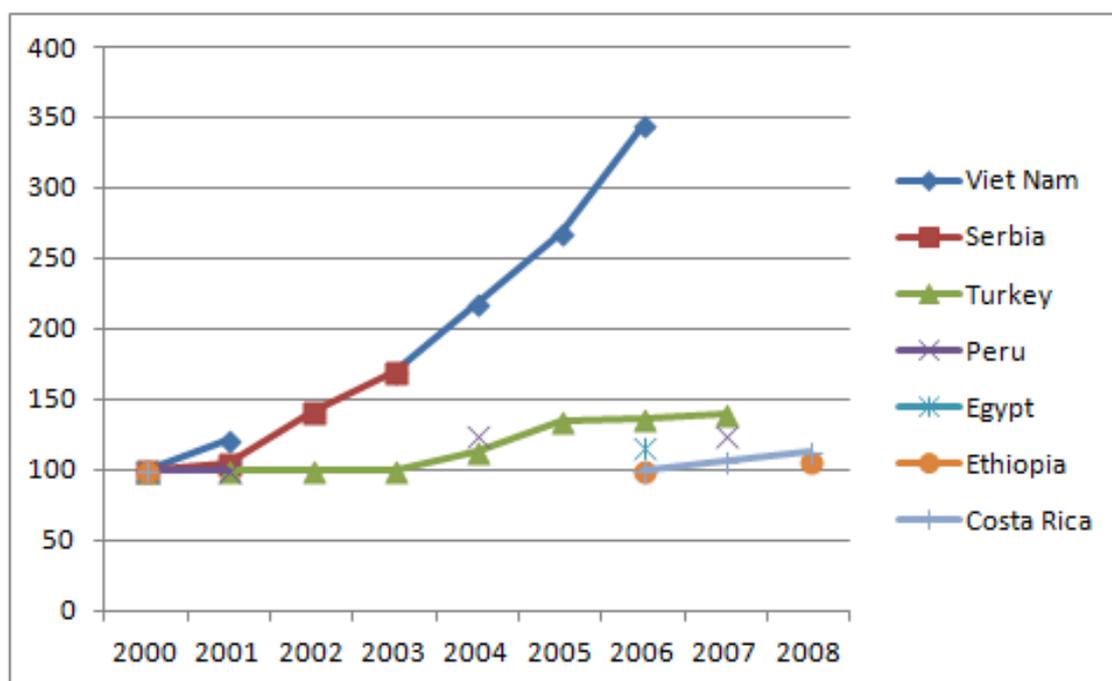
Because each country has its own definitions and approaches for gathering data on MSMEs, the data in the IFC's formal MSME database is far from perfect or up-to-date. Despite these caveats, the overall messages from Table 2.3 are that:

- *The PSD window is working in countries with at least 9 million formal MSMEs, and possibly 12-27 million formal and informal MSMEs.<sup>14</sup> This is crucially important given the goal of replicability of successful interventions.*
- *The countries have an average density of 26 formal MSMEs per 1000 people, with higher than average density at both extremes of poverty (Bolivia, Turkey) and lower densities among upper middle-income countries like Panama, Serbia and Costa Rica.*
- *In most countries MSMEs are an important provider of employment: on average just over one third (35%). In Bolivia and Peru, MSMEs are especially important sources of employment. In Viet Nam, Costa Rica and Serbia, the MSME share of employment is a fifth (or lower). In Cuba, new economic policies are seeking to give a more important role to SMEs going forward.*

What do we know about the trend in formation of micro, small and medium enterprises? The historical data from the IFC database is patchy, but for seven countries, there is some comparable historical data on formal MSMEs. Figure 2-1 shows enterprise density, indexed at 100 in the year 2000.

These countries all saw an increase in enterprise density across this decade. The growth in Viet Nam has been especially dramatic, which is connected to the country's achievements in reducing poverty.

**Figure Error! No text of specified style in document.-1: Growth in formal MSME density (Index=100 in 2000)**



## SUMMARY

This background section shows that PSD is a promising intervention, that headline poverty counts are falling, and that micro small and medium sized enterprises are in dynamic shape in the PSD joint programme countries. However, poverty in many dimensions persists stubbornly, not just in pockets but in extensive areas, and may be little impacted by business-as-usual. “The private sector undoubtedly has an important contribution to make because of its central role as an engine of growth. But driven as it is by profit considerations, it is unlikely to take a lead in promoting social justice,” the 2010 UN / IDS study on the MDGs and inequalities warned.<sup>15</sup> To be effective, PSD interventions need to be multi-targeted in approach and engage multiple partners. The next section shows how the joint programmes, engaging a broad range of partners, are tackling the commonest challenges in achieving this.

## OVERCOMING CONSTRAINTS

*“The opportunities are vast, and so are the obstacles. Rural villages and urban slums are challenging environments for doing business. Systems rarely exist for collecting and delivering goods and providing services. Essential market infrastructure is limited or nonexistent. Without working financial systems, the poor inhabit a cash economy. Without reliable police and legal systems, all market actors can find it difficult or impossible to enforce contracts. For most firms, business with the poor will not be business as usual. Perhaps the greatest obstacle is the lack of information about the poor. What goods and services do they need? How much can they pay? What goods could they produce and what services could they provide?”*

*Creating Value for All: strategies for doing business with the poor, UNDP, 2008*

### OVERVIEW OF CONSTRAINTS FACING THE PROGRAMMES

*“A poor investment climate, notably red tape, high tax rates, and competition from the informal sector; inadequate infrastructure, especially an inadequate or unreliable power supply but also transportation and water; lack of access to finance such as credit lines; and insufficient skills and training.”*

*World Bank Group Enterprise Surveys (IFC, 2012).*

#### Box 3-1: Overcoming multiple constraints in the *gastronomía* sector, Peru

*In October 2012, rival super-chefs Ferrán Adrià of Spain and Gastón Acurio of Peru joined forces in Washington DC to help launch the Peruvian government’s new country brand, “Marca Perú” at a VIP event hosted by the Inter-American Development Bank (IDB).<sup>16</sup>*

*But until recently, Peru’s gastronomy, like its other creative industries, was a well-kept secret. This is hardly surprising given the formidable array of constraints it faced. Peru’s regulators long held back its competitiveness. Economist Hernando de Soto famously showed the extreme difficulties entrepreneurs faced in attempting to open a business legally in his 1986 study ‘The Other Path’. Recently, there have been welcome reforms in the ease of doing business, and an explosion of eateries as a result, from street stalls to high-end restaurants.*

*Nor was it easy to get fresh produce to market – and get tourists to the produce - due to infrastructure challenges like poor storage, processing, transport and hotel facilities. Mincetur’s De Mi Tierra: Un Producto initiative is now aiming to improve access to market in 11 localities.<sup>17</sup>, while the best Peruvian produce, like Pisco and limes, has its own country of origin certification.<sup>18</sup>*

*Peru has no shortage of entrepreneurial flair: there are three times as many entrepreneurs as established business owners (GEM, 2012). But most suffer a lack of access to finance. The country has low levels of business banking (Findex, 2012), but microfinance initiatives like Mibanco, with 670,000 customers as of December 2011, are helping to fill the finance gap.*

*Basic market information about the sector was also lacking, not just about its scale, but even whether it should be defined as a distinct sector in national statistics. Yet one survey suggested that it accounted for over 11% of GDP in 2009 and generated 5 million jobs, 320,000 of them in restaurants.<sup>19</sup>*

*In terms of capturing Peru’s indigenous gastronomic knowledge, the culinary sector has published over 100 titles, some bestsellers selling in excess of 100,000 copies. Lima now has a number of gastronomy schools and 80,000 young people have been drawn into the business.*

*“So why, despite all these indicators, don’t we see Peruvian restaurants all over the world?”, asked Gastón Acurio. “The answer is more than obvious. We’ve got the resources, we’ve got the produce. What we need are the brands. Peruvian brands for Peruvian culinary products worldwide. That’s the key.” By the time the new brand Marca Perú was launched in October 2012, the gastronomy sector had largely overcome its constraints and was firmly on the map.*

*Peru’s Joint Programme is working alongside these initiatives to alleviate poverty in four of Peru’s most disadvantaged regions by developing inclusive creative industries: tourism, handicrafts and organic agriculture in addition to gastronomy. The programme’s strategy is to create an inclusive environment for those normally excluded from economic activities, such as poor small-scale producers, women and indigenous communities. It involves harnessing the support of the public and private sectors to promote activities that increase added value by improving working conditions, revalorising cultural identity and contributing to the sustainability of inclusive businesses.*

The multiple challenges faced by Peru’s gastronomy sector are echoed by a large and growing evidence base on typical challenges facing pro-poor private sector development initiatives (UNDP 2008). Five common constraints confronted the PSD programmes:

1. *Ineffective regulatory environment.*
2. *Inadequate infrastructure.*
3. *Restricted access to finance.*
4. *Limited market information.*
5. *Missing knowledge networks.*

The work of the 12 joint programmes has been focused on overcoming these constraints. Some constraints have been more severe for some programmes, as the sections below and the data in the Annex show.

#### **INEFFECTIVE REGULATORY ENVIRONMENT**

***“The commonalities in the different [PSD] programmes and the recurrence of similar problems in different contexts reflected a basic fact: the constraints pertain mainly to an accumulation over time of bad policies, as well as societal factors that fuel discrimination or ingrain exclusion and aggravate problems related to access to basic social services and public delivery systems.”***

***Wael Rafea, JP Coordinator, Egypt at the Panama knowledge sharing workshop, 2011<sup>20</sup>***

Pro-poor businesses suffer from poor regulatory frameworks. “Rules are not enforced”, says UNDP (2008). “People lack access to the opportunities and protections afforded by a functioning legal system.” Five of the countries rank below 100 on WEF’s influential competitiveness index, and with the exception of Costa Rica, Egypt and Ethiopia, the quality of public and private institutions is a factor that significantly pulls down their rankings (see Annex Table A-1).

Ineffective regulation impacts on inclusive business in a range of ways. It leads to delays and sometimes corruption in establishing new firms, cooperative and associations. In the ***Dominican Republic***, for example, regulations designed to tackle cases of fraud in 2004-05 have resulted in a rigid legal framework that makes it difficult to establish new producers’ associations.

A fact of life is the frequent changes of institutional structure and power dynamics (UNIDO, 2011). This can mean a rapid turnover in ministers and senior civil servants key appointments. It can also mean the splitting of ministries, budget freezes or the replacement of entire teams and the mothballing of approved strategies after elections. The solution here is to ensure that key relationships are spread broadly across decision-making groups as well as in-depth with key individuals. In *Serbia*, the PSD project overcame traditional tensions between the private sector and government. In *Egypt*, the Arab Spring revolution meant upheavals in some key private sector development institutions, and a high turnover of key ministers. In *Turkey*, the PSD programme has had to divide its time between Ankara and Istanbul. And in *El Salvador*, the programme navigated successfully through a country known for its bureaucratic challenges.

#### **INADEQUATE INFRASTRUCTURE**

*“The thing with value chains is if there’s a blockage somewhere in the chain, it goes wrong. You know you may have a great produce, that’s one, you may have a wholesaler that likes it, that’s two. But if there’s no good distributor or there’s no road to transport, it still goes wrong. So you need actually organizations that can make the connections.”*

**Elsa Scholte, SNV**

India’s electrical blackout on July 31 2012 affected about 670 million people: nearly 10 percent of the world’s population. 1.3 billion people (one in five globally) lack electricity to light their homes or conduct business. These are extreme examples of the daily difficulties faced by enterprises in all developing countries in terms of the quality and costs of infrastructure: energy, transport, customs, certification, water, sanitation and telecommunications.

*Bolivia, Dominican Republic* and *El Salvador* face particular challenges in terms of business infrastructure, according to DHL’s Global Connectedness Index (see Annex Table A-2). At its most extreme, poor infrastructure hampers every aspect of PSD in *Ethiopia*, which ranks 119<sup>th</sup> out of 144 countries on the infrastructure pillar of competitiveness, according to WEF. In addition to poor roads and customs delays for exporters, Ethiopia’s agribusiness value chains would benefit from greater private sector investment in post-harvest processing infrastructure to cater to a variety of local demands, such as animal feed (Nedelcovych & Shiferaw, 2012).

Infrastructure is about more than power, transport and machinery. In the banana growing North West of *Dominican Republic*, education and healthcare also needed to be addressed by the programme, and conflict over access to communal sanitation and laundry services was a major priority for inhabitants of La Cruz shanty town outside San Salvador.<sup>21</sup>

#### **RESTRICTED ACCESS TO FINANCE**

*“Lacking credit, poor producers and consumers cannot finance investments or large purchases. Lacking insurance, they cannot protect what meagre assets and income they may have against shocks, such as illness, drought and theft. And lacking transactional banking services, they face insecure and expensive financial management”.*

**UNDP 2008**

Finance is absolutely critical to MSMEs. Recent research in Kenya and Tanzania shows empirically that access to financial services enables households to make investments in education, starting or expanding a business, and investing in agricultural inputs or new

equipment (Ellis *et al.*, 2010). Yet IFC estimates about 70 percent of MSMEs (formal and informal) do not use external finance - but many of them need it. These unmet credit needs could amount to US\$2.5 trillion, a huge constrain that is also a massive opportunity that explains why so many inclusive business projects revolve around microfinance (IFC 2012).

In *Egypt*, *El Salvador* and *Peru*, women and lower-income groups have particularly low access to business banking. In *Turkey*, the gap between the average adult access and access for women is also very wide. In *Viet Nam*, rural business banking is rare - a major constraint for the handicrafts sector. In *Ethiopia's* oil seed sector, the value chain has been underfunded for decades. Innovations such as crop insurance is still virtually unknown, although it is taking off in other African value chains (see Annex table A-3).

In Apopa and Santa Tecla, two communities of the municipality of San Salvador, *El Salvador*, a major constraint is finance for housing, coupled with low levels of business banking. A recent review of Latin American institutions tasked with supporting SMEs found that some of them face severe human and financial resource restrictions. "Direct spending to support SMEs in the countries of the region is, in the best of cases, below 0.1% of GDP. In some countries it is not even 0.01%. This is in a context where tens of thousands or hundreds of thousands of SMEs are in need of support" (Ferraro and Stumpo, 2010). The same critique could apply in Africa and Asia. But initiatives like Kenya's M-PESA and Peru's Mibanco offer some solutions, as do the financial support offered to hundreds of local projects through the PSD programmes.

#### LIMITED MARKET INFORMATION

*"Businesses know too little about poor people - what they prefer, what they can afford and what products and capabilities they have to offer as employees, producers and business owners."*

UNDP (2008)

The proliferation of mobile phones across the developing world has enabled small farmers and traders to gain much better information about commodity prices, and this can lead to increasing incomes. However, entrepreneurs need to know far more than current prices at market in order to prosper.

In terms of information, top managers vary widely in their experience (See Table A-4). Managers in *Viet Nam*, *Panama* and *Egypt* have less experience on the job than in other countries. Less than one in five firms in the countries has a recognized international standard, although quality certification is more common in *Turkey* (30%). On average only four in ten firms offer worker training. Thus market information is at best patchy in the PSD countries.

For the PSD programmes, this meant filling information gaps in conditions in key export markets (eg the latest EU phytosanitary requirements, which impact on the banana sector in *DR* and the fruit sector in *Egypt*); about production processes (eg the latest refinery machinery for the edible oils sector in *Ethiopia*); and about marketing, of particular importance to *Viet Nam's* and *Peru's* creative sectors, *Turkey's* fashion sector and *Egypt's* horticulture sector. Study tours and attending trade fairs proved valuable for many of the value chains. "I have seen the quality of crops that are being exported to Gulf markets", says Hesham Mohamed of the Future of Said Association in Qena, Egypt. "In Upper Egypt we definitely have better products but we are not good at marketing our stuff." And we saw that the gastronomy 'sector' was off the Peruvian government's radar for years.

Some information simply cannot be found at the national level, or even at the international level. One example: there is no clear classification for handicrafts or artisanal goods in the UN commodity trade statistics database (COMTRADE) so that basic market information for exporters is simply not available. Similarly, there is no classification for organic goods such as bananas.

#### MISSING KNOWLEDGE NETWORKS

*“Competitive strategy starts with a detailed understanding of the needs and requirements of specific customer segments and the way in which competitor value chains configure and position themselves to win in these segments. This knowledge should be the cornerstone of all value chain upgrading initiatives.”*

*Butterflies, Elephants and Icebergs: Using Language and Data to Mobilize Value Chains,*

OTF Group, 2008

Of all the constraints, knowledge has until recently been the easiest to overlook. In 2010 the MDG-F requested UNIDO to build a knowledge management framework to help developing countries manage PSD knowledge for their specific contexts and needs, and, at the same time, enhance the knowledge capabilities of the United Nations system and its national counterparts and partners in the field of PSD policy.

UNIDO partnered with the University of Leuven in the *Networks for Prosperity* (N4P) initiative, developing a framework for understanding the link between knowledge sharing networks and development at both the micro and macro levels. The framework drew on a literature review and 150 interviews with stakeholders in the ‘business ecosystem’: ministerial policy-makers, SME support agencies, regulators, business associations, entrepreneurs, trades unions, investors and academics in the 12 PSD joint programme countries during 2011. A key finding of this research was that successful private sector development initiatives rely on formal structures like business associations with mandatory membership, but also informal networks like *ad hoc* study tours, peer groups and South-South links (UNIDO for MDG-F, 2011)

The N4P initiative also developed a ‘Connectedness Index’ for 132 countries, drawing on available multi-country data for international, inter-organizational and intra-organizational knowledge networks. The report *Networks for Prosperity: Achieving Development Goals through Knowledge Sharing* was launched in November 2011 in New York, Brussels, Vienna, Busan and San José Costa Rica (UNIDO for MDG-F, 2011). A second N4P report (UNIDO for MDG-F, 2012) used econometrics and in-depth case studies to unpack the complex issue of causality between knowledge connections and income growth. It also updated the Connectedness Index. Encouragingly, the mean connectedness of 132 nations had increased from 0.429 to 0.441 between 2011 and 2012.

Table 2-9 shows that while *Costa Rica, Panama* and *Peru* score in the top 50 in the index, businesses in all 12 PSD programmes need to develop their knowledge networks. *Viet Nam* is more connected than *Turkey*, and *Egypt* is not far behind *Serbia*. *Ethiopia’s* connectedness has declined from 2011 to 2012.

**Table Error! No text of specified style in document.-9: UNIDO Connectedness Index, 2011 & 2012**

Country	Connectedness Index 2011	Connectedness Index 2012	Global Rank, 2012 (out of 132)
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Bolivia	0.319	0.350	101
Costa Rica	0.507	0.537	41
Dominican Republic	0.430	0.480	51
Egypt	0.363	0.378	91
El Salvador	0.405	0.457	61
Ethiopia	0.320	0.287	118
Panama	0.506	0.512	45
Peru	0.475	0.496	48
Serbia	0.384	0.385	88
Turkey	0.402	0.431	71
Viet Nam	0.429	0.476	54
<b>Mean (all 132 countries)</b>	<b>0.429</b>	<b>0.441</b>	<b>..</b>
<i>Source: UNIDO, 2012</i>			

How does the issue of knowledge networks impact on the PSD programmes? In the case of the **Turkish** textile sector, there was already collaboration between the bigger players. But there was limited or no interaction between larger and smaller players, and fierce competition between the smaller players. The programme has been building those vertical linkages.

Collaboration between industry associations cannot always be taken for granted. In **Viet Nam**, which performs strongly on connectedness at both international and domestic levels, the programme has built stronger linkages between handicraft association Vietcraft and the main export promotion body Vietrade.

In **Dominican Republic**, stakeholders made clear that the programme should “avoid the tradition of patronage in the agribusiness sector”, which had undermined some previous donor-funded PSD initiatives, including in the banana sector.

In **Costa Rica**, the process of lining up stakeholders for the Brunca Competitiveness Council was slow, painstaking work, but it paid off. The launch event *Brunca Emprende* in June 2012 was attended by over 100 entrepreneurs and senior policy-makers, as well as technical college students who presented 22 business ideas.<sup>22</sup> Around 90 exhibitors received 1,800 visitors at their stands on the first day, and reported 26 commercial agreements and 60 more follow-ups between local MSMEs and large domestic buyers.<sup>23</sup> Knowledge networks can pay for themselves.

#### **SUMMARY: OVERLAPPING CONSTRAINTS NEED JOINT PROGRAMMING**

This section shows how businesses – like the **Peruvian** gastronomy sector - in have been tackling five common constraints. The 12 PSD programmes typically confronted all five constraints in varying degrees.

As in **Upper Egypt, Ethiopian** agricultural value chains have massive potential to supply both domestic and export markets. Why has this potential been unfulfilled? “One obvious reason for the small share of production is the very limited involvement of the small holder peasants who have the knowledge and the capability to become productive producers”, according to researchers at the Ethiopian Development Research Institute (EDRI). “But [they] are unable to do so due to various reasons like lack of finance, limited land holdings and marketing problems just to mention the few” (Merima Abudullahi and Ayele, 2008).

*Viet Nam's* handicrafts sector was already growing rapidly in 2009 but needed better linkages to government trade regulators, better processing equipment and other infrastructure, better market information to upgrade design, financial support to enhance productivity and ensure sustainability of raw materials, and finally better knowledge networks among over a million producers in widely dispersed craft villages. In each of these examples, an integrated, multi-stranded strategy was clearly needed.

In the next section, we look at how the 12 joint programmes developed such strategies through joint programming, and identify their major achievements.

## JOINT PROGRAMME ACHIEVEMENTS

### THE PSD PROGRAMMES: REACHING SCALE

#### **Box 4-1: Crafting out of Poverty: Viet Nam's green handicrafts strategy:**

As an Asian country with cultural origins going back thousands of years, Vietnam has an amazing variety of handicrafts, including wooden furniture, bamboo, sea grass, rattan items, porcelains, lacquers, embroidery, candles, jewellery, ceramics and glass products. Viet Nam's 1.35 million skilled handicrafts workers are dispersed across 2,000+ craft villages and range from informal ethnic minority weavers groups to state-of-the-art furniture companies employing thousands of workers. Vietnam's handicraft exports have grown from US\$ 200 million in 2000 to over US\$ 1.5 billion in 2011, going to 120 countries, with Russia, the EU, Taiwan, South Korea, the US and Japan being leading importers.

Despite this strong growth, households craft producers, including many ethnic minorities, remain among the country's poorest. Coordination and differentiation are two major challenges facing the sector. The PSD programme alone engages five different value chains, and 25 different communes in four provinces covering an area greater than Haiti. "How do you create sustainable income and employment opportunities and reach out to 4,800 households in a meaningful way?", asks Koen Oosterom, JP coordinator.

To meet the challenge, the PSD programme has intervened to address constraints and develop better integrated, pro-poor, and environmentally sustainable value chains. This starts by introducing better agricultural practices, including reduction in the use of harmful pesticides, and introduction of high-yielding varieties for raw material such as rattan and mulberry.

Moving along the value chain, craft producing households increased their productivity through healthier and safer working conditions, but also vocational skills training and equipment and tools needed for processing of raw material concerned. Producers were also supported to enhance their business skills and organization of the group or cooperative, which instilled better business planning and enabled access to microcredit.

Value Chain	Nghe An	Thanh Hoa	Hoa Binh	Phu Tho	Total
Bamboo/ Rattan	830	710	604	500	2,644
Sea grass	-	691	-	-	691
Sericulture and textile	344	193	200	200	937
Lacquer ware	-	-	-	300	300
Handmade paper	-	-	250	-	250
<b>Total</b>	<b>1,174</b>	<b>1,594</b>	<b>1,054</b>	<b>1,000</b>	<b>4,822</b>

There was an active process for engaging beneficiary households, with a broad spread across the four venues and five value chains, as shown in the table. Bamboo / rattan and silk were the value chains common to all four venues, while sea grass, lacquer ware and paper were more specialized. Some 65-80 per cent of craft-workers are women.

Craft producers were furthermore assisted to develop new products, linked to exporting companies and taken to domestic trade fairs to expand their client base. Similarly, export-oriented companies expanded their product range with new sustainable product designs to meet global market trends and were supported to attract new buyers through participating in national and international trade fairs. When companies increase their export sales, employment is created for household craft producers as well as raw material growers. Since

*these products are produced within the traditional set up of 'craft villages' characteristic of Vietnam's cultural industry, they also help vitalize and sustain the local culture.*

*This strong focus on sustainable design and market-orientation is epitomized by the success of the annual trade fair LifeStyle Vietnam, which is organized by the Vietnam handicraft exporters association VIETCRAFT. Supported by the programme, the fair attracted in April 2012 some 1,500 visitors from key international markets. Companies supported by the programme reported orders with a combined value close to USD 200,000 following their participation in the Lifestyle fair.*

*Most recently, five ethnic minority weaver groups were helped to exhibit at the Hanoi Gift Show in October 2012, which attracted 500 international buyers and thousands of domestic visitors. Participation leads to immediate results: Vong Ngan Cooperative won a VND 300 million order for scarves and table mats from a domestic tourism company, which will keep the Cooperative's 115 weavers and 12 sewers busy for over a month.*

While a vibrant private sector is correlated with growth and jobs at the macro level, the case of Viet Nam's handicrafts sector above shows that interventions must be carefully designed if they are to benefit the poor and excluded. This section identifies the main achievements of the 12 programmes. Although only one programme is finished, most programmes have already achieved several positive impacts for direct and indirect beneficiaries.

The 12 programmes are supporting the development of inclusive, pro-poor growth policies that increase the participation of and benefits to the poor. Each intervention has been working in sectors and regions where the poor are strongly represented. The programmes differ in the ways that they have targeted beneficiaries (see Table 4-1).

**Table Error! No text of specified style in document.-3: Direct and indirect beneficiaries in the PSD joint programmes**

Country	Objective	Sector(s) / value chains	Direct beneficiaries	Indirect beneficiaries
<b>Bolivia</b>	The integration of indigenous Andean producers into new national and international value chains	Agriculture (for local consumption)	1,880 farmers	All farmers and consumers in 15 municipalities in 2 departments
<b>Costa Rica</b>	Developing competitiveness for the Brunca Region in the Tourism and agro-industry sectors, with emphasis on creation of green, decent employment for reducing poverty	Tourism + agriculture (biomass) as pilot schemes	c. 100 MSMEs in Brunca region	c.4,000 MSMEs in Brunca (at a density of 12 MSMEs/1000 people)
<b>Cuba</b>	Support for new decentralization initiatives and production stimulation in Cuba	Agriculture (rice, beans, milk, meat)	c.6,700 agricultural workers (36% women) & 2,000 cooperative leaders (25% women)	Consumers in 5 municipalities
<b>Dominican</b>	Strengthening the banana value chain	Bananas (organic & fair)	7 producers'	25,000 direct & 300,000 indirect

<b>Republic</b>	through the growth of inclusive markets	trade)	associations + 6 homework support locations	workers in DR banana sector
<b>Egypt</b>	Pro-poor Horticulture Value Chains in Upper Egypt	Horticulture (tomato, grape, pomegranate etc)	2000 small holders (male)+13 female farmers & 300 female labourers	millions of potential smallholder horticulturists in Upper Egypt
<b>El Salvador</b>	Urban and Productive Integrated Sustainable Settlements	Construction value chain & urban livelihoods	144 households in La Cruz shanty transformation	c.200-300,000 shanty town inhabitants
<b>Ethiopia</b>	Edible Oil Value Chain Enhancement	Edible oils (linseed, niger seed, cotton seed)	340 farmers & 71 processor groups in Oromiya and Amhara regions	3.5m farmers & 12k householders in the 2 regions
<b>Panama</b>	Entrepreneurial Opportunities Network for Poor Families	Handicrafts & agriculture	100+ micro-enterprises in Coclé, Herrera, Veraguas and Chiriquí regions	20 micro-enterprise networks across the 4 regions
<b>Peru</b>	Inclusive creative industries: an innovative tool for alleviating poverty	Tourism, handicrafts, organic agriculture, gastronomy	Workers in 55 projects in Ayacucho, Cusco, Puno and Lambayeque	Creative sector could be 14% of GDP in Peru
<b>Serbia</b>	Sustainable Tourism for Rural Development	Tourism	2,500 rural stakeholders in 19 municipalities	3.5m rural population of Serbia
<b>Turkey</b>	Harnessing Sustainable Linkages for SMEs in Turkey's Textile Sector	Textiles & apparel	100+ SMEs in Malatya, Adiyaman, Gaziantep and Kahramanmaraş	0.75-2m workers in textile & apparel supply chain
<b>Viet Nam</b>	Green Production and Trade to Increase Income and Employment Opportunities for the Rural Poor	Handicrafts & small furniture (5 value chains)	4,822 households in Nghe An, Hoa Binh, Thanh Hoa and Phu Tho	1.3m workers in handicrafts & small furniture supply chains

The programmes generally target large numbers of beneficiaries. They do this in distinct ways. Some focus on individual businesses, associations and cooperatives, while others target individuals and households. Most programmes target beneficiaries in multiple localities. In common with many PSD projects worldwide, some of the JPs have found it easier than others to precisely define, engage and monitor impacts on beneficiaries (MDG-F, 2011/12).

In terms of scale, several programmes (*Cuba, Viet Nam*) have in excess of 10,000 direct beneficiaries, sometimes used as a rule of thumb for large-scale PSD interventions (by DCED, for example). In many of the programmes, there has been a strong interest in engaging women (eg *Cuba, Bolivia*). In some countries, efforts have also specifically been made to engage indigenous groups - who typically are under-represented in formal MSMEs (eg *Costa Rica*). While it is not yet possible to count up the total direct beneficiaries, the number is likely to exceed 50,000.

In terms of indirect beneficiaries, the PSD programmes may go on to have substantial multipliers – provided the programme strategies and tools are replicated across sectors that provide a substantial share of national employment (eg *Egypt, Turkey, Viet Nam*) and that policies become embedded region-wide (eg in Brunca region, *Costa Rica*). In all, indirect beneficiaries could easily exceed five million.

Interestingly, the *El Salvador* programme has engaged direct beneficiaries on a limited scale in La Cruz shanty town (c.750 beneficiaries assuming 5 member households), but the impacts of the programme on indirect beneficiaries are very significant (potentially up to 500,000 households) because of the strong programmatic focus on policy reform.

Each joint programme has identified many key achievements during mid-term evaluations and annual reporting processes (MDG-F, 2011/12). In total, dozens of achievements can be identified. In an effort to streamline this list, the key achievements can be categorized under five broad themes:

1. **Innovation:** *adapting products and processes to win new markets*
2. **Investment:** *removing market constraints & upgrading equipment*
3. **Capacity-building:** *leveraging the strengths of the poor as producers and consumers*
4. **Partnership:** *combining resources, knowledge and capabilities with others*
5. **Advocacy:** *engaging in policy dialogue with government*

These five thematic achievements are consistent with five ‘strategies’ identified from 164 inclusive business case studies that have been reviewed and shared on the GIM database.<sup>24</sup>

## INNOVATION

***“Businesses around the world are finding innovative ways to work with low-income people living at the base of the pyramid (BOP), working with them as suppliers, distributors, retailers, or customers. These firms are called inclusive businesses. Developing an inclusive business model that addresses the particular needs of people living at the base of the pyramid is an accomplishment. Scaling that model and replicating it in new markets is a challenge.”***

**G20 Challenge on Inclusive Business Innovation <http://www.g20challenge.com/>**

Only 18% of early-stage entrepreneurs globally say they offer innovative products and services that are new to customers and have few other competitors (GEM, 2012). Support for those that want to enter international value-chains is also at a premium, although exporting MSMEs are even rarer: only 5% of early-stage entrepreneurs globally say they sell at least 25% of their products and services internationally (GEM, 2012).

Innovation, in both products and processes, is therefore a top priority for all PSD programmes. While only four of the programmes state their focus on value chains in their titles (*Bolivia, Dominican Republic, Egypt and Ethiopia*), in practice, most of the programmes

adopt a value chain approach to understanding product and process bottlenecks, even where the value chain is primarily a local one (eg *Bolivia, Cuba*). The various innovations needed to win export success for the *Dominican Republic* banana sector are described below.

**Box 4-2: Innovating for market share: the Dominican Republic banana sector**

*Banana production in the Dominican Republic grew from 19 million bunches in 2004 to 34 million in 2011, an increase of 77%. In 2011 exports were valued at US\$150-200 million. The sector provides 25,000 direct jobs and a further 300,000 indirectly<sup>25</sup>.*

*More dramatic than this overall growth is the rise of organic bananas, which have now reached a tipping point and make up 53% of total exports<sup>26</sup>. Significantly, 90% of the organic production goes to European markets, primarily the UK, Germany, Netherlands and France, where demand for organic bananas is now driven by major supermarket chains. According to Maximo Jerez, the international price for organic and fair trade bananas is more stable than for conventional bananas, so this has been a sound strategy as well as a green one.<sup>27</sup>*

*The banana value chain has of course had to adapt its product to meet the European demand for organic and fair trade: Dominican Republic is now one of the main producers of the "guineo" (a short size banana). More recently the value chain has also had to adapt its processes in response to serious pest problems, notably 'black sigatoka'.*

*One solution has been to use a plastic cover called a 'cuella de monja', which is effective for pest control but generates large quantities of plastic waste. As part of the joint programme, 15 banana producers travelled to Costa Rica in 2011 to see the technology in action, and to learn about recycling the plastic after use. "The experience, provided through the Program, has been very helpful because it puts us in touch with another reality, helps us to collect experiences that we can bring to our country and together continue making an effort to improve the Dominican banana industry," said one of the visitors, Eddy Cabrera from ADOBANANO.<sup>28</sup>*

*Another major challenge has been the migratory situation of Haitian workers who must be regularized in order to maintain Fair Trade certification. This issue has received a lot of media attention in 2012. To tackle this problem, the producers need the Haitian and Dominican authorities to collaborate in resolving structural problems affecting Haitian ID documentation and access to proper Dominican visa processes. The joint programme is supporting negotiation round tables for this important output.*

*The programme has also supported investments in irrigation, and work with local research institutes such as the Instituto de Innovación en Biotecnología e Industria (IIBI) and Instituto Dominicano de Investigaciones Agropecuarias y Forestales (IDIAF).<sup>29</sup> There is also a strong focus on worker and family health.*

*Coordinating the joint programme, with seven local producer associations in the North and South West, seven UN agencies, and 15 local partners, has had its logistical challenges, says Carlos Fernández García of the UN Resident Coordinator's Office. One goal of the programme has been to build capacity among the producer associations. While some of the associations began more confidently than others, he says, "they have now all made relevant progress in contributing to bridging the existing gap of capacity, and that includes the ability to innovate in products and processes".*

Seven programmes are primarily focused on agriculture – which is typical for a PSD portfolio. A 2012 review of 33 projects supported by DfID's Business Innovation Facility (BIF) confirms

that most are focused on agriculture and food (17) and to a lesser extent on energy and infrastructure (5) and retail, manufacturing and consumer goods (4).<sup>30</sup>

While agricultural value chains are typically not high value-added, they do generate more employment per \$million invested than many other sectors (particularly the move to higher value products like sun-dried tomatoes or pomegranates). Three programmes involve handicrafts; two programmes involve tourism; and two programmes involve manufacturing, all of which are higher value added than agriculture on average (but less employment generating).

Many poor entrepreneurs are risk-averse, particularly smallholders like Ibrahim Waheeb in Upper Egypt (see Box 2-2). SALASEL worked first with a wealthier farmers' association, which included the local mayor, in trialling improved seeds, better inputs and pest management. Only once success was demonstrated would the poorer farmers consider adopting the innovation. This emphasises the importance of identifying the 'anchor firm' in leading an innovation. However, this all takes time and because of the agricultural cycle, some programmes found that a three year programme was too short to bring poorer farmers on the innovation journey. Any small delay could mean missing a cropping cycle, thereby incurring a whole year's delay before innovations can be demonstrated and another year before they become embedded.

Several programmes involve multiple value chains or sectors (some closely linked, as in *Egypt*) and others less closely linked (eg *Panama*). The MDG-F portfolio does not focus on pro-poor ICT, rural electrification or micro-finance initiatives (which are often favourite PSD interventions globally). However, there has been a focus on energy efficiency and the *El Salvador* programme has employed mobile banking as a way of strengthening urban livelihoods.

One risk with process innovation is that upgraded machinery may rely on hard-to-obtain spare parts, as happened in *Viet Nam*. In general, the joint programme teams found that many useful innovations were low to medium-tech (eg keeping workplaces tidy) rather than high-tech. Similarly, in *Cuba* local producers were encouraged to choose from 19 existing rice varieties trialled on a local farm.

Other examples of successful innovations:

- *Serbia's* Sustainable Tourism for Rural Development programme, designed to rebrand the countryside with its rich culture as a tourist destination for foreigners, and also for city-dwelling Serbs, also put a strong emphasis on first recruiting local opinion-leaders from the 19 municipalities to the programme.
- In *Peru*, the programme has helped research, design and produce four new creative industry 'tourist circuits' (one in each region covered) with an emphasis on craftsmanship, organic agriculture, food, cultural heritage and ecology.
- In Assiut Governorate of *Upper Egypt*, a local handicraft shop saw a gap in the fast-growing pomegranate market and created a new design of harvest bag which leaves both hands free for harvesting. Locals snapped up 40 of the novel bags - and the design is now been replicated by farmers themselves.

## INVESTMENT

***"The very poor have fewer of the assets needed to engage effectively with markets. Strategies that build and protect financial assets, and build human and social capital are***

*frequently necessary. The lower risk tolerance of the very poor requires greater support to decrease their risk in making investments in income generating activities.”*

***Pathways out of Poverty, Ben Fowler & Margie Brand, 2011***

Section Three discussed typical market constraints faced by the programmes, such as poor logistics and power, which always feature high on the list for entrepreneurs. A recent study on the impediments for greater private sector investment in the maize and rice value chains in Mali, Ghana, Kenya and Ethiopia found that lack of adequate roads and reliable electricity create excessive transaction costs, while access to land and tenure security are also big obstacles, especially for women farmers.<sup>31</sup>

Overcoming such constraints require massive investments: the 2012 Sustainable Energy for All initiative has already attracted US\$50 billion for energy access, renewable energy and efficiency projects worldwide.<sup>32</sup> Other donor initiatives tackle specific bottlenecks in the value chain, like TradeMark East Africa, which is helping to upgrade customs infrastructure.<sup>33</sup>

The PSD programmes have an average multi-year budget of US\$5.25 million, typically over 30-36 months. *Bolivia* and *Panama* have had the largest budgets, and *Ethiopia* and *Turkey* the smallest, with *El Salvador* and *Peru* having near to average financing (again, see Table A-5). For reference, UNDP’s private sector portfolio currently has around 200 programmes and annual funding of US\$200m, making the MDG-F programmes somewhat larger (c.\$1.5m a year compared to \$1m a year for the UNDP portfolio on average).<sup>34</sup> On the other hand, two recent International Fund for Agricultural Development (IFAD) entrepreneurship projects are targeting 80,000 poor Brazilian households with US\$133m over six years, so their costs per year and per beneficiary are roughly comparable to the PSD Window.<sup>35</sup> Thus the MDG-F portfolio is fairly typical in terms of finance.

One of the main obstacles to unlocking needed investments by poor entrepreneurs is not lack of money itself but a risk-averse investment climate. This was the case in the Ethiopian Edible Oil Value Chain Enhancement programme (see box 3-2).

***Box 3-2: Unlocking investment in the Ethiopian edible oils market***

*“The domestic edible oil manufacturing industry has been an underdog for almost a decade now”, wrote Addis Fortune journalist Elleni Araya in February 2012. “Cut-throat competition from imported humanitarian oil followed by a shutdown by the city trade bureau over quality, then price caps, and, lately, foreign competition as well as price hikes in the local oilseeds market all hit the industry one after the other.”<sup>36</sup>*

*Ethiopia’s edible oil imports in 2011 were costing the country almost US\$1m a day (COMTRADE, 2012). So the oil seed sector (niger seed, linseed and now cotton seed) has massive potential both for exports and also to substitute for imported palm oil on the large and growing domestic market, as numerous market studies have shown (Wijnands et al., 2009).*

*There is no shortage of entrepreneurs in the sector, with more than 3.5 million households (farmers) in primary production and more than 12,000 households in different stages of the value chain. Poor quality seed; out-dated equipment and bad infrastructure were all crying out for investment. The real problem, according to joint programme coordinator Muluneh Woldekidan, was not necessarily money but trust. “All these stakeholders were working separately. The linkages were just not there”.*

*Working in Amhara and Oromia regions, the programme has steadily built up the trust and collaboration needed to unlock investment. They did this by (among other activities):*

- *Training events for four farmer's unions, 16 coops and 340 farmers;*
- *Setting up two new business membership associations for 90 SME oil processors;*
- *Brokering agreement to invest in Common Facility Centers (CFCs); and*
- *Organizing two study tours conducted to India.*

*After decades of poor collaboration and under-investment, the edible oil sector is now establishing stronger linkages. The Joint Programme has succeeded in increasing both quality and quantity of oilseed production through supplying inputs, training in better farm practices and extension services, multiplication of breeder and improved seeds, studies on contract farming, warehouse receipt and input voucher systems (MDG-F, 2012),*

*It is also attracting major interest from investors, of whom Saudi billionaire Mohammed al-Amoudi is just the most visible example.<sup>37</sup> "As a result of the JP interventions, Development Bank of Ethiopia which is state owned [and the] major source of private investment finance has approved three new lines of credit which are aligned with the edible oil value chain. Therefore, projects in edible oil refining, integrated projects in farming and processing of oil crops and cotton seed processing projects are now eligible for accessing investment capital from the bank" (MDG-F, 2012). Korean KOICA is also interested.*

*"There is no doubt that the industry needs something to lift it up", says Elleni Araya, "and it seems to have found just that..."*

Not every programme has managed to attract billionaire investors, but the support offered by the programmes for local entrepreneurs has been very popular. In **Serbia**, the programme distributed around US\$0.6 million to beneficiaries through 70 grants to small projects – ranging from US\$2,000 to US\$20,000 per organization. Six grants to local schools in 2011-12 built up their capacity to the extent that they have now combined to form a non-governmental organization and are continuing to disseminate their rural education model. In addition to the grant scheme, there was extensive training for potential small entrepreneurs and local employees, with a particular focus on child and youth educational tourism.

In **Peru**, 55 producer associations have also started to receive funds. It will be interesting to compare the project-granting experiences of these two programmes once the Peruvian programme is completed.

Other investment successes in terms of removing market constraints:

- The **Viet Nam** programme has developed a partnership with the Dutch Centre for the Promotion of Imports from developing countries (CBI) that is prepared to invest in the sector. CBI is already working on promoting EU imports of indigenous foods like 'maca' from Peru<sup>38</sup> so there could be synergies with other joint programmes.
- In **Costa Rica's** Brunca region efforts are being made to cut red-tape and reduce the time taken to register a business from 50+ days to 10 days, as part of the regional competitiveness plan. A new competitiveness index will be monitored down to the cantonal level, exposing all abnormal business constraints to daylight (MDG-F, June 2011).

## CAPACITY-BUILDING

***"Identifying at the outset successful examples of behavior that leads to increased competitiveness and disseminating these examples through business and community***

*networks, exchange visits and via the media can be an effective way of helping value chains stakeholders realize that the status quo can be challenged. Stakeholders need to understand that performance upgrading is both possible and beneficial before they are likely to engage in the strategy development and implementation processes”*

**Ruth Campbell, ACIDI-VOCA (2010)**

It is not enough to help inclusive businesses innovate and provide access to investment: virtually all PSD initiatives set out to develop capacity among beneficiaries, often with a particular focus on women. UNDP defines capacity development as the process through which “individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time” (UNDP, 2009).

Around 60% of enterprises worldwide provide no worker training (see Annex Table A-3 for PSD country training levels). So training is necessary - and it is relatively easy to deliver. But to build lasting capacity training must be well-designed, frequently delivered, and be backed up by informal capacity-building such as networking, study tours, visits to trade fairs and many other entrepreneurial opportunities.

In the PSD window, great efforts have gone into entrepreneurship training, from management practices and risk management in **Cuba** and access to credit in **Dominican Republic** to small farm management in **Egypt** and **Ethiopia** and green product design in **Viet Nam**. Other examples include those in **El Salvador** (construction sector) and **Panama** and **Serbia** (tourism industry).

**Box 3-3: Bolivian organic farming - for local consumption**

*No group of beneficiaries in the 12 joint programmes could be both as poor and yet as resilient as the farmers of Bolivia. Among children 6 months to 5 years old, 51 percent are malnourished<sup>39</sup>. Thus increasing food security has become a political priority.*

*Ecological and fair trade agriculture has been growing in Bolivia, however this has primarily been for export markets and has been led by larger scale coffee and quinoa farmers and cooperatives. Concern about the consumption of healthy food for the national population, according to the policy of food sovereignty, has given priority to organic production for the domestic market.-And the sector is prioritized in the national development plan.*

*The program aims to promote organic production to meet local demand and according to food consumption habits. Foodstuffs include: quinoa, amaranth, onions, beans and others like potatoes, vegetables and fruits. Organic farming is the change model to increase productivity in a sustainable manner (without harming the environment) and capacity building, particularly with active participation of indigenous women.*

*Among the key results so far:*

- *Creation of ‘Ecological Committees’ in multiple municipalities and departments: 15 Comités Municipales de Producción Ecológica and two Comités Departamentales de Producción Ecológica.*
- *6,050 farmers received agro-ecological training; producing foodstuffs on over 8,000 hectares.*
- *More than 300 rural communities are in the process of organic certification, raising production and improving incomes; and*

- *30% of beneficiaries have had access to financial services for the production, transformation and access to national and international markets.*

*As of November 2012, 1,880 farmers in Batallas, Achocalla, Caracollo, Chayanta, Uriondo, Padcaya, Yamparez and Sica Sica municipalities have received their 'SPG' (Sistema Participativo de Garantía) certificates from CNAPE, the National Organic Production Council. Of these, 11% are indirect beneficiaries not targeted directly by the Joint Programme. The goal is to have over 3,000 certified producers by the end of 2012.<sup>40</sup>*

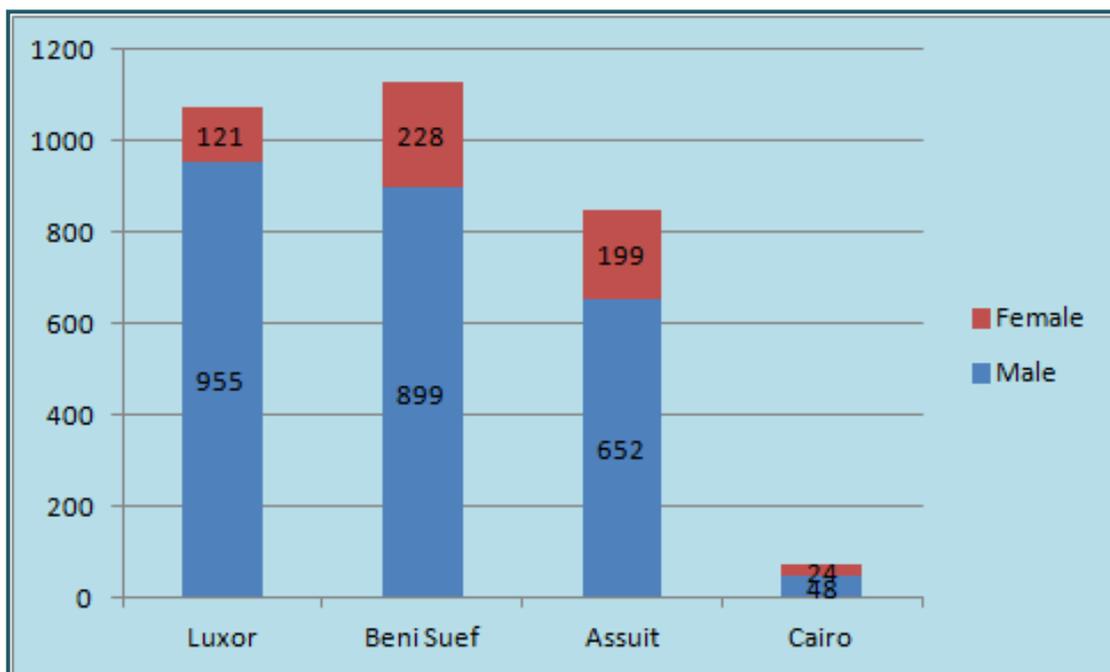
*"The SPG is actually a viable alternative that fits well with the farmers' socio-cultural context", says joint programme coordinator Delfín Cuentas. Importantly, the SPG builds on existing indigenous farming knowledge and cultural and religious practices, including respect for La Madre Tierra. "The programme is helping to ensure better family nutrition and contribute to the health of the population at large, by offering highly nutritious and healthy product."*

The PSD window's strong focus on capacity building for producers is common to many inclusive business portfolios.

In the early morning of a hot summer day in 2011, over 100 women gathered in the courtyard of the Beni Soliman FA in Beni Suef, to vote in the first Women's Committee elections in Egypt. The elected women would represent the interests of female farmers and work towards empowering local women and reinforcing their role in the wider community. "I have a huge responsibility now. Women trust me and I have to live up to their expectations", exclaimed Habiba, one of the elected candidates. "I'll do my best to make their lives better off." This experience has now been repeated in five other farmers associations. The women's committees started operations with a community needs assessment, after capacity building training provided by SALASEL.

According to the Joint Programme, the election of Women's Committees in the Farmers Associations can be considered "a breakthrough in rather conservative communities" (MDG-F, January 2012). The numbers of women engaged in various capacity-building activities by the programme (January-March 2012) varies from 13 per cent in Luxor to 25 per cent in Beni Suef and 31 per cent in Assuit (See Figure 4-2). Though all fall short of 50%, given the scarcity of female farmers in Upper Egypt, the impact on female participants can be dramatic. And capacity-building results can be almost instantaneous: in the case of productivity training given to female workers packing grapes, the results were a threefold increase in packing per hour, from five kilos to 15, in the course of one week. In surveys, farmers and agricultural workers have both been generally positive about the quality of capacity-building efforts: 81% of those surveyed agreeing that the services provided by the three field offices were very good, for example.

**Figure Error! No text of specified style in document.-4: Training participants by gender, SALASEL, January-March 2012**



In addition to its work on product and process innovation described above, the banana joint programme in **Dominican Republic** has provided extensive training on a wide range of issues: access to credit, management of producers' associations and capacity building. Women's economic empowerment and leadership for entrepreneurship and violence against women training and advocacy activities have also been undertaken. Additional efforts have gone into health services promotion, reproductive health, and development of a network of HIV promoters who have facilitated education and prevention to over 2,500 people in the seven associations' communities. Finally, a literacy programme has been successfully implemented, covering 300 workers (MDG-F, 2012).

In **Cuba**, food security was named an issue of national security in 2007. By mid-2012, thousands of producers and cooperative leaders had received a barrage of mutually reinforcing capacity building interventions:

- 100 people trained in the development of municipal-level enterprise development strategies with a gender perspective;
- 5 polytechnic agro industrial institutes have been strengthened ;
- 21 cooperatives (with 2,271 members of which 357 are women) have been strengthened; and
- Over 6,500 people have received training in several areas, such as improved production techniques, management practices, and risk management.

What impact has this campaign of pro-poor capacity-building had on the bottom line? The programme reports that in Rio Cauto, rice production went up 26% for the CCS (cooperative) Hermes Rondon; while in La Palma, rice production went up nine-fold, from around three to 27 tonnes) in the four units benefitting from the programme. Bean production in La Palma also increased by 79% in two cooperatives. Beef production grew by 20% in the CCS Donato Marmol of Rio Cauto. Meanwhile milk production grew by 38% in two cooperatives in Rio Cauto (MDG-F, June 2012). These are dramatic productivity enhancements; of course they

need to be sustained in the future to translate into lasting benefits. "Learning new techniques has allowed me to increase my independence as a farmer", said one trainee, Odalis Gonzalez from Rio Cauto. "It is very beneficial to own our money, earned by our own hands."<sup>41</sup>

In **Peru**, attention has also been given to a 'Training the Trainers' programme, which was developed by Universidad de San Martín de Porres (USMP) and is now being implemented in the four regions, where 100 trainers will be certified.

In **Viet Nam**, one challenge in delivering capacity development to 4,822 households was the wide dispersion of craft workers over an area of around 26,000km<sup>2</sup> (MDG-F, January 2012). This made delivering the training a challenge, and also made follow-ups difficult. In September 2012 the programme team undertook a series of "impact assessment" in-depth interviews with beneficiaries to see whether there had been an appropriation and application of new knowledge and skills following the various support activities (health and safety, start / improve your own business, business group formation, cleaner production, design. market development and equipment). In general, beneficiaries were positive about the value of the interventions, but were also happy to point out interventions that hadn't been useful – for linguistic, relevance, complexity or other reasons. From January-June 2013 a comprehensive end-line survey is planned to follow up on the 2010 baseline survey to identify concrete social, environmental and economic impacts among beneficiaries.

It will be interesting to compare these results with the qualitative impact information gathered so far.

## PARTNERSHIP

***"Meaningful, equitable, inclusive growth requires the active engagement of all partners, and the private sector is critical to job-rich economic growth. In many countries, the private sector shares its expertise, access to technology, and innovative practices and tested business models."***

***Sigrid Kaag***

***UNDP Assistant Administrator for External Relations and Advocacy***<sup>42</sup>

"To ensure an enabling environment, policy-making institutions must create incentives for companies to use inclusive business models", says UNDP's 2010 review of the business role in the MDGs. "Also important as enablers are research and advocacy institutions: empirical studies show how best to address an issue, while advocacy makes the case for engagement and mobilizes public awareness and support (advocacy initiatives can also be effective hubs for knowledge and for contacts to other businesses or partners in other sectors). Financing institutions can help to fund initiatives. Finally, institutions with complementary capabilities can help to implement the initiatives by adding expertise and operational capacities" (UNDP 2010).

A huge amount of time consuming work has gone into putting together partnerships between the UN agencies, the national and local implementing agencies and the thousands of beneficiaries engaged. Typically between four and five UN agencies participate in each joint programme, with a minimum of three (El Salvador, Ethiopia) and a maximum of seven (Bolivia and Dominican Republic). The programmes have engaged a multiplicity of national and local implementing agencies, ranging from a single partner in Turkey (ITKIB) to dozens in Cuba and Costa Rica (see table A-5 in the Annex for details of UN and implementing agencies). In general, the Latin American joint programmes involve many more

implementing partners than the rest, although El Salvador is an exception in the region, while Viet Nam also engages a multiplicity of partners. As noted above, the programmes are tackling anywhere from one to five value chains simultaneously. Thus the partnership permutations are colossal. Of course, every bilateral partnership succeeds or fails on its own merits. The case below shows how the Turkish programme managed to leverage an effective partnership in the textiles and apparel sector.

**Box 3-4: Working with the business ecosystem in Turkey's textile sector**

*With US\$14 billion in exports in 2011, no one can accuse the Turkish textiles and apparel sector of under-ambition. "If Mango and Zara are brands from Spain," asks Cem Negrin, president of the Turkish Clothing Manufacturers' Association (TGSD), "why can Turkey not launch a brand?"<sup>43</sup>*

*However, since 2004 the sector has been fighting to differentiate itself from lower-cost Asian producers. The industry needs to be more productive, innovative and responsive to the requirements of consumers in order to remain competitive. From engagement with international buyers like Nike, H&M, M&S, Otto, and Gerry Weber, and a mapping of 100 SMEs, the team identified corporate social responsibility (CSR) and energy efficiency as potential differentiators for the Turkish value chain. A key output is the online Value Chain management Programme (VCMP).*

*There are some 40,000 textile and clothing companies (mainly SMEs) employing around 750,000 workers directly and up to two million workers in total.<sup>44</sup> In Turkey, it is important to work through official associations; hence the programme developed its training interventions working closely with ITKIB, the Istanbul Textile and Apparel Exporter Associations. ITKIB is a quasi governmental association that groups together over 16,000 textile companies.<sup>45</sup> Similarly, the Turkish Clothing Manufacturers' Association (TCMA) has 400 members.*

*A capacity development strategy on environmental conduct and working conditions has now been implemented and delivered to 100 managers, 750 workers and 10 experts of local business advisory institutions- the latter in order to leave behind a group of affordable service providers to continue to support those many local businesses that cannot afford US\$500 a day for international consultants.*

*The programme has also targeted small textile producing firms in Malatya, Adiyaman, Gaziantep and Kahramanmaraş, trying to integrate them into domestic and global value chains, and so provide decent work. One activity has been the CSR Counselling carried out with six pilot firms from Kahramanmaraş. The firms have been advised on Export Marketing, Social Compliance (including detailed preparations for the export audit process), and Lean Manufacturing. Three experts visited the companies every month. "This is a really concrete benefit that we create for the companies," says Damla Taskin of the UN team, "working with them and not only training them. As the process is continuous you can also observe whether the change that we are seeking has happened in the following month." One SME owner said that after the 5S exercise, his stock management was so improved that he didn't have to buy any accessories (zippers, buttons etc) for three months!*

*"The level of engagement with these SMEs in less-developed regions was even higher than we expected", says Murat Gursoy of UNDP. "It's been a big challenge to engage companies in Istanbul, though." Indeed if the VCMP Portal is going to be sustainable, says Gursoy, "it has to win support from the larger companies in Istanbul and keep a critical mass". Conversely, the energy efficiency work is more relevant to larger players working at the fabric production*

*stage of the value chain, who have the motivation to save on their substantial energy consumption.*

*As noted above, the programme has developed its interventions working closely with ITKIB, the Istanbul Textile and Apparel Exporter Associations. One success in leveraging the resources and capabilities of this massive association is that training programmes have now been internalized into ITKIB's membership services. A second success is that CSR is being integrated as a component of Turkey's upcoming 2014-18 five-year development plan. So how long might it be before a Turkish clothing brand launches an eco-store in a key export market, as Zara has started to do?<sup>46</sup>*

In **Costa Rica**, the programme has been successful in attracting US\$0.77m from 12 local counterparts in 2012 (MDG-F, 2012) Among these, substantial resources are coming from four ministries (with the Ministerio de Economía, Industria y Comercio contributing \$0.27m), as well as support from universities (\$0.15m from the Universidad de Costa Rica), foundations and the Federation of Southern Municipalities.

**SALASEL's** support for Post Harvest Centres (PHC) has enabled the Farmers' Associations to develop alliances with the private sector and establish new market linkages through participation in trade fairs like the Farm Gate – Fresh Gate exhibition in November 2010. Chipsey is now sourcing potatoes from one farmers' association for their best-selling crisps in Egypt.<sup>47</sup>

In **Cuba**, the multisectoral and interagency approach brought together more than 50 institutions at the sectoral, national (including eight ministries), local, non state and UN (UNDP, FAO and UNESCO) levels, making this a bigger partnership than most of the other PSD programmes. On the plus side, *"This multisectoralism has been complex and on occasion has imposed unequal rhythms of progress among the different thematic axes of the program,"* say William Díaz Menéndez of MINCEX and Katia Cobarrubias Hernández of UNDP. *"However, it has also been an advantage in allowing us to addressing challenges in an integrated fashion, leverage the strengths of each actor, avoid duplication of actions and share learning".*

A number of other programmes have had successful experiences in forming new partnerships with state and private sector:

- Holcim has been engaged in **El Salvador's** construction sector, building on its existing social responsibility commitments like *Pavimentemos Nuestra Cuadra* (Let's Pave Our Block) and *ConstruFácil* initiative to support local hardware stores.<sup>48</sup> In addition, the programme has networked 34 smaller firms in the construction supply chain. A number of architects' practices also submitted designs to an open architectural competition to design La Gran Manzana (see case below);
- In **Dominican Republic**, the appointment of regional level government coordinators and the establishment of alliances between the value chain participants, including horizontal linkages with financial institutions and research institutes, is ensuring longer term sustainability. Feasibility work has also been done on including bananas in school feeding programmes, thereby forging linkages with the country's educational system.
- In **Peru**, the programme leveraged a modest amount of co-financing from the Municipality of Ñuñoa, and has linked with Mincetur's *De Mi Tierra un Producto* initiative as well as the national *Marca Perú* brand initiative, both designed to give a major

impetus to the creative industries. Finally, two universities have been selected to teach a Diploma in Creative Industries and Inclusive Business in Lambayeque and Cusco regions.

- In *Serbia*, the programme developed strong ties with two of its government partners, but much less so with the third. There is thus an element of luck to partnership work.

## ADVOCACY

*“There is a large gap between formulation and implementation of policies in support of SMEs. Many countries have drafted, approved and announced policies that are not always implemented. Among the reasons for these failures of implementation are operational problems; multiple, often contradictory and hard-to-attain goals; lack of funding and of qualified human resources; and weak alliances between public and private actors.”*

*Pathways to Prosperity in the Americas Initiative, Santo Domingo, October 2011*<sup>49</sup>

As the well-known case of Grameen Bank and the Government of Bangladesh shows, it is not every inclusive business that can combine success on the ground with harmonious government relations. However, they can be combined, even in a small team, as the El Salvador experience shows.

### **Box 3-6: Concrete impacts through policy dialogue in El Salvador**

*By 2015, over a third of all families in both urban and rural areas will still be living in inadequate homes, according to the 2012 IADB report ‘Room for Development’. “In some cases, families cannot afford even a simple basic house. In other cases, even if they earn sufficient income to afford better housing, they cannot get a mortgage. In still other cases, no home is available for them to buy. Why don’t private sector builders and developers offer good basic homes for these families? Such units are not as profitable as building homes for wealthier households, or they may not be sufficiently profitable if land or construction costs” (IADB, 2012).*

*In El Salvador, the housing deficit is estimated at 500,000 dwellings and in metropolitan San Salvador alone, there are over a thousand shanty towns. With challenges at this scale, programmes cannot simply focus on delivery, no matter how urgent that may be. They also have to engage with policy-makers to have a hope of impact at scale. But the programme realized it also had to deliver enough action on the ground to be credible to policy makers.*

*One visible impact has been in Santa Tecla, where a design competition led to exciting proposals to transform the community into La Gran Manzana (The Big Apple). This transformation includes both the physical appearance of the community and its productive capacity. The physical transformation includes installation of a new System of Savings and Housing Finance (SAFH) to facilitate access to credit for families earning less than four minimum wages. An example of the productivity initiatives through new ventures is the creation of a company selling food (restaurant and catering).*

*Other achievements include:*

- *Legalizing 272 properties, benefitting 45% of women in the settlements;*
- *Securing 6 donation agreements with a community development promotional association, supporting locals in entrepreneurship, including in-kind donations such as food storage containers;*
- *Diagnosing construction sector bottlenecks and agreeing an action plan;*

- *Helping set up a practical 'self-build' network of 34 businesses, with four entrepreneurial production value chains established and trained;*
- *Designing a national micro-entrepreneurial training school for the construction sector;*
- *Pro-actively engaging in over 50 training and knowledge sharing events, represented by 83 men and 50 women, engaging with 26 national and international partners.*

*While achieving this profile on the ground, the programme was also focused on leveraging its experience to influence major reforms: such as making timely inputs into the Law on Territorial Management and the Law for Development Banking, which have both passed. What will be the impacts of these two major pieces of enabling legislation? The Law on Territorial Management will help to regularize 200,000-300,000 informal properties. The banking legislation will help urban entrepreneurs by providing micro-finance through the Banco Central de Reserva, accessible via mobile phone.*

*The programme coordination team of three people has worked well together, and enjoys good access to inter-governmental dialogue because it is physically co-located in the lead counterpart agency: the vice-Ministry of Housing. "Sometimes" says Josue Gastelbondo, "impact can come from being in the right place at the right time",*

In **Serbia**, the programme developed a National Rural Tourism Master Plan (RTMP) and submitted it to the Government. In doing so it managed to get the subject of rural tourism firmly on the policy agenda, in terms of economic diversification. The programme has "enhanced the institutional and legal framework through more than 50 documents, particularly the Master Plan for Development of Rural Tourism," said Goran Petkovic, State Secretary in the Serbian Ministry of Finance and Agriculture at a closing event in November 2012. The ultimate impact of the programme can only be determined by tourist numbers and satisfaction, but the government's commitment can be gauged by the State Secretary's announcement of a Rural Tourism Task Force within the Ministry of Finance and Economy to take forward a second phase of the programme.<sup>50</sup> "Rural development used to be chickens and cows", said one local partner. "No one understood the value of paragliding and Guča [home to a brass band festival]." (MDG-F, 2011).

In April 2012 SALSEL facilitated a meeting between Ms. Reem el Saady, the head of Bedaya Center for SMEs, an affiliate of the General Authority for Investment (GAFI), and the heads of farmer associations in **Upper Egypt** as well as staff and field office representatives. "I did not know that we will be offered such an opportunity to meet with top officials and get a first hand explanation of how we can benefit from GOE [Government of Egypt] services and benefits", said Hassan el Basry, a farmer from El Tod district in Luxor and the head of a local farmer association. Indeed, he admitted, "we had no idea that such services actually existed or that there is a body such as Bedaya Center that was created to help small enterprises."

The 'Brunca Emprede' festival, held in July 2012, brought together around 100 entrepreneurs from across the impoverished Brunca region of **Costa Rica**. It also engaged the Spanish Ambassador Elena Madrazo; the Minister of the Economy Mayi Antillón; and the Vice-Minister of Agriculture (MAG), Xinia Chaves. This was a uniquely high-powered group of senior female policy makers, and an inspiration to women entrepreneurs in the region.<sup>51</sup>

Other examples of successful engagement in policy dialogue with government include:

- The **Ethiopian** oil seed programme's objectives and implementation modality fitted the Ministry of Industry's agro-industry strategy so well that the programme has been seen

as an opportunity for the Ministry to turn several of the key recommendations of its agro-industry master plan into concrete interventions.

- In **Viet Nam**, one of the main challenges for the remainder of the programme is “how to attract the Government into empowering itself with the programme results: less than 5.000 people benefit from the programme while over 1 million families are involved in the handicraft sector nation-wide.” To embed the participative approach to capacity building, the programme invested in ‘Training of Trainers’ for staff of a range of provincial institutions including the Department of Agriculture and Rural Development, the Provincial Cooperative Alliance, the Department of Labour, Invalids and Social Affairs, and the provincial Women’s Union. (MDG-F, 2012).
- **Bolivia and Cuba**: the development and implementation of effective mechanisms for consultation and on-going dialogue with government counterparts at the national level.

### SUMMARY: CONSOLIDATING THE ACHIEVEMENTS

This section has reviewed some of the major achievements of the 12 joint programmes, which by design are complex joint programmes. Despite this complexity, the achievements can be presented in tabular form, as shown in Table 4-3 below. This is not an exhaustive list in order to fill in each and every cell, but rather shows the major highlights identified by the JP teams, project documentation and external communications.

While some programmes have been active across all five themes, others have focused on certain priorities as illustrated in the case studies). All the programmes have achievements in several cells of the table but few have achieved concrete successes across the board.

**Table 4-3: Key achievements**

	Innovation	Investment	Capacity-building	Partnership	Advocacy
<b>Bolivia</b>		Quality upgrades through certification	Reaching 6000+ farmers through 15 municipal committees		Meeting national food security priorities
<b>Costa Rica</b>	Pilot programmes in biomass energy		Local students engaged in entrepreneurship	Attracting co-finance from 12 partners	High-profile regional competitiveness council
<b>Cuba</b>	Increased yields; eg improved rice seeds		Training 4850 farmers (43% women)		Consistent with emerging SME & decentralization agenda
<b>Dominican Republic</b>	Tackling pests through <i>cuella de monja</i>		Women’s empowerment: health	Knowledge exchange with Costa Rica	Bringing Haitian migrants into decent work
<b>Egypt</b>	Strong focus on pest management	Affordable fertilizer supplies	Catering to large urban markets	Strengthening Post-Harvest Centres	SALASEL brand ensures sustainability
<b>El Salvador</b>	La Gran Manzana design competition	Local inhabitants supported	Mapping bottlenecks in local construction	Attracting Holcim into the programme	Securing key reforms in land tenure & banking
<b>Ethiopia</b>	Generating revenue from 'fallow' crops	Tackling each bottleneck in value chain		Foreign investors looking at sector	Ministry committed

Panama	Novel approach to rural tourism routes (		Training & participatory planning process in place	Thematic roundtables in place	
Peru	Better & safer dyeing techniques	55 projects funded		Linking with <i>De Mi Tierra Un Producto &amp; Marca Perú</i>	
Serbia		70 projects funded	Rural Tourism Task Force embedded in Ministry of Finance and Economy	Engaging local leaders as well as central govt	National Sustainable Rural Tourism Master Plan
Turkey	Energy efficiency programmes	Using CSR to gain competitive advantage		Working through main business association	Influencing next 5-year Plan
Viet Nam	Sustaining raw materials eg improved mulberry seeds	Improving quality & design	Helping producer groups get to market	Engaging Dutch CBI importer agency	Linking Vietcraft and Vietrade

We can briefly summarize the key features of each achievement theme below:

- 1) **Innovation:** Most PSD programmes have not created radical innovations so popular in the inclusive business literature but instead have concentrated on incremental product and process upgrades, as in the Dominican Republic organic and fair trade banana sector. This is a sound strategy because poor entrepreneurs are especially risk-averse and even minor improvements in agriculture take one or two harvest cycles to diffuse. In Upper Egypt, SALASEL worked first with a wealthier farmers' association and only once that work was demonstrably successful were poorer farmers engaged.
- 2) **Investment:** The PSD programmes are similar in scale to other recent donor-funded projects in terms of the resources they have available. Probably overheads are higher than usual given the complexities of joint programme coordination. Hundreds of enterprises have been supported with grants (eg in Peru and Serbia). Costa Rica has been successful in leveraging matching funding. Ethiopia's edible oils sector is finally primed for outside investment, now levels of trust have built up.
- 3) **Capacity-building:** There has been a heavy focus on capacity-building activities, with tens of thousands of training participants. Programmes in Cuba, Viet Nam and Dominican Republic have trialled holistic, overlapping interventions on health and safety, entrepreneurship, productivity, women's empowerment and many other issues. In contrast, the Bolivian project has given 3000 small-holder farmers focused technical support on how to gain organic certification and Turkey's programme has helped SMEs navigate through the corporate social responsibility (CSR) compliance agenda. Both approaches, the broad and the narrow, have their advantages.
- 4) **Partnerships:** By design, the programmes are complex, with around five UN partners and as many as 40 implementing partners from the national 'business ecosystem'. This has sometimes imposed "unequal rhythms of progress" and has been the main cause of some project extensions. However, the benefits of joint programming outweigh the downsides provided programmes are well-coordinated, which can equally happen in a programme with fewer partners (eg El Salvador) or with many (eg Cuba). In Turkey, the programme has worked well with the principal textiles business association ITKIB,

internalizing training programmes offered to 16,000 members, thereby ensuring demand.

- 5) **Advocacy:** business-government relations in many countries have been problematic, especially for smaller and informal businesses. The programmes have succeeded in building better networks and trust and influencing the policy agenda (eg Costa Rica, Egypt, Ethiopia, Serbia). The programmes in Bolivia and Cuba are carefully attuned to emerging government policy on private sector development. In El Salvador, the programme succeeded in capturing the attention of senior policy-makers with a carefully targeted set of reforms in land tenure and banking that will benefit the housing sector, and has also started removing practical bottlenecks to urban entrepreneurship and self-building.

The next concluding section digs deeper into some cross-cutting issues that emerge from this thematic study, develops a typology of PSD programmes, and offers some recommendations for future PSD programmes and portfolios.

## CONCLUSIONS AND RECOMMENDATIONS

### RECOGNIZING DIVERSITY

*“Little information is available on results achieved. Even self-reported results are rare, and may not be credible. There are many reasons for this... Briefly, however, recent trends in PSD have made results measurement more tricky. Market-based approaches tend to benefit a self-selecting sample; isolation and randomisation are major challenges, which few have either the money or the expertise to address reliably. Every situation is different, so there is little hope of 'proving' that an approach always (or never) works.”*

DCED *Measuring Results in PSD*<sup>52</sup>

The joint programmes have operated in 12 very different countries on four continents, with different levels of multi-dimensional poverty and different perspectives on the role of the private sector in tackling poverty. Several countries had hosted a number of previous inclusive business initiatives supported by donors, including successful projects like GiroNil payments system (Egypt), Mibanco micro-credit (Peru) and MDI Betterday Fairtrade Products (Viet Nam). In some other countries, and especially **Cuba**, the PSD concept was not familiar prior to the MDG-F. The JPs therefore all started at different points on the inclusive business learning curve.

In terms of geographic spread, there is some distinction between the larger, faster growing countries (**Turkey, Ethiopia, Viet Nam, Egypt, Peru**) and the smaller countries at an economic crossroads (**Serbia, Dominican Republic, Cuba**). There might be some differentiation between the Latin American countries and the rest: but even here, the programmes differ significantly between neighbouring countries (**Peru and Bolivia; Cuba and Dominican Republic; Costa Rica and Panama**).

The titles of the programmes also indicate different starting perspectives, with some focusing on a specific commodity value chain (eg **Ethiopia**), others focusing on a geographical region (eg **Costa Rica**), and others focusing on a target group of the poor (eg **Viet Nam**). Over time, the programmes have all focused down on target sectors, locations and beneficiary groups. Even so, there remain significant differences in focus between them.

This thematic study has identified achievements to date in programmes that generally are not completed (except **Serbia**), that are facing ongoing challenges (eg **Panama**), and that have not yet commissioned a robust end line review (eg **Viet Nam**). Thus the findings are inevitably somewhat tentative. Given the different starting points and finishing dates, the inherent complexity of the joint programmes addressing multiple constraints with multiple strategies, results measurement is indeed tricky and this report is emphatically not an evaluation of the 12 PSD joint programmes. However, it is useful to make draw some common conclusions that are clearly evident amid all the diversity. Below, we look at how the programmes can be classified according to their approach to innovation, their degree of complexity and their scale of beneficiary impact.

### INCREMENTAL INNOVATION: LEVELS OF BUSINESS MODEL UPGRADING

*“The main fact about [...] private sector-led development is that business models matter often far more than the underlying product technologies—something most donor support models fail to take into account. Because of the exacting conditions of low-income markets— such as low purchasing power, and uncertain and variable cash flows—*

*entrepreneurs cannot use the same models as those for middle markets. They need to develop new models, of which only a few will succeed"*

Mike Kubzansky (2012)

As noted above, on the face of it, the PSD programmes' business models are not stunningly innovative, compared for example to the winners of the recent G20 Challenge on Inclusive Business Innovation.<sup>53</sup> Despite the glamour of radical innovation, most PSD projects globally focus on single commodities (eg cashews, leather) and adopt the standard value chain approach. Innovation for its own sake is not as important as a solid private sector business model. The PSD joint programmes may not be disruptive innovations but they are generally multi-commodity (as in *Cuba, Viet Nam, Bolivia and Egypt*) or multi-sectoral (as in *El Salvador, Dominican Republic, Costa Rica*).

We can distinguish between programmes that tackle a well-established, large-scale value chain (eg Turkish textiles; Vietnamese handicrafts) and those that are promoting new or emergent value chains (eg Ethiopian edible oils, Serbian rural tourism).

Iconic PSD projects often have a large multinational as an anchor, such as Vodafone and Coca-Cola in East Africa or Unilever in India and Indonesia. Holcim in *El Salvador* and big fashion buyers like H&M in *Turkey* were engaged, but multinationals are not at the core of any of the programmes. Instead the focus has been on building up networks of smaller local players. In *Cuba and Bolivia*, there was never going to be a private sector 'anchor'. In these programmes, women's empowerment and organic certification respectively were the drivers of innovation.

This may be less dramatic but is probably a more sustainable business model because only the rare multinational is prepared to innovate its business model in pro-poor value chains, and even rarer are those that will stay the course if they don't immediately succeed. One risk is that international investors will try to cut through an upgraded value chain once the hard work has been done (as could happen in the *Ethiopian* edible oil sector).

The trick in upgrading local value chains is to work first with a local 'anchor' firm with visionary leadership and cooperation readiness to collaborate (Campbell, 2010). This is exactly the approach adopted by SALASEL in *Egypt*, where farmer Mohamed Embarak and four friends invested their life savings to set up "Goodies for Agricultural Investment", the first farmer-owned agri-business company in Upper Egypt. "To me, this venture is more than just an investment. It is about seeding hope for my family, friends and a whole community of small farmers in Upper Egypt."<sup>54</sup>

#### JOINT PROGRAMMING: VARYING DEGREES OF COMPLEXITY

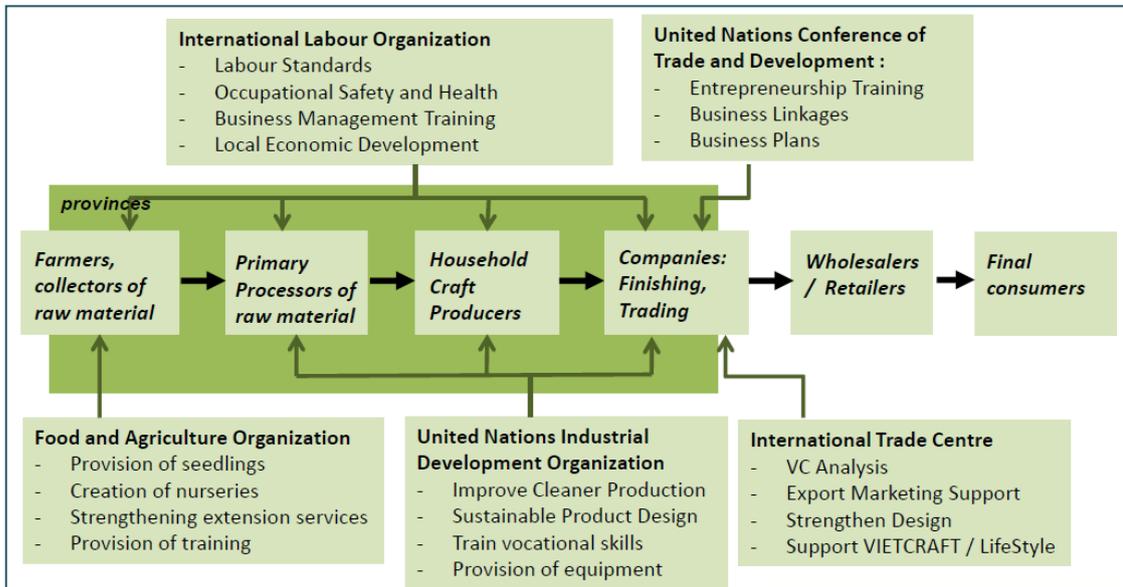
*"This programme has been important and has ensured that [the municipality of] El Salvador [Cuba] today has trained personnel, a more comprehensive Development Strategy than in the past, with a clear definition of our territorial priorities. We can also count on new tools and working methods and a better integration of all the stakeholders, who now know processes to encourage, participate and propose better ways of working towards a common goal."*

Miguelina Tamayo, Senior Vice President of El Salvador Municipality, Cuba<sup>55</sup>

By definition, all 12 joint programmes have multiple interventions from multiple partners. But some are more 'joint' than others. Figure 5-2 illustrates the rationale of the joint programme approach for the *Viet Nam* JP. The best argument for joint programming is that it

allows the deployment of the respective complementary expertises of different UN agencies and local partners at strategic points along the value chain. The comparative advantage in terms of technical mandate and expertise of agency should therefore be the guiding principle when designing JPs. When this was done well, joint programmes have generated significant gains in terms of transaction costs, as compared to several stand-alone interventions.

**Figure Error! No text of specified style in document.-5: Rationale for Joint Programming: Crafting out of Poverty, Viet Nam**



One lesson about coordinating joint work along the value chain is the importance of getting the number and phasing of interventions right. In a recent evaluation of 75 trade capacity building projects for USAID, project staff cited collaboration among organizational partners as the most critical success factor (Hageboeck, 2010). The more comprehensive the initial assessment (including gender and ethnicity), the more accurate will be the identification of areas for improvement throughout the whole value chain system. At the risk of simplifying, we can distinguish between programmes that identified multiple points for intervention (‘systemic’) and programmes that focused down on a smaller number of ‘bottlenecks’. The **Dominican Republic** banana programme is a good example of the systemic approach; the **El Salvador** programme an example of a narrower set of interventions.

Joint programme coordinators point out that the amount of work required for interagency coordination and consultation should not be underestimated. This argues in favour of not being too ambitious in JP design. “JPs may increase their jointness, effectiveness and efficiency by having a narrower and clearer focus”, says Koen Oosterom of the **Viet Nam** joint programme. “The right balance needs to be found for a JP, which reduces the risk of delays but does foster a fair degree of synergies and collaboration”.

**BENEFICIARY IMPACTS: INCOME, JOBS & EXPORTS OR EMPOWERMENT?**

*“There is limited knowledge about which interventions in what country are most likely to catalyze job creation, or benefit the poor.”*

*IFC Open Source Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction, October 2012<sup>56</sup>*

With 200 million people currently unemployed and 600 million new jobs needed by 2020, the interface between development and the private sector is facing a formidable challenge.

Increasing the productivity of existing firms and helping new firms get established must be key to any PSD programme, as the DCED results chain makes clear. Several of the programmes (eg Viet Nam) have used versions of this results chain in their planning processes, and have detailed records of beneficiary targeting and engagement (eg Egypt).

As shown in the previous section, the joint programmes can boast some impressive instances of increased net income and employment for poor households directly attributable to the programmes:

- In **Upper Egypt**, a single farmer saw his revenue increase 30% and was able to generate 14 jobs by accessing a new market of urban consumers for his fresh tomatoes;
- In La Palma municipality of **Cuba**, producers saw an increase of 68% in sales of beans and 55% increase in sales of rice to state produce markets in 2011 over 2010;
- In **Serbian** rural municipalities, visitor numbers and off-farm income increased 20-25% between 2010 and 2011;
- In **Viet Nam**, the indigenous weavers cooperative Vong Ngan won a VND 300 million contract by participating in the October 2012 Hanoi Gift Show.

Evidence of income and employment impacts on beneficiaries is mainly in this anecdotal form in many of the joint programmes (as judged from mid-term evaluations and annual reporting). Programme documents generally contain relatively little information on firm turnover, productivity or employment uplift. They do discuss support for establishing new enterprises but generally do not discuss this in the context of existing enterprise density. Overall, it is not yet possible to say whether the sometimes dramatic examples of impacts identified in section four are representative of the PSD programmes as a whole.

Many but not all of the programmes also aim to increase exports of key commodities: such as organic and fair trade bananas from **Dominican Republic**, horticultural produce from Upper **Egypt**, apparel from **Turkey** and handicrafts from **Viet Nam**. As noted above, many entrepreneurs in developing countries struggle to achieve export sales, which is problematic given the clear evidence that innovation, productivity, growth and employment are associated with exposure to export networks.<sup>57</sup> Export growth (in volume and value) can be benchmarked to export data using Comtrade or national statistics.

On the other hand, many of the programmes focused strongly on economic empowerment or 'business confidence', particularly for women entrepreneurs and marginalized ethnic groups. This is an important pre-condition for enterprise formation and expansion. Although it does not feature as a specified outcome in most results chains, it is a valid goal of capacity-building that has been offered to tens of thousands of beneficiaries in the 12 joint programmes. There are some good examples of the impact of this training (eg in **Cuba and Bolivia**), though it is too soon to be definitive yet about the overall impacts of the capacity-building interventions. What is clear is that capacity-building requires well-designed and frequent interventions. Surveys of entrepreneurial ambition among beneficiaries could be benchmarked against baseline data from the Global Entrepreneurship Monitor for participating countries.

Given the complex goals of PSD programmes, there is thus a need to track a 'triple bottom line' of desired impacts: income, jobs and empowerment – and all attributable to the programme rather than external factors. The programmes are beginning to assemble this information as they approach conclusion, but this is indeed 'tricky', as DCED warns.<sup>58</sup>

## TOWARDS A TYPOLOGY OF PROGRAMME STRATEGIES

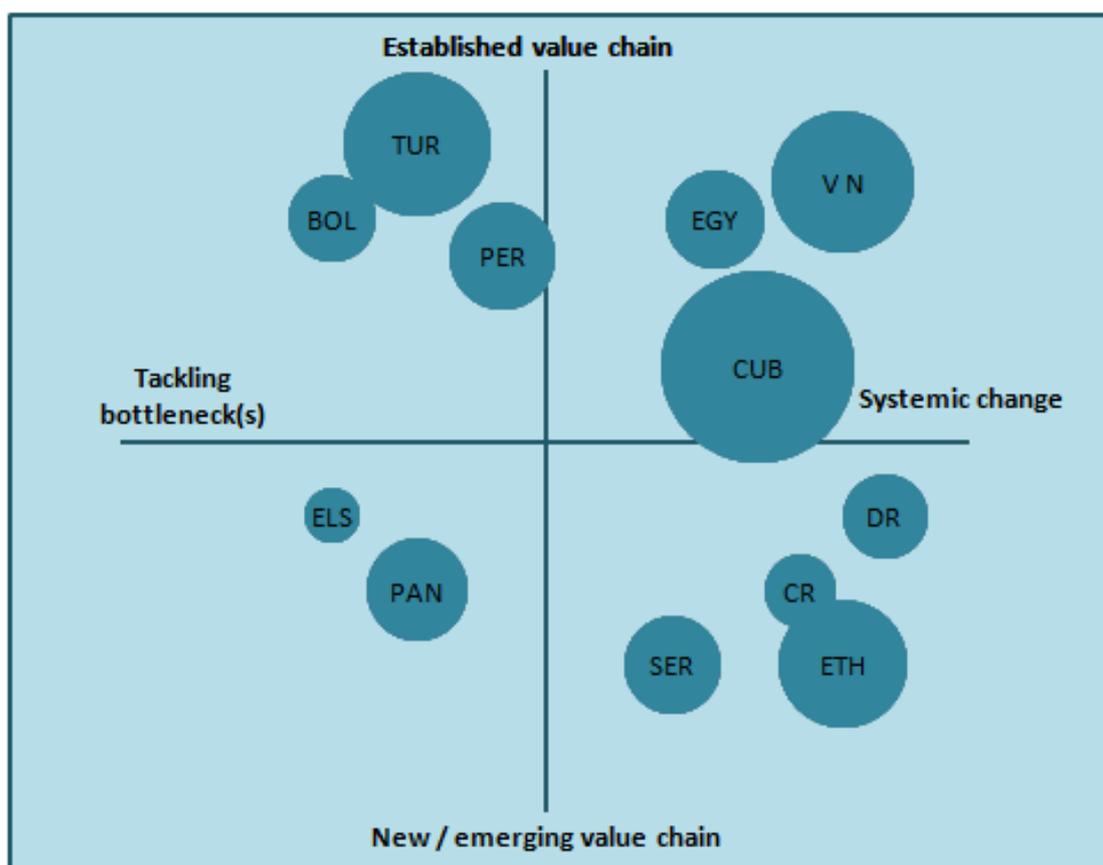
Putting together these three themes, we can classify the programmes along three axes:

- Deciding whether to make incremental improvements to an established value chain or attempt more radical uplift in a new or emergent value chain;
- Planning multiple system-wide interventions or focusing work on specific bottlenecks; and
- Targeting large numbers of direct beneficiaries through capacity-building or smaller numbers of beneficiaries through grants, firm formation and technical assistance.

Figure 5-2 maps the joint programmes according to these basic strategic decisions, with the value chain innovation on the vertical axis, the degree of joint-ness on the horizontal axis, and the degree of ambition in terms of direct beneficiaries indicated by bubble-size.

There is no right or wrong quadrant of this bubble chart. In fact, many of the programmes have tried approaches in each of the quadrants. The purpose of the typology is to look for overall patterns that may be of use for future programme design.

**Figure Error! No text of specified style in document.-6: Mapping joint programme strategies** (bubble size = approximate number of direct beneficiaries)



What emerges from this typology is that the most popular approach has been to work on system-wide solutions in new or emerging value chains – although with the exception of Ethiopia, the number of direct beneficiaries may not be quite as impressive as other programmes.

Less common has been an approach of tackling bottlenecks in emerging value chains – although in the case of *El Salvador*, the strategy is complex, because although the direct

beneficiaries may not be great, the expected impact on indirect beneficiaries from the advocacy work could be the most significant of any of the programmes.

Of the programmes working on better-established value chains, the systemic approach reaches large numbers of beneficiaries (notably in **Cuba**, where there is a strong gender focus too). However, it may prove that the income impacts are more significant in **Egypt** and **Viet Nam** than in **Cuba**, given the higher value-added potential of the value chains.

The **Bolivian** organic programme and the **Turkish** CSR and energy efficiency programmes are more focused on specific bottlenecks, but also able to reach large numbers of beneficiaries, while the **Peruvian** programme is something of a hybrid given that some of the sectors are better developed than others.

This sort of typology can be a useful way of visualizing opportunities and a planning tool for identifying the balance of interventions for future joint programmes.

## EMPOWERING WOMEN

*“Systematic mainstreaming of poverty reduction and gender equality is central to project/programme design... Gender equality is still not adequately incorporated as a systematic component of the design, implementation and monitoring of PSD projects/programmes. In the few cases where this is taken into account, the focus is more on specific measures – not sufficiently integrated into the overall approach – to promote the economic participation of women.”*

Dr. Brigitte Späth<sup>GIZ</sup> (2008)<sup>59</sup>

In most countries, female entrepreneurs are less common than male ones (GEM, 2012). PSD portfolios have traditionally not incorporated gender equality and therefore missed a major opportunity. More recently, PSD projects have started to prioritize women. In the BIF portfolio, eight of the 33 projects had more than 50% women as beneficiaries, and another 12 projects benefited women and men about equally.

In the PSD window, **Dominican Republic**, **Viet Nam**, **Cuba**, **Turkey** and **Bolivia** are the countries where women producers have been most clearly targeted. In **Egypt**, meanwhile, numbers of female beneficiaries are well below 50% though the impacts of engaging women are high, for example in women’s committees and the gender ‘seal’ for agricultural produce being developed by Intracen.<sup>60</sup> There is little evidence to date of impacts on female-headed enterprises, with the exception of the **Viet Nameese** craft value chains.

In other countries, women have been beneficiaries to varying extents. In **Serbia**, a study on *Access to Services of Women and Children in Rural Areas* was undertaken but the programme ultimately focused on all rural dwellers as the core disadvantaged group. In **Ethiopia**, the edible oil refining process is male-dominated, making it hard to engage women in the programme beyond seed growing and harvesting. In such cases, greater gender impacts would have required additional work earlier in the value chain. For example, research in the East Gojjam and South Wollo Zones of Amhara region shows that “effective land reforms do improve the welfare, in terms of productivity, of rural households in general and of female-headed households in particular” (Bezabih et al, 2012). Clearly, it is hard – but not impossible – to retrofit a strong gender component to complex programmes.

## COMMUNICATIONS AND BRANDING

*“The Sustainable Tourism and Rural Development (STRD) Programme contributed to branding Serbia in a positive way, and thus to disseminating a positive narrative about Serbia – both in the country and internationally. It has significant impact in terms of capacity building, increasing skills and transferring knowledge, and bringing development, jobs, new possibilities and a variety of activities to a large number of rural areas.”*

**William Infante, UN Resident Coordinator, Serbia**

Several programmes set out to develop a distinctive brand:

- **SALASEL** has its own MDG-F website (<http://mdg-hvc-eg.org/home.aspx>) and a substantial facebook page with a timeline of activities, slide-shows, video clips and hundreds of photos of key events <http://www.facebook.com/pages/Salasel-Joint-Program-Pro-poor-Horticulture-Value-Chains-in-Upper-Egypt/101256853290648> as well as a You Tube channel and linked-in page. SALASEL has generated a real buzz around its work that makes it easier to recruit partners and gain policy influence.
- The STRD in **Serbia** produced a lively 8 minute video on YouTube, sub-titled in English. [http://www.youtube.com/watch?v=UUKWHX\\_qQB4&feature=plcp](http://www.youtube.com/watch?v=UUKWHX_qQB4&feature=plcp). The programme received a lot of media coverage throughout.

**Viet Nam** is starting to build up a ‘green’ brand concept, building from its website *Crafting out of Poverty* <http://www.greentrade.org.vn> and a series of crafts fairs In the **DR** banana sector, this work is just starting. Other programmes have used print media to communicate their activities with local and international stakeholders (eg the **Cuba** programme has produced a broad array of print communications such as newsletters, articles etc.). In **Peru** the programme is benefiting from its connections to two other strong brands, *De Mi Tierra Un Producto* and *Marca Perú*), while the major branding effort has been focused on the creative industries themselves. To date, two collective brands have been established: Lambayeque honey and cotton in Tucume. Two more are in the pipeline: ceramics from Quinoa and cotton from Morrope.

Clearly, such programmes required a high profile to achieve their advocacy goals or to help recruit beneficiaries or investors and have been prioritized from the beginning. For others, communications and branding are less of a priority and have waited for the second half of the programme.

## BUILDING KNOWLEDGE NETWORKS

*“Policy-makers increasingly recognize the potential of networking and cooperation as essential tools to create jobs through economic growth and prosperity.”*

**Jesús Gracia Aldaz**

**Secretary of State for International Cooperation and for Latin America of Spain (UNIDO, 2012)**

Recent work on knowledge management supported by the MDG-F underlines the importance of knowledge networks in PSD projects. Entrepreneurs work long hours and don’t have much time to search for potential partners or money to pay to attend match-making events in the capital. As a result, they tend to stick with the networks they know and trust. Increasingly, pro-poor programmes are taking the issue of knowledge seriously, as for example in two new

entrepreneurship projects in Brazil, supported by IFAD, which are explicitly knowledge-focused.

The PSD joint programmes have all been active in promoting knowledge management and have engaged the key partners in the local business ecosystem. As illustrated by the *Turkish* and *Cuban* cases, the business ecosystem is denser in some countries than others, and this is not driven by size or level of development. Thus some programmes have had to devote more energy into building multiple knowledge networks than others.

The programmes have also used informal networks to achieve additional knowledge exchange, such as fact-finding visits like the *Dominican Republic* banana growers' study tour to *Costa Rica*, visits by two *Peruvian* cooks to international events in Italy and Bolivia and three artisans to the Weavers Meeting of the Americas, and pro-active visits to trade fairs in key markets (eg the *Viet Nam* trade road show to four Italian cities).<sup>61</sup> In designing programme activities for capacity building, Koen Oosterom of the Viet Nam JP advises that "a follow-up plan should be a part of an integral plan so that application of new knowledge and skills in practice can be supported after training, and there may be higher chance of sustainability."

## PLANNING FOR SUSTAINABILITY

*"When the business model is sound, a [project] can achieve self-sufficiency, thus weaning it from dependence on investors and donors, and operate at or near scale, thereby reaching enough people to make an impact on poverty rates."*

**Monitor Group Report, *Promise and Progress. Market-based Solutions to Poverty in Africa***

How long does a PSD programme typically take to get to scale? How many are 'sustainable' at the end of core financing? These are questions to which there are no definitive answers. Molly Hageboeck (2010) suggested that USAID's 75 trade capacity building projects on average required in excess of four years to get to scale. Mike Kubzansky believes projects can take anywhere from two to 20 years to get to scale, and closer to 20 if the model is innovative (Kubzansky, 2012). The recent IFAD projects are of six years duration.

For the PSD joint programmes, the typical duration has been 30-36 months, and by the time slow start-ups are taken into account, one programme said most of its activities were completed in a 20-month burst of activity. Unless these programmes have managed to find short-cuts through the PSD process, this suggests they are 'completing' earlier than average. This means programmes have been thinking about how to sustain activities (second phases) from early on.

The *SALASEL* programme, according to the JP team, enjoys a high level of support both at the local level from the Farmers' Associations, and at the national level, through continuous support by the Ministry of Foreign Trade and Industry and General Authority for Investment (GAFI). "The program has generated a wealth of business contacts, technical training material, feasibility studies and tools for value chain analyses that will remain within the Agriculture and Agro-industries Technology Center (ATC), and the Ministry of Foreign Trade and Industry. Such knowledge will be transmitted to the Ministry of Agriculture and Land Reclamation for scaling up and replication of technical assistance modules. Where possible, learning material will be made available on the internet to maximize outreach. Partners are closely engaged and fully supportive of the programme, and particularly interested in ensuring sustainability of project activities after project closure. Project outcomes are closely fine-tuned with the strategies of both the Ministry of Industry and Foreign Trade and the

Ministry of Agriculture and Land Reclamation.” Thus sustainability means multiple efforts to embed various parts of the programme, rather than relying on a single champion.

In the case of **Viet Nam**, ownership and sustainability is being enhanced by prioritizing local trainers and service providers for the delivery of training; the establishment of mutually beneficial horizontal and vertical linkages among craft actors; the strengthening of rural producer groups and cooperatives; reinforcing provincial governance structures to steer local economic development and mobilize sources of provincial funding, and the development of partnerships interested parties from key markets, like the Dutch Centre for the Promotion of Imports from developing countries (CBI).

Four ‘rules of thumb’ can thus be discerned about planning for sustainability:

- the better aligned the programme is to government priorities (eg **Bolivia, Costa Rica, El Salvador, Ethiopia, Serbia, Turkey**), the better the prospects for continued policy support (until a change of administration, at least);
- rely on several champions to take forward parts of the joint programme (**Egypt**);
- the simpler and lower-tech the interventions, the more likely the chance of them being carried on by local business advisers (eg **Turkey, Serbia, Viet Nam**)
- the sounder the business model, the better the prospects of attracting private finance (eg **Ethiopia**).

## RECOMMENDATIONS

*“While various pieces of evidence on the results of private sector development (PSD) do exist, they have not yet been integrated in a systematic way to make a strong, research-backed argument for PSD as a core element of development strategies, and to highlight areas where more research is required.”*

DCED

PSD practitioners are surprisingly tentative about the impacts of their work. Because of their diversity, the PSD window’s 12 joint programmes are an invaluable resource that could help fill knowledge gaps in a number of areas, by engaging systematically with other PSD portfolio programmes. As soon as credible results are available from completed programmes, these could be shared with the key knowledge networks on PSD (eg DCED website, Business Fights Poverty network, BIF and GIM databases etc). A case on the Hoa Tien Textile Cooperative in Viet Nam has already been added to the DCED value chains database.<sup>62</sup>

Some areas where the PSD window programmes are generating insights are:

1. **Green jobs:** once the final evaluations have taken place, it would be useful to draw together the relevant information on which interventions have had the greatest ‘green’ impacts, especially in generating new ‘green and decent work’. The results could be shared with ILO, Green Industry Platform, ITUC, Millennium Institute and others working on the green jobs agenda to ensure findings are dispersed and used in future green jobs mapping and promotion initiatives.
2. **South-South knowledge networks:** There are hundreds of PSD initiatives worldwide. Joint programmes could exchange knowledge horizontally with other initiatives in the same value chain: eg the Dutch NGO SNV has been supporting an oilseed value chain upgrade in Uganda.<sup>63</sup> In some countries, there have been several MDG-F programmes running alongside the private sector and development programmes (five programmes in

*Ethiopia*; four in *Bolivia, Costa Rica, Panama, Peru and Turkey*; three in *Egypt, El Salvador, Serbia and Viet Nam*).<sup>64</sup> In these countries, common lessons on multi-partner working could usefully be identified. In the case of *Ethiopia* this could be part of the national MDG advocacy and monitoring and evaluation plans.

3. **PSD in middle-income countries (MICs):** the focus of the programmes has been on pro-poor development in remoter and more impoverished regions, but most of the countries are middle-income countries. MICs today have more people living in poverty than low-income countries. What this means for the post-2015 development framework is currently under intense discussion. Brunca region in *Costa Rica* is relatively remote from the capital and has 35% unemployment but local stakeholders are able to learn about competitiveness strategies from the more prosperous metropolitan region, which win Costa Rica its reasonably high ranking for global competitiveness (57<sup>th</sup> in 2012-13, according to WEF). There are likely to be differences in viable strategies for inclusive business between MICs and LDCs. The MDG-F joint programmes are well placed to feed in to this debate.
4. **Effective engagement techniques:** the programmes have developed a range of participative capacity-building approaches including Training the Trainer approaches (eg in *Peru and Viet Nam*) and gender-targeted entrepreneurship training. Those approaches shown to have worked well could be formally documented in a user-friendly methodology guide. CIAT's recent Link methodology is a recent model (Lundy 2012)<sup>65</sup>
5. **Link local service-providers to global databases:** The programmes have developed many skilled business advisers (eg in *Turkey & Viet Nam*) who could be registered on global resources like UNDP's *Inclusive Markets Actors Database*, which already lists 300 partners, and Business Innovation Facility (BIF) and Innovations Against Poverty (IAP)'s jointly developed *Database of Financial and Technical Support for Inclusive Business*: a 'one-stop shop' for information about 200+ organisations offering financial and/or technical support in developing countries.<sup>66</sup> More could be done to make these portals more accessible for local entrepreneurs, associations and cooperatives, for example by linking them to sectoral associations and national SME support agencies or through PSD programme portals, facebook pages and so on.

***Through such recommendations, the programmes can benefit an even broader group of potential beneficiaries.***

**Figure Error! No text of specified style in document.-7: Pintao hats on sale, Panama City, June 2011. Source: author.**



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## ANNEXE

**Table A-1: WEF competitiveness index regulatory indicators 2012/13**

Country	WEF GCI 2012-13 Rank (of 144 nations)	WEF GCI 2012-13 score	WEF GCI 2012-13 Institutions Pillar Rank
Bolivia	104	3.78	119
Costa Rica	57	4.34	53
Dominican Republic	105	3.77	126
Egypt	107	3.73	96
El Salvador	101	3.80	134
Ethiopia	121	3.56	74
Panama	40	4.49	69
Peru	61	4.28	105
Serbia	95	3.87	130
Turkey	43	4.45	64
Viet Nam	75	4.11	89

Source: <http://www.weforum.org/issues/global-competitiveness>

**Table A-2: DHL Global Connectedness Index, 2005 & 2010**

Country	Global Connectedness Index 2005 score (%)	Global Connectedness Index 2010 (%)	Global Connectedness Index rank, 2010 (out of 125)
Bolivia	24	28	106
Costa Rica	34	33	94
Dominican Republic	24	28	107
Egypt	36	40	73
El Salvador	19	19	122
Ethiopia	42	39	75
Panama	31	35	85
Peru	38	45	57
Serbia	34	39	74
Turkey	41	47	51
Viet Nam	52	61	21

Source: [http://www.dhl.com/en/about\\_us/logistics\\_insights/global\\_connectedness\\_index/gci\\_result\\_s.html](http://www.dhl.com/en/about_us/logistics_insights/global_connectedness_index/gci_result_s.html)

**Table A-3: Population with access to financial services: business banking, 2011**

Country	Account used for business purposes (% age 15+)	Account used for business purposes, female (% age 15+)	Account used for business purposes, income, bottom 40% (% age 15+)	Account used for business purposes, rural (% age 15+)
Bolivia	6.4	5.5	3.3	6.2
Costa Rica	4.6	1.9	2.1	4.0
Dominican Republic	4.8	3.5	2.1	3.0
Egypt	0.9	0.1	0.2	0.8
El Salvador	0.6	0.2	..	0.5
Ethiopia	..	..	..	..
Panama	2.3	1.6	2.8	1.8
Peru	2.8	2.5	0.4	3.0
Serbia	8.8	5.9	6.9	9.3
Turkey	12.3	3.1	8.3	16.4
Viet Nam	3.8	3.2	1.4	1.9

Source: <http://www.worldbank.org/globalindex>

**Table A-4: Market information indicators (most recent year)**

Country	Years of Experience of the Top Manager Working in the Firm's Sector	% of Firms With Internationally-Recognized Quality Certification	% of Firms Offering Formal Training
Bolivia	21	22	57
Costa Rica	20	13	55
Dominican Republic	..	10	53
Egypt, Arab Rep.	10	21	22
El Salvador	20	14	61
Ethiopia	15	4	38
Panama	11	23	11
Peru	22	14	60
Serbia	18	22	37
Turkey	24	30	29
Viet Nam	15	17	44
Mean	18	17	42

Source: Enterprise Surveys database

**Table A-5: Key institutional features of the PSD joint programmes**

Country	Title	UN Partners	Implementing Partners	Budget (US\$m)
Bolivia	The Integration of indigenous Andean producers into new national and international value chains	WFP, ILO, UNDP, UNICEF, FAO, UNIDO, CNAPE	Asociación de Organizaciones de Productores Ecológicos de Bolivia (AOPEB); Ministerio de Desarrollo Rural Y Tierras (MDRYT); Instituto de Investigación Agropecuaria y Forestal (INIAF); Programa de Alianzas Rurales (PAR); (EMPODERAR); Programa de Apoyo a la Seguridad Alimentaria (PASA); Promueve Bolivia (PROBOLIVIA); Servicio Nacional de Sanidad Agrícola y Ganadera (SENASAG); Vice Ministerio de la Mediana y Pequeña Empresa (VMPE)	8
Costa Rica	Developing competitiveness for the Brunca Region in the Tourism and agro-industry sectors, with emphasis on creation of green, decent employment for reducing poverty	FAO, ILO  OIM, UN-Habitat, UNDP, UNIDO	Cámara de Industrias; CCNRS; Centro de Gestión Tecnológica; CONARE; Federación de Municipalidades; Fundación Omar Dengo; GATs; Instituto de Fomento y Asesora Municipal; Instituto Nacional de Aprendizaje; Junta de Desarrollo de la Zona Sur; Ministerio de Agricultura; Ministerio de Economía; Ministerio de Planificación Nacional; Municipalidad de Buenos Aires; Municipalidad de Corredores; Municipalidad de Coto Brus; Municipalidad de Golfito; Municipalidad de Osa; Municipalidad de Pérez Zeledón; Promotora de Comercio; Rainforest Alliance	4
Cuba	Support for new decentralization initiatives and production stimulation in Cuba	UNDP, FAO, UNESCO,	Asociación Nacional de Agricultores Pequeños(ANAP), Consejo Nacional de Artesanías (CNA), Estación Experimental de Pasto y Forraje Indio Hatuey, Federación de Mujeres Cubanas, (FMC), Gobiernos municipales de La Palma, Martí, Yaguajay, Río Cauto y El Salvador, Industria local de los cinco municipios, Ministerio de Agricultura, Ministerio de Cultura (MINCULT), Ministerio de Economía y Planificación (MEP), Ministerio de Educación (MINED), Ministerio de la Industria Ligera (MINIL), Ministerio del Comercio Exterior y la Inversión Extranjera (MINCEX), Ministerio del Comercio Interior (MINCIN), Ministerio Educación Superior (MES), Oficina Nacional de Diseño Industrial (ONDI), Universidad de Pinar del Río, Matanzas, Yaguajay, Granma y Guantánamo	7
Dominican Republic	Strengthening the banana value chain through the growth of inclusive markets	UNDP, FAO, ILO, PAHO, WFP, UNFPA, UNAIDS	Conjunto Productivo de Banano, Clúster; Consejo Nacional de competitividad; Consejo Presidencia para el SIDA; Institutito Nacional de Recursos Hidráulicos; Instituto de Innovación en Biotecnología e Industria; Instituto Dominicano de Investigaciones Agropecuarias y Forestales; Ministerio de Agricultura y Ganadería; Ministerio de Educación; Ministerio de la Mujer; Ministerio de Salud; Ministerio del Trabajo; Unidad de Electrificación	4.7

Rural y Sub Urbana				
Egypt	Pro-poor Horticulture Value Chains in Upper Egypt	ILO, UNDP, UN Women, UNIDO	Ministry of Investment, Ministry of Trade and Industry	7.5
El Salvador	Urban and Productive Integrated Sustainable Settlements	UNIDO, UNDP, UN Habitat	Alcaldía de Apopa, Alcaldía de Santa Tecla, Viceministerio de Vivienda y Desarrollo	5.2
Ethiopia	Edible Oil Value Chain Enhancement	ILO, FAO, UNIDO	MoARD; MoFED; MoLSA; MoTI;	3
Panama	Entrepreneurial Opportunities Network for Poor Families	FAO, UN-WTO, UNCTAD, UNDP, UNIDO	Autoridad de la Micro y Pequeña Empresa (AMPYME); Autoridad del Turismo de Panamá (ATP); Ministerio de Comercio e Industrias (MICI); Ministerio de Desarrollo Agropecuario (MIDA); Ministerio de Economía y Finanzas (MEF)	8
Peru	Inclusive creative industries: an innovative tool for alleviating poverty	FAO, ILO, UNESCO, UNWTO, UNDP, UNIDO	MINCETUR, MINAG, MINCUL, PRODUCE, MTPE, MINAM, Regional government, municipalities	5
Serbia	Sustainable Tourism for Rural Development	UNEP, FAO, UNICEF, UNDP, WTO	Ministry of Agriculture, Forestry and Water Management; Ministry of Economy and Regional Development; Tourism Organization of Serbia	4
Turkey	Harnessing Sustainable Linkages for SMEs in Turkey's Textile Sector	UNIDO, UNDP, ILO	İSTANBUL TEKSTİL VE KONFEKSİYON İHRACATÇI BİRLİKLERİ (ITKIB)	2.7
Viet Nam	Green Production and Trade to Increase Income and Employment Opportunities for the Rural Poor	UTC, UNCTAD, FAO, UNIDO, ILO	Vietrade (Vietnam Trade Promotion Agency); Ministry of Industry and Trad, Vietcraft (Vietnam Handicraft Exporters Association), Handicraft Research and Promotion Centre (HRPC), RUDEC (Rural Development Center); Ministry of Agriculture and Rural Development; Vietnam Chamber of Commerce and Industry; Vietnam Cooperatives Alliance; Vietnam Cleaner Production Center; Department of Industry and Trade (DOIT); Department of Agriculture and Rural Development (DARD); Provincial Department of Labour, Invalids and Social Affairs; Institute of Policy and Strategy for Agriculture and Rural Development	4

<sup>1</sup> <http://www.nextbillion.net/blogpost.aspx?blogid=1136>

<sup>2</sup> <http://www.mdgfund.org/aboutus>

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<sup>4</sup>

[http://www1.ifc.org/wps/wcm/connect/de7d92804a29ffe9ae04af8969adcc27/InterpretationNote\\_SME\\_2012.pdf?MOD=AJPERES](http://www1.ifc.org/wps/wcm/connect/de7d92804a29ffe9ae04af8969adcc27/InterpretationNote_SME_2012.pdf?MOD=AJPERES)

<sup>5</sup> <http://web.undp.org/psd-toolkit/basics1.html>

<sup>6</sup> <http://www.enterprise-development.org/page/psdknowledge>

<sup>7</sup> A recent Monitor Group review for the Rockefeller Foundation identified 13 donor programs providing grant or policy support focused exclusively on inclusive businesses, committing about US\$55 million per year (Kubzansky, 2012)..

<sup>8</sup> <http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2012/English2012.pdf>.

<sup>9</sup> Cuba is not included in this table nor in following tables due to missing data at the international level.

<sup>10</sup> the on-line tool for poverty measurement developed by the Development Research Group of the World Bank, <http://research.worldbank.org/PovcalNet/index.htm>, accessed 11/10/12

<sup>11</sup> [www.daedalusexperiment.com](http://www.daedalusexperiment.com)

<sup>12</sup> An IFC and McKinsey study in 2010 estimated 80-100 million formal MSMEs in emerging economies; IFC further estimated 125 million formal MSMEs from a study of 132 economies, of which 89 million were estimated to operate in emerging markets (Kushnir, K. *et al.* 2010). When informal and start-up enterprises are included, the numbers become even more impressive. The Global Entrepreneurship Monitor (GEM) estimates that 388 million entrepreneurs were actively engaged in starting and running new businesses in 2011 (based on interviews with over 140,000 adults in 54 economies).

<sup>13</sup> The IFC data for Dominican Republic and Ethiopia appear to be abnormally low and may be unreliable.

<sup>14</sup> The ratio of formal to informal MSMEs in Egypt is 1:1.4; in Peru it is 1:3.

<sup>15</sup> [http://www.mdgfund.org/sites/default/files/MDGs\\_and\\_Inequalities\\_Final\\_Report.pdf](http://www.mdgfund.org/sites/default/files/MDGs_and_Inequalities_Final_Report.pdf)

<sup>16</sup> <http://www.iadb.org/mobile/news/detail.cfm?Language=English&id=10172>.

<sup>17</sup> <http://www.demitierraunproducto.gob.pe/index.htm>.

<sup>18</sup> <http://www.gastronomiaperu.com/>

<sup>19</sup> *Promotion of cultural and creative industries in Latin America and the Caribbean*, SELA, October 2011.

[http://www.sela.org/attach/258/default/Di\\_No\\_9-Promotion\\_of\\_cultural\\_and\\_creative\\_industries\\_in\\_LAC.pdf](http://www.sela.org/attach/258/default/Di_No_9-Promotion_of_cultural_and_creative_industries_in_LAC.pdf)

<sup>20</sup> <http://www.facebook.com/notes/salasel-joint-program-pro-poor-horticulture-value-chains-in-upper-egypt/trip-to-panama-knowledge-management-and-sharing/108229152593418>

<sup>21</sup>

<http://www.mdgfund.org/country/elsalvador/story/Buildinga%E2%80%9CBigApple%E2%80%9DinthelsumsofanSalvador>.

<sup>22</sup> [http://www.ilo.org/sanjose/sala-de-prensa/WCMS\\_187390/lang--es/index.htm](http://www.ilo.org/sanjose/sala-de-prensa/WCMS_187390/lang--es/index.htm)

<sup>23</sup> <http://www.elsursur.com/?idp=224>.

<sup>24</sup> [http://cases.growinginclusivemarkets.org/categories?kw=&doc\\_type%5B%5D=CaseStudy&commit=Search](http://cases.growinginclusivemarkets.org/categories?kw=&doc_type%5B%5D=CaseStudy&commit=Search)

<sup>25</sup> [http://www.freshplaza.com/news\\_detail.asp?id=93791](http://www.freshplaza.com/news_detail.asp?id=93791)

<sup>26</sup> [http://www.bananodominicano.com/index.php?option=com\\_content&view=article&id=221:banano-organico&catid=39:nacionales&Itemid=59](http://www.bananodominicano.com/index.php?option=com_content&view=article&id=221:banano-organico&catid=39:nacionales&Itemid=59)

<sup>27</sup> [http://www.bananodominicano.com/index.php?option=com\\_content&view=article&id=221:banano-organico&catid=39:nacionales&Itemid=59](http://www.bananodominicano.com/index.php?option=com_content&view=article&id=221:banano-organico&catid=39:nacionales&Itemid=59)

<sup>28</sup> [http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS\\_163464/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_163464/lang--en/index.htm)

<sup>29</sup> <http://www.regionalcentre-lac-undp.org/images/stories/POVERTY/bulletinmdgsinlac7.pdf>

<sup>30</sup> Just over half the projects focus on producers and suppliers (17), while 16 target consumers, with just one project supporting distributors.

However, in terms of development impacts (numbers of beneficiaries reached, significance per person, chance of replication), the consumer-focused projects were generally judged to have greater potential impacts than the producer-focused projects

<http://api.ning.com/files/tgmu1v00IQjRbofbV6y2sk75yhZD1FTA1pN4aVmVxOjX46gjoyyEO2OR6WofBAVCEZDdnMPuDPxyZH7HC31NA/BIFPortfolioReview2012FullReport.pdf>.

<sup>31</sup> <http://www.value-chains.org/dyn/bds/docs/828/AgribusinessPerspectivesFULL%20REPORTMay2012.pdf>

<sup>32</sup> <http://www.sustainableenergyforall.org/>.

<sup>33</sup> <http://www.businessfightspoverty.org/profiles/blogs/trends-and-results-in-private-sector-development>.

- <sup>34</sup> [http://www.growinginclusivemarkets.org/media/mdgreport/mdgreport\\_undp.pdf](http://www.growinginclusivemarkets.org/media/mdgreport/mdgreport_undp.pdf), page 77.
- <sup>35</sup> <http://ifad-un.blogspot.co.uk/2012/09/knowledge-is-central-to-overcoming.html>.
- <sup>36</sup> [http://addisfortune.com/Vol\\_12\\_No\\_616\\_Archive/Spark%20of%20Hope%20for%20Ethiopian%20Edible%20Oil%20Industry.htm](http://addisfortune.com/Vol_12_No_616_Archive/Spark%20of%20Hope%20for%20Ethiopian%20Edible%20Oil%20Industry.htm)
- <sup>37</sup> <http://www.businessweek.com/news/2012-04-05/saudi-billionaire-to-invest-600-million-in-ethiopia-cooking-oil>.
- <sup>38</sup> <http://www.cbi.eu/success-stories/How-did-the-lost-crop-of-the-Incas-overcome-European-import-regulations-on-novel-food-/136077>
- <sup>39</sup> <http://www.savethechildren.org/site/c.8rKLIXMGIpI4E/b.6150559/>.
- <sup>40</sup> <http://www.cambio.bo/noticia.php?fecha=2012-09-30&idn=80390>
- <sup>41</sup> <http://new.paho.org/nutricionydesarrollo/?p=631>
- <sup>42</sup> <http://www.growinginclusivemarkets.org/blog/>
- <sup>43</sup> <http://www.turkishtextiles.com/turkish-clothing-manufacturers-association.html>.
- <sup>44</sup> [http://www.tcp.gov.tr/english/sectors/sectoringpdf/hg-clothing\\_2012.pdf](http://www.tcp.gov.tr/english/sectors/sectoringpdf/hg-clothing_2012.pdf).
- <sup>45</sup> <http://www.itkib.org.tr/default.asp?>.
- <sup>46</sup> <http://www.echochamber.com/n2k/zararome.html>.
- <sup>47</sup> <http://www.facebook.com/notes/salasel-joint-program-pro-poor-horticulture-value-chains-in-upper-egypt/hefty-deal-for-al-menya-small-farmers/139952842754382>
- <sup>48</sup> <http://www.construfacil.com.sv>
- <sup>49</sup> Organization of American States (OAS), the Inter-American Development Bank (IDB) and the Economic Commission for Latin America and the Caribbean (ECLAC)  
<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=36599452>
- <sup>50</sup> [http://www.topsrbija.com/index.php?option=com\\_content&view=article&id=2946:ruralni-turizam-vaan-turistiki-proizvod-srbije&catid=319:seoski-turizam&Itemid=457](http://www.topsrbija.com/index.php?option=com_content&view=article&id=2946:ruralni-turizam-vaan-turistiki-proizvod-srbije&catid=319:seoski-turizam&Itemid=457)
- <sup>51</sup> [http://www.ilo.org/sanjose/sala-de-prensa/WCMS\\_187390/lang--es/index.htm](http://www.ilo.org/sanjose/sala-de-prensa/WCMS_187390/lang--es/index.htm).
- <sup>52</sup> <http://www.enterprise-development.org/page/rm>
- <sup>53</sup> <http://www.g20challenge.com/>
- <sup>54</sup> <http://www.mdgfund.org/country/egypt/story/MDG-FbacksarevolutioninEgyptianfarming>.
- <sup>55</sup> <http://www.revistahumanum.org/revista/descentralizacion-gobernabilidad-local-y-desarrollo-humano-en-cuba-el-caso-del-municipio-el-salvador/>  
Revista Humanum
- <sup>56</sup> [http://www1.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/IDG\\_Home/JobCreation](http://www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IDG_Home/JobCreation)
- <sup>57</sup> A 2009 study by Murat Seker at the World Bank of ‘foreign exposure’ and job creation found that businesses with exposure to foreign markets through trade relations create, on average, three-quarters more jobs and are twice as productive as non trading businesses.  
<http://www.enterprisesurveys.org/~media/FPDKM/EnterpriseSurveys/Documents/Enterprise%20Notes/Trade-3.pdf>
- <sup>58</sup> DCED reports that such information is not available for around half of the 39 cases on their website.
- <sup>59</sup> <http://www.giz.de/de/downloads/gtz2008-en-pwe-cross-section-evaluation-executive-summary.pdf>
- <sup>60</sup> [http://www.intracen.org/uploadedFiles/intracenorg/Content/About\\_ITC/Where\\_are\\_we\\_working/Multi-country\\_programmes/Women\\_and\\_trade/Pro-poor%20Horticultural%20Export%20Value%20Chains%20in%20Egypt.pdf](http://www.intracen.org/uploadedFiles/intracenorg/Content/About_ITC/Where_are_we_working/Multi-country_programmes/Women_and_trade/Pro-poor%20Horticultural%20Export%20Value%20Chains%20in%20Egypt.pdf).
- <sup>61</sup> [http://www.unido.org/index.php?id=7881&tx\\_ttnews%5Btt\\_news%5D=1171&cHash=1cf02d4bed1a572e0f1e6fc8fffd890f](http://www.unido.org/index.php?id=7881&tx_ttnews%5Btt_news%5D=1171&cHash=1cf02d4bed1a572e0f1e6fc8fffd890f)
- <sup>62</sup> <http://www.value-chains.org/dyn/bds/docs/detail2/833/5>.
- <sup>63</sup> <http://www.snvworl.org/en/regions/world/our-work/stories/boost-to-oilseed-sector-in-uganda>
- <sup>64</sup> <http://www.mdgfund.org/page/ourprogrammes>.
- <sup>65</sup> [http://www.m4phub.org/userfiles/resources/16112012171129220-LINK\\_Methodology\\_-\\_CIAT\\_participatory\\_guide.pdf](http://www.m4phub.org/userfiles/resources/16112012171129220-LINK_Methodology_-_CIAT_participatory_guide.pdf)
- <sup>66</sup> <http://actors.growinginclusivemarkets.org/search> and <http://businessinnovationfacility.org/page/data-of-financial-and-technical-support-for-inclusive-businesses>