Aid and Business for Sustainable Development

Emerging lessons from effective aid–business partnerships in the era of the SDGs

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Issue Paper
January 2016

Sustainable Markets

Keywords:
Aid, business and sustainable development, green growth, inclusive business, informal sector, partnerships

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Produced by IIED's Sustainable Markets Group

The Sustainable Markets Group drives IIED's efforts to ensure that markets contribute to positive social, environmental and economic outcomes. The group brings together IIED's work on market governance, environmental economics, small-scale and informal enterprise, and energy and extractive industries.

Published by IIED, January 2016.

Ben Garside, James Luger, Aida Kowalska, Paul Steele. 2016. *Aid and Business for Sustainable Development. Emerging lessons from effective aid–business partnerships in the era of the SDGs.* IIED Issue Paper. IIED, London.

Product code: 16607IIED

ISBN: 978-1-78431-284-8

Printed on recycled paper with vegetable-based inks.

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The year 2015 was pivotal in moving towards a fairer, more sustainable world. The global Sustainable Development Goals and the Paris Conference of the Parties (COP21) to the UN Framework Convention on Climate Change aimed to address some of the greatest challenges facing humanity, including climate change, environmental degradation and the persistent disparity between rich and poor. To deliver on the post-2015 agenda, it is clear that traditional forms of development aid will no longer be adequate and that new forms of governance, partnerships and financing – particularly between public, private and informal economy actors – will be required. This report draws on a series of case studies to consider what works, bringing together an initial evidence base to help inform effective aid and business interventions for sustainable development, with a particular focus on those which involve and support small- and medium-scale businesses.

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Executive summary

Aid and business for sustainable development

The aim of this project is to better understand the key features and functions of successful partnerships for sustainable development (SD) between donors, large enterprises, small, medium and micro enterprises (SMMEs) and the informal sector. Using these insights, and working with others through a series of dialogues and 'live' cases, we aim to increase the effectiveness of aid and promote partnerships which are more likely to lead to improved sustainable development outcomes.

Understanding the role of aid and small-scale business in delivering sustainable development

The private sector is an increasingly important partner in advancing sustainable development, and bilateral aid agencies are currently grappling with ways to learn from and leverage the activities of companies and markets to create wealth in developing countries. To utilise aid effectively in partnerships with the private sector, it is important to analyse the sustainable development (SD) outcomes[1] achieved through all scales and types of public–private partnerships (PPPs) between governments, donors, NGOs and developing economy entrepreneurs.

PPPs involving big business are currently receiving more attention than some of the smaller scale alternatives. But other forms of public–private collaborations can be at least as effective at delivering SD outcomes. More inclusive business practices such as voluntary agreements, community enterprise funds and community contracts are examples from which we can learn, draw principles and innovate accordingly. Informal, small, medium and micro enterprises (SMMEs) are also known to be powerhouses of economies, particularly in a developing country context. Yet they are often not considered in large PPP agreements, or are allocated a role with little consultation.

Focusing particularly on these smaller businesses, this report examines the role of aid in leveraging the private sector for better sustainable development outcomes. The report particularly explores the process of forming and operating partnerships in delivering sustainable development outcomes, distilling a number of key functions of aid which offer the potential for more sustainable and impactful partnerships that benefit both donors and private sector participants.

Creating an evidence base of what works

This report draws on a broad exploration of over 40 case studies, honed down to a detailed analysis of 11. This detailed analysis helps provide clear lessons and success factors from public and private collaborations aimed at delivering commercial, social and environmental value.

The 11 case studies, drawn from Asia, Africa and Latin America, were selected on the basis of meeting three criteria: documented evidence of sustainable development objectives/outcomes, inclusion of small and informal businesses, and attention to environmental impacts. They highlighted successful public–private SD collaborations in the areas of resource efficiency, health and sanitation, job creation and community income generation.

The case studies highlight the specific role and contribution of aid to successful partnerships involving businesses. The report highlights where this role for aid has been delivered differently and/or more specifically for SMMEs and the informal sector, in a number of cases working with big business to help construct more equitable partnerships which deliver value to all players. It also provides contrasting examples of entirely private-sector supported initiatives.

The table below summarises the analysis, and categorises the 11 case studies in terms of:

- identifiable contributions to SD outcomes (economic, social and environmental)

[1] SD outcomes are defined as economic progress, democratic governance, healthy and productive natural systems and equitable prosperity and opportunity (IRF, 2015).

Table 1 Summary of case study analysis results

CASE STUDY	PARTNERSHIP TYPE	ROLE AND KEY FUNCTION OF AID	AID FINANCE MECHANISMS	SD OUTCOME
VA3	Voluntary agreement	Capacity	Capacity/training funds	econ, soc, env
Manila Water	PPP	Convening	Local govt/donor financing	econ, soc, env
El Mezquital	Community contract	Financial, policy	Revolving door funds	econ, soc, env
Cadbury Cocoa Partnership	Community contract	Transparency	Grants	econ, soc, env
Switch-Asia	Voluntary agreement	Capacity	Capacity/training funds	econ, env
E+Co	PPP	Convening	Preferential loans	econ, env
Re-Tie Bangladesh	PPP	Facilitating, capacity	Capacity/training funds	econ, soc, env
Enterprise and Employment, Nicaragua	Community contract	Financial	Preferential loans	soc, env
Water-Futures Partnership	Community contract	Financial, facilitating	Commercial financing	econ, soc, env
Techfortrade	Community enterprise	Financial, policy	Private funds/pump-priming	econ, soc, env
ANSAB Nepal	Voluntary agreement	Convening, policy	Capacity/training funds	econ, soc, env

- the partnership type (PPP, voluntary agreement, community contract and community enterprise)
- modality for aid finance (capacity/training funds, preferential loans, private funds, commercial financing, revolving funds and grants)
- role and key functions of aid (financing, convening, capacity, policy and transparency).

Analysing effective aid–business partnerships for SD: partnership processes, and functions of aid

Through the analysis, we have identified five key functions of aid: financial (de-risking), convening, capacity building (for SD), supporting (inclusive SD) policy and information transparency. These are explained in more detail below.

Financial: Financial instruments are often complex, time-limited and offered at a scale that makes accessing them challenging for small, community-based enterprises and organisations. The case studies exploring the Programme for Enterprise and Employment in Nicaragua, and the E+Co portfolio investment approach demonstrate how these challenges can be overcome, whilst at the same time offering appropriately scaled and robustly monitored products to small enterprises.

Convening: Aid can take the role of a trusted broker in bringing different stakeholders together and encouraging more transparent and less hierarchical governance structures. For example, in the VA3 case study the Netherlands Enterprise Agency used their in-depth experience of the Chinese context to facilitate dialogue and foster operational practice across 700 SMMEs within a horizontal decision-making structure.

Capacity building: The report highlights the importance of supporting learning processes and building capacity. For example, early on aid helped to establish an institutional and management system in the El Mezquital project in Guatemala. This case saw essential infrastructure projects developed and delivered through clear 'ways of working' between communities and financial institutions, and a focus on building capacity amongst residents on administrative, technical and financial issues. In addition, the Switch–Asia: Train the Trainers project overcame the 'market failure' of businesses to invest in taking a longer-term approach by working with key influencing individuals, bodies and institutions to overcome the costs associated with expert training, knowledge dissemination and awareness raising.

Enabling policies: In order to be successful, SMMEs often require supportive policy regimes at the outset. The ability of aid to influence or directly design a wider policy/enabling environment is illustrated through the Manila Water case study, which saw international advisors working closely with in-country public bodies to relax up-front regulatory requirements and encourage the emergence of small businesses.

Transparency: Reporting and information sharing in accessible formats can help build understanding and trust between project partners and wider stakeholders, particularly where collective approaches are required for successful outcomes. The involvement of the publicly funded IFC in the Manila Water project saw the introduction of public environmental and social disclosure obligations, the first of their kind in the Philippines, helping to establish greater transparency and accountability amongst partnerships.

We also identified examples of how certain processes during formation of partnerships and operation of projects complemented and reinforced these functions – leading to more sustainable partnerships, better value sharing and improved outcomes.

Conclusions and next steps

As can be seen from Table 1, it was not possible to identify the full range of SD outcomes across all of the case studies. In some cases there was a lack of evidence. Many of the studies (even those demonstrating evidence across the three domains of economic, social, and environmental) tended to have a primary outcome with the other domains acting either as a delivery context or complementary aspect, for example, economic growth delivered through green technologies, resulting in positive environmental outcomes.

In analysing the case studies of successful public–private SD collaborations we were able to identify five main functions of effective aid (listed above). These five functions represent the essential ingredients for effective public–private SD partnerships, and are critical in bridging the differences in objectives between public and private sector, and the differences in scale between large and small enterprises.

The analysis also revealed how key processes (such as fostering inclusive business models, effective communication and equality of representation) help to reinforce these functions, draw on the added value of each partner, and help catalyse both developmental and commercial success.

Our initial findings indicate that these functions and processes provide the basis for effective aid–business partnerships for SD, which should help foster: **additionality** (i.e. not just financing areas business would have naturally invested in); **financial sustainability** (viable business models rather than short-term interventions); **mutual transformation** (businesses genuinely changing practices and donors improving their approaches); and **risk-sharing** – all delivered within a **market neutral** (non-distorting) and **transparent** (social and environmental disclosure reporting from businesses) manner.

Additionality and the other factors described above should also be considered when developing and implementing joint ventures. In our research, we found evidence of a number of projects already delivering against these factors, which indicates the potential for the future.

The intention in highlighting these functions of aid and key processes is to inform donors how to design partnerships that (a) are attractive to the private sector, (b) maximise SD outcomes, (c) maximise leverage of aid resources and (d) are inclusive through support for small-scale and informal businesses.

As such, we hope that the research will contribute to:

- a greater mutual understanding between public and private parties
- better understanding of the importance of (and conditions for) early and effective engagement of small, medium, micro and informal businesses within collaborative projects.
- the development of a shared evidence base to help inform future programmes, projects and aid interventions
- the design of relevant metrics to support measurement of impact, value for money and ultimately help monitor and evaluate effective interventions.

IIED aims to add to and refine these initial findings in dialogue with the OECD, donors, national governments, private sector institutions, NGOs and developing economy entrepreneurs.

Understanding the role of aid and small-scale business in delivering sustainable development

1

1.1 Context of the report

In order to meet the challenge and imperative of the Sustainable Development Goals (SDGs), there is a need to better examine and learn from the sustainable development (SD) outcomes achieved through all scales and types of public–private partnerships (PPPs) between governments, donors, NGOs and developing economy entrepreneurs.

Traditionally, governments and donors have focused on large-scale PPPs in order to achieve economies of scale, maximise positive impacts and leverage the extensive commercial networks of multinational enterprises. However, the management and implementation of these types of (large) partnership has also led to criticism, particularly over issues of environmental degradation and social marginalisation.

Arguably, other forms of public–private collaboration can be as – if not more – effective at delivering inclusive SD outcomes, with smaller scales of business (small, medium and micro enterprises) offering potential for positively intervening in poor people's markets.

To date, most reports have focused on the characteristics of large-scale PPPs (formation, operation, effectiveness), and there has been less of a focus on examining effective types of public–private collaborations through a sustainable development lens.

To inform the focus and scope of our analysis, we begin by reviewing existing work on PPPs, the potential contribution of SMMEs to sustainable development and the types of partnership that can exist between public, private and civil society actors.

1.2 Public-private partnerships for sustainability: defining terms

In a 2011 report, the OECD Development Assistance Committee (DAC)'s Working Party on Aid Effectiveness (Davies 2011) recognised the growing significance of contributions from the private sector to the development process. It found that both bilateral donors and partner countries felt that private sector actors should be recognised as equal partners around key development issues rather than being viewed simply as resource providers.

The role of donors, governments, private enterprise and civil society within these public–private partnerships can vary, as illustrated below.

Whilst the potential for PPPs to deliver effective development interventions is widely recognised, well-documented examples and case studies are not common and, moreover, vary across countries. This hard-to-compare evidence may be affecting take-up, and could mean that such partnerships are largely unrealised (Callan and Davies 2013). Even where

BOX 1 ROLES OF PARTNERS

NGO-led. A partnership where the NGO is the primary project-implementing partner on the ground and/or manages project funds. For example, a PPP can also be an NGO-led partnership where an NGO works directly to enable SD practices in SMMEs through running business incubators and developing training.

Private sector-led. A partnership where the private sector is the primary and proactive project leader and facilitator. For example, a multinational working with more diverse suppliers to incorporate SD components in its supply chain.

Government-led (including multilateral and bilateral). A partnership that has an implementing government directly involved with on the ground projects. For example, this could involve local/national government (more likely the former) working with local organisations, or relate to multilateral investment banks, the role of technical assistance and/or other enabling resources that facilitate SD goals.

evidence is available, it does not address all the dimensions of sustainable development, as these are often not the principal objective of the PPP.

Nevertheless, some recurring elements and design characteristics for successful PPPs – consistent with the broader definition of sustainable development – can be drawn out from the available evidence. For example, PPPs and other forms of public–private collaboration can create trust through enforcing existing and newly created local-level institutions (a bottom-up ethos) and by using donor money to lower investment risk in these models (Schellekens and de Groot 2014).

PPPs may also provide complementary skills and resources for development initiatives that also include universities, governments, NGOs and business. They bring ideas and expertise and have the capacity to address challenges that no one partner can resolve on its own (Davies et al. 2013).

1.3 The importance of informal, small and medium-sized enterprises for sustainable development

Despite the prevalence of multinational organisations in public–private collaborations, small-to-medium and micro sized enterprises (SMMEs) represent the majority of global businesses (>90 per cent) and are therefore an important target group for implementing sustainable practices (European Commission Horizon 2020 Programme; Calogirou et al. 2010; Kushnir et al. 2010).

Estimates for the size of the informal economy tend to be extrapolated (due to a lack of business registrations), but the informal sector is also likely to be significant. For example, in India in 2007, there were 1.6 million registered enterprises compared with (an estimated) 26 million unregistered SMMEs, including micro enterprises (Kushnir et al. 2010:2).

While individual SMME and informal actors' environmental footprint might be minimal, collectively these sectors have a vast potential to contribute towards governmental commitments in minimising energy use and cutting carbon emissions, as well as reducing pressure on natural resources.

Given their scale (in developing countries these sectors account for more than 90 per cent of all firms outside of the agricultural sector) and the potential contribution to environmental, economic and social outcomes offered by green, socially inclusive growth in the SMME and informal economy, there is a clear opportunity for future aid interventions to be tailored to these sectors.

SMMEs often face barriers associated with lack of finance, human resource or technological capabilities, which may require novel partnerships and forms of governance which aid agencies are potentially well-placed to support. Public–private partnerships (PPPs) are often deployed in these circumstances and may offer the most suitable future strategy to address these constraints in developing countries, as seen in case studies from Pakistan (Hussain et al. 2012).

However, to date, there has been insufficient assessment of previous public–private sector collaborations that have (i) included SMMEs and the informal sector and (ii) resulted in positive sustainable development outcomes.

1.4 Aid and business partnership types that support small-scale business

Despite its importance, there is an absence of information as to how private sector actors can form an equal partnership with other donor/public participants in planning for the delivery of sustainable development outcomes, particularly those which have a focus on small-scale business.

To address this, we have identified and reviewed a wide range of case studies in order to highlight effective aid and business partnerships for sustainable development. This review has produced a typology of partnership types which is explained in Box 2, and analysed further in the next section.

BOX 2 PARTNERSHIP TYPES[2]

Voluntary agreement: A voluntary agreement is a negotiation between a public authority and industry that results in mutual agreement on a set of targets. This form of partnership shares similarities with self-regulation by industry, often with the public authority acting as facilitator.

Community enterprise: An enterprise run by communities for communities. It is a sub-sector of a wider social enterprise sector where the organisation trades for social purpose and reinvests profits back to the community rather than shareholders, sharing benefits with a local neighbourhood or community.

Public–private partnership (PPP)**:** A government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

Community contract: or ‘community development agreements’ refer to contracts that are found in some investment projects where the investor and affected communities define the nature and value of social investment schemes, for example schools and clinics.

In addition to these partnership types, other forms of capacity building and networking support exist. Whilst these did not feature in the chosen case studies, they offer significant support to smaller businesses and are therefore summarised below:

Business incubators: Examples include the Swedish Inova Business Incubator, which imparts a basic understanding of business’s dependence on and relationship to broader societal and ecological systems as part of the support offered.[3]

Publicly supported ‘business clubs’: An example is the Austrian EcoProfit[4] programme, which is designed to share good practice within the waste and energy sector. For example, a key part of the programme is continuous improvement, whereby participants are encouraged to join formal environmental management schemes (such as ISO14001) and are exposed to technical workshops on environmental law and technical developments.

Promoting SMMEs within development aid schemes: To promote SMME participation in aid schemes in new EU Member States, more experienced donor agencies (CIDA, UNDP, EU, BMZ and GTZ) provide capacity building support and technical assistance to so-called V4 countries - the Czech Republic, Hungary, Poland and Slovakia (Donor Committee for Enterprise Development 2006).

[2] It should be noted that these partnership types are not mutually exclusive, and many of the case study projects reflected various combinations. For analytical purposes, the partnership type identified by the project itself or through the principal nature of its activities has been used.

[3] See http://www.researchgate.net/publication/242207087_Introducing_strategic_sustainable_development_in_a_business_incubator

[4] See http://www.ecoprofit.com/

Aid and small-scale business partnerships for sustainable development: creating an evidence base of what works

2

Various reports have addressed the promotion of PPPs and large companies in order to foster pro-poor growth (UNIDO & Microsoft 2008) or sustainable development (IISD 2011). Other papers have addressed the benefits of sustainable procurement and sourcing from local SMMEs, but recognised that the supporting evidence is scarce (Walker 2010).

The most closely related research on the topic of ways in which aid can support business, and especially small business, to achieve sustainable development is an issue brief on promoting SMMEs for sustainable development (Corporate SNV & WBCSD 2007). However, the research cited is over eight years old and focuses largely on examples that had social and economic objectives for the benefit of the SMME sector, with very few describing environmental objectives.

Our focus has therefore been to identify and analyse a series of contemporary case studies involving public–private actors and SMMEs working on projects with SD outcomes. Case studies were selected based on three screening criteria highlighted in Box 3.

Approximately 40 projects were considered against these criteria across various geographies, including South and Southeast Asia, Africa, Latin America and Europe. Unsurprisingly, despite reviewing a wide range of candidate projects, very few met all of the criteria above. The two exceptions to this – VA3 and Manila Water – provide a useful starting point for potential aid and business collaborations to learn from.

Of the remaining 38, a further nine addressed a sufficient number of the criteria to be eligible for inclusion in the report. Among these was an example of where a successful project has encountered difficulties/failed (E+Co) and also a project where a business fostered social and economic outcomes *without* the involvement of an aid partner (Techfortrade). Including these examples helps offer a contrasting view, and may offer useful learning points.

Similarly, a series of Africa Enterprise Challenge Fund (AECF) projects were considered for inclusion, including the dedicated REACT fund (which seeks to increase access to low-carbon electricity to those living in sub-Saharan Africa). Although these funds provided some interesting examples, many of the supported projects were at the early feasibility or 'pump-priming' phase (preventing analysis of completed outputs) and it proved challenging to extract evidence of SD outcomes from the published material.

BOX 3: CASE STUDY SCREENING CRITERIA

1) Involvement of SMMEs/informal sector enterprises in the activity and/or partnership
2) Evidence of sustainable development in the aims and objectives of the project, or evidenced in measured environmental and social outputs/outcomes. These were considered to comprise:
   - **Environmental:** Natural resource/energy efficiency goals, restoration of natural resources, protection or sustainable management of natural resources.
   - **Social:** Poverty has been addressed through health and sanitation, food security, job creation or other source of income generation and business development
   - **Economic:** Financial sustainability of businesses, increase of SMME/community income; or environmental and social benefits achieved without a linked decrease in income or increase in costs.
3) Sector and partnership coverage: This ensured that the total set of case studies covered the breadth of SD outcome themes across the following sectors and partnership types:
   - **Sectors:** Water, waste, energy, forestry, fishery, agriculture, housing, construction, metals, materials, textiles, chemicals
   - **Partnership types:** Voluntary agreement, community enterprise, community contract, public–private partnership, and led by a range of different stakeholders such as government, NGOs and private companies.

Case studies of effective and business partnerships for sustainable development

3

The selected case studies are summarised[5] in the following pages – opening with VA3 and Manila Water in more detail – describing the SD outcomes achieved and drawing out the different roles of aid and business within the partnerships.

A key consideration in both the selection and analysis of the case studies was the involvement of small, medium, micro and/or informal enterprises (SMMEs), and the unique contribution smaller-scale enterprises can make towards sustainable development.

VA3: SUPPORTING RESOURCE EFFICIENCY AMONGST LAUNDRY AND TEXTILE SMMES IN CHINA

Formed in response to higher-than-average levels of water and energy consumption amongst laundry and textiles-based SMMEs, VA3 is a sustainable consumption and production (SCP) partnership encouraging Chinese laundry and textile companies to improve their environmental performance.

Coordinated by the Netherlands Enterprise Agency (NEA), it is a voluntary agreement involving SMME associations, the Chinese government and the European Union (EU).

The companies involved set themselves an energy savings target (up to 2015) of 38.8PJ.[6] Relevant companies also agreed to reductions of 6 per cent in sulphur dioxide and nitrogen dioxide, with the Nanjing laundry companies also agreeing to a 10 per cent improvement in wastewater practices by 2015.

Results have been encouraging, with the partnership's climate change mitigation target of 10 Mt CO2e emission reductions by 2015 having been exceeded by a further 10Mt CO2e halfway through the project lifetime. As a result, the VA3 initiative is in the process of being scaled up from regional to national level.

Role of aid and businesses

The project includes a 'trusted broker' role (NEA) with in-depth experience of the Chinese context, facilitating dialogue and operating within a horizontal decision-making process. This role has helped overcome competition concerns, shared learning, and also removed cost elements associated with networking.

Delivered via a 'train the trainers' type approach, the programme aims to reach 700 SMMEs in Nanjing and Jingzhou. The SMMEs agree to targets established between themselves and government, as well as mutually established targets, which enables them to utilise PPP-related financial incentives on the condition they self-report on organisational aspects of energy management.

Source: http://www.va3china.com/

[5] More detailed information is available from IIED on request, as part of efforts to build a comprehensive evidence base of effective aid-business partnerships for sustainable development.

[6] Equivalent to 10626GWh.

MANILA WATER: PHILIPPINES PUBLIC WATER SUPPLY CONTRACTS FOR SMMES

Manila Water is a PPP in the Philippines that took over responsibility for providing clean and reliable water supplies to the city's East Zone in 1997. The project creates partnerships between local government and community-based organisations to involve communities in the design and implementation of water supply systems.

The primary partners in the PPP are the Manila Water Company, Ayala Corporation, United Utilities Pacific Holdings BV, Mitsubishi Corporation and the World Bank IFC Advisory Services. The aid component in this project involves the World Bank (the WB's Global Partnership on Output-based Aid helps subsidise water connection costs for low-income families) and the early involvement of the publicly funded IFC Advisory Services.

The IFC helped Manila Water to develop a corporate governance and sustainability strategy. As a result, Manila Water became the first Philippine company to publicly disclose its environmental and social performance on an annual basis. Additionally, the early involvement of IFC provided a catalytic role in encouraging greater transparency and the relaxation of regulatory requirements to encourage the emergence of small businesses.

The Manila Water PPP now serves over 6.2 million people from 23 municipalities in Manila's East Zone, and has reduced water losses from 63 per cent to 12.2 per cent (by addressing leakage and theft), and provided water access to 1.7 million 'base of the pyramid' users. In addition, its *Kabuhayan Para Sa Barangay* (or Livelihood for the Community) programme, which allocates 20 per cent of the budget for SMME contracts, has ensured that there are 10 cooperatives, 1,355 family beneficiaries and 6,600 micro-enterprise suppliers benefitting from the PPP.

The project is now being replicated in other cities in the Philippines and Vietnam. By operating an inclusive approach to supply chain opportunities, the Manila Water Company has successfully unbundled value in the supply chain and made it accessible to SMMEs.

Source: www.manilawater.com/ and http://tinyurl.com/pfs8f7f

EL MEZQUITAL: URBAN UPGRADING IN GUATEMALA WITH COMMUNITY-BASED ORGANISATIONS

Between 1994 and 1997 the World Bank funded an urban upgrading project in El Mezquital, Guatemala. The community participated in the planning, implementing and financing of the project. The partners involved were the World Bank, UNICEF, and community-based organisations (CBOs) initiated by local residents to monitor the process and represent the community's views.

By establishing a revolving fund to support the infrastructure projects, the aid partners were able to reduce lending risks and bring project conditions closer to the commercial market. The early and sustained involvements of CBOs helped ensure that decision-making responsibility was shared with affected communities (as opposed to imposed solutions).

The project benefitted over 37,600 people during the funded period, through infrastructure developments including sewers and sewage treatment plants, rainwater drains, pavements for pedestrians, the introduction of electricity and the creation and maintenance of 'green areas' and environmentally protected areas (Cabanas Díaz 2001). One thousand two hundred residents of El Mezquital were active members of the CBOs, which are continuing self-financed improvements and are now assisting other communities.

Source: http://tinyurl.com/j5ttynr

CADBURY COCOA PARTNERSHIP: SUPPORTING AGRICULTURAL COOPERATIVES IN GHANA

In 2008, the confectionary company Cadbury launched the Cadbury Cocoa Partnership to encourage the development of cocoa communities in Africa, Southeast Asia and the Caribbean. The partnership was launched in Ghana where cocoa production had been declining. The delivery partners are CARE, World Vision and VSO – international NGOs with strong local ties.

Backed by Cadbury's £45million commitment over ten years (continuing under the ownership of Mondelez International and a new name – 'Cocoa Life'), NGOs collaborate with farmer organisations to develop community action plans, which detail priorities regarding cocoa production, infrastructure development, environmental sustainability and social growth, while community extension officers are hired to provide the necessary training and technical assistance to meet cocoa production goals.

The partnership has benefitted 10,000 farmers and their families in 100 cocoa-farming communities across Ghana, as well as 55,000 members of a farmers' cooperative. Results include hiring of community officers who provide training to increase productivity; the provision of a premium to farmers who have been Fairtrade-certified to be invested in community activities; and increased awareness of gender equality and child labour, which has resulted in an increase in partnership communities being run by women. Over a ten-year lifetime, the partnership programme aims to improve the livelihoods and living conditions of more than 200,000 cocoa farmers and about one million people in cocoa farming communities.

Although Cadbury's (and its parent company) is a large multinational (and so a traditional participant in PPPs) it is interesting to note the joint oversight boards (involving NGOs and UN agencies), the close ties with local farmers and the scale of farming enterprises involved (10,000 farmers), all of which represent an alternative to the conventional PPP model (e.g. large businesses working with one or two partners).

Source: http://tinyurl.com/h9l7bu6

TRAIN THE TRAINERS, SWITCH–ASIA: SUPPORTING ENERGY EFFICIENCY AMONG CHINESE SMMES

Train the Trainers is a multilateral government-led initiative that promotes sustainability in the Chinese construction industry by sharing international experiences in energy efficiency, building material standards and installation techniques. The project covers Shanghai and four neighbouring provinces. The lead partner is the SWITCH–Asia vehicle, with the implementing partners being European Union Chamber of Commerce in China (EUCCC), the Swedish Environmental Research Institute (IVL) and Tongji University. The project provided training courses to both industry and local authorities with a focus on ETICS (external thermal insulation composite systems) and other energy saving techniques. Awareness-raising and dissemination events were undertaken on the concept and advantages of energy efficient buildings as well as European building standards and best practices.

More than 2,300 Chinese industry professionals and policymakers received training from the project from 2009 to 2013, and these participants were expected to replicate the training in their own setting. In addition, the project produced four position papers (featuring recommendations to stimulate behavioural changes), established six provincial training centres, and fostered a large body of innovative research to address the needs of relevant construction professionals.

Businesses often seek to minimise costs in the short term, which can run counter to both sustainable development outcomes and achievement of longer-term economic value. In this project, aid overcame the 'market failure' of businesses to invest in taking a longer term approach by working with key influencing individuals, bodies and institutions to overcome the costs associated with expert training, knowledge dissemination and awareness-raising. By filling this gap, aid was able to leverage a high level of private sector activity in the field of building standards and energy efficiency.

Source: http://tinyurl.com/htn4so8

E+CO: FINANCING SUSTAINABLE ENERGY SOLUTIONS FOR SMMES

E+Co was founded as a social enterprise/impact investment house investing in clean energy for SMMEs providing sustainable energy solutions to 'bottom of the pyramid' energy users ($39.6M invested in 268 companies). It was operational from 1994 to 2012, but ceased trading in 2012 and it has now been restructured. It is included here in order to provide useful learning points for similar endeavours in the future.

E+Co provided SMMEs with loans, equity investments, business development services, and technical assistance. This facilitated private sector solutions to the environmental and human health problems that are caused by the use of fossil fuels. Investment sectors included solar PV, clean cook stoves, micro-hydro, biomass/biogas, LPG and solar water heaters.

The partners were the IFC (holding 80 per cent of debt), Rockefeller Foundation (the original funder), UNEP (Africa Rural Energy Enterprise Development Programme), Brazilian and Chinese rural energy enterprise development programmes, and Costa Rica (E+Co helped establish the Central American Renewable Energy and Cleaner Production Facility (CAREC)).

In its 2010 corporate accounts E+Co reported support to 194 small and growing enterprises, leading to clean energy access for 78 million people and 48 million tons of carbon abated. Examples include:

- Provision of an equity investment in SELCO–India, a provider of solar photovoltaic systems for 'underserved households' in Karnataka, India. The company has since installed over 100,000 solar lighting systems in the region;
- Provision of a loan to the La Esperanza project in Intibuca, Honduras. This is a 13.5MW run-of-river hydro project supplying power to over 10,000 households in the region. E+Co provided a loan to fund its first generation plant.

In addition, E+Co's comprehensive monitoring and evaluation framework (including its carbon abatement record) allowed it access to international carbon markets on behalf of SMMEs who ordinarily would not be able to access this financing.

With a clear focus on financing, E+Co was key in demonstrating to traditional investors that micro-scale finance was viable and offered a reasonable and secure rate of return. By combining strengths in finance (institutional finance and donor aid) with an on-the-ground understanding of project requirements (through extensive field offices), E+Co provided a mechanism to enable small-scale enterprises and infrastructure investments.

Source: http://persistentnrg.com/; http://tinyurl.com/htndwkv (for E+Co's pre-2012 operations)

RE-TIE: SECTOR CAPACITY BUILDING AND RESOURCE EFFICIENCY SUPPORT FOR SMMES IN THE BANGLADESH LEATHER SECTOR

The SWITCH–Asia project was designed to provide employment in and improve the income of environmentally sustainable SMMEs in the leather sector in Bangladesh. It both reduced the environmental impact of the sector through reductions in pollution and waste, and increased the exportability of Bangladeshi leather products through compliance with international standards.

Sequa gGmbH (Germany) led the project, supported by the United Nations Industrial Development Organization (UNIDO), Berufliche Fortbildungzentren der Bayerischen Wirtschaft (bfz), Dhaka Chamber of Commerce and Industry (DCCI), Bangladesh Finished Leather, Leather Goods and Footwear Exporters Association (BFLLFEA) and the Bangladesh Tanners Association (BTA). They provided technical assistance to influence the physical infrastructure of the new industrial site for the leather industry in Savar, and promoted export through business networking, participation at trade fairs, and the development of guides on export promotion and corporate social responsibility (CSR).

The close involvement of SMMEs and sector associations helped the project to successfully introduce a number of improvements to production practices, such as solar water heating, avoidance of hazardous substances, and reduced use of chemicals. It also trained many local technicians and established 15 national experts on aspects of cleaner production (e.g. water, energy, chemicals, occupational health and safety). The sector associations have now established a help desk, and the leather sector's business membership organisations (BMOs) are now better equipped to promote sector capacity building matters at policy and membership level, helping support the leather sector move to a more internationally competitive and resource-efficient position.

Source: http://tinyurl.com/gmnwscw

PROGRAMME FOR ENTERPRISE AND EMPLOYMENT: CLIMATE ADAPTATION FOR AGRICULTURAL PRODUCERS IN NICARAGUA

This project supports microfinance interventions for adaptation to climate change in Nicaragua, to reduce the risks events such as droughts, floods and storms pose to production chains and associated producers.

A guarantee fund with national microfinance companies was created. The project became part of the USAID's Program for Enterprises and Employment, and cooperation was established with Programa Tecnología Agrícola Competitiva TECHNO LINKS (CIDA, MEDA and FOMIN).

Under the programme, producers agree to a set of regulations (such as a pre-established buying price and the installation of an irrigation system), and are then eligible to obtain credit for microfinance investment in system improvements. The aim of the programme is to ensure the continued short-term viability of production (even during dry seasons) and improve long-term resilience to climate change impacts.

In 2012/13, production had increased by over a third due to the use of a drip irrigation system and dry season production strategy. The microfinance and credit guarantee funding structure also led to the construction of three shaded houses; these both reduced climate vulnerability, and enabled production under controlled conditions which eliminated the use of pesticides and raised the possibility of organic certification.

The project will assist an additional 250 suppliers by 2016, 70 of whom will be women.

Source: http://tinyurl.com/ha2jylv

SABMILLER: WATER MANAGEMENT FOR SMALL-SCALE INDIAN FARMERS

SABMiller India is working with local partners in Rajasthan to protect the water supply for the Rochees beer brewery and local farmers, in the context of water scarcity in the region. They have developed a participatory groundwater management pilot project on a target area of 27,000 hectares, focusing on recharge technologies, irrigation techniques and promotion of the benefits of integrated water resource management practices. The programme is being implemented by partners that have both the relevant technical expertise and the outreach capability to mobilise the communities. These partners include the Confederation of Indian Industry (CII, India's apex industry body), farmers' programmes and Humana People to People (an organisation with expertise in capacity building).

Two sets of water storage structures have been built through the project activities: three in ridge areas with a combined storage volume of over 50,000 kilolitres (kL), and two in plain areas with a combined storage volume of about 6,500 kL. In a normal rainfall year, the structures contain more than the maximum annual requirement of the local SABMiller Unit. In addition, the local increase in groundwater has facilitated a winter crop on the basis of soil moisture without any applied irrigation. Water saving in agriculture is 80,340 kL on 193 ha area covered under crop demonstration trials, and crop productivity has increased by over 20 per cent.

The commercial entity (SABMiller India) adopted a long-term approach and chose to make up-front investments in natural resources to ensure continued operations, economic livelihoods and maintained ecosystem services. This was crucial in bringing together business representative networks to challenge negative perceptions and encourage collaborations between large commercial bodies and small-scale farmers.

Source: http://tinyurl.com/hwvb8s6

TECHFORTRADE: CREATING HIGH-VALUE PRODUCTS FROM WASTE PLASTICS IN INDIA

Established in 2011 with private donor funding, Techfortrade is a charity which helps deploy innovative technologies to improve livelihoods and increase economic opportunities.

Due to their location and income levels, remote communities need to be able to create, maintain and repair essential physical items (e.g. key mechanical components, tools) but often lack raw materials, processing facilities and relevant skills. In response to this need, Techfortrade launched a (self-financed) global competition to identify transformative uses for 3D printers for social benefit. In parallel, they also formed the Ethical Filament Foundation (EFF) to help ensure production of high-quality reliable filament without driving exploitation of waste pickers.

Following the competition and formation of the EFF, a start-up called Just 3D Printing (latterly Protoprint) established a circular enterprise in India. Waste pickers are trained to recognise the particular type of plastic waste, and also how to shred, treat and process it to create acceptable-quality filament. Protoprint then purchases the filament at a premium. This project led to increased income and a growth in higher value jobs, diverted waste, and led changes to the wider industry and consumer behaviours.

Techfortrade is now exploring ways of socialising knowledge and approaches like those described above. One such example is the provision of 3D printers to entrepreneurial spaces in South America, allowing local people to identify a need and create and maintain it themselves, and recouping the costs of the capital equipment via a small tithe on the sales of the filament or final product. Measurement of outputs is occurring in these innovation spaces, and is likely to include a range of metrics including additional income (waste picker), waste diverted (per kg or ton), and absolute amount of viable recyclate ($ or weight).

Techfortrade is attempting to link market forces (global demand for high quality filament) to indirectly available resources (discarded/waste plastic) via creation of employment opportunities for low-income workers.

Source: http://tinyurl.com/zynsgfx

ANSAB: IMPROVING RESOURCE USE AND EXPANDING SALES OUTLETS WITH SMME BRIQUETTE PRODUCERS IN NEPAL

Founded in 1992 and headquartered in Kathmandu, the Asia Network for Sustainable Agriculture and Bioresources (ANSAB) is a civil society organisation working for the conservation of biodiversity and the improvement of livelihoods across South Asia.

The overall objective of the briquette project is to contribute to poverty reduction through up-scaling production and consumption of bioenergy, with corresponding employment benefits.

Prior to ANSAB's formation, efforts to enhance production and marketing of briquettes in Nepal had been unsuccessful due to uncoordinated action taken by individual enterprises. ANSAB established communication with 18 major briquette producers in the country with a view to forming an association; the producers resolved to form and register Nepal Briquette Producer Association (NBPA) as an apex body for the promotion of the briquette sector in Nepal, and finalised the structure and constitution of the association.

ANSAB then worked with Himalayan Naturals (a community–private partnership company that works on development and promotion of biomass-based alternative clean energy in Nepal) to build a network of department stores willing to sell the product in the city and to produce appealing packaging for consumers. It supported extensive marketing activities, for example, the setting up of 40 kiosks throughout Kathmandu to demonstrate the product and its multiple uses.

By 2011, briquettes and accessories (tripods and stoves) were readily available in urban areas and 51 retail outlets in Kathmandu. So far, 500,000 briquettes have been produced by the five community enterprises together with stoves and tripods. The consortium provides direct employment for 94 people (52 men and 42 women, with a total income of USD 24,934 a year). Himalayan Naturals is now the main briquette marketing company in Nepal, and market demand now exceeds the current production capacity

Business and aid partners included the Nepalese Chamber of Commerce, the Ford Foundation, USAID, and the Canadian, Finnish, Swedish and Norwegian governments. Working closely with local communities, the ANSAB project provided the convening and coordination function necessary for disparate businesses to collaborate for mutual benefit.

Source: www.ansab.org/; http://tinyurl.com/juq5fzk

Case study analysis of effective aid–business partnerships for SD: partnership processes and functions of aid

4

The case studies highlight the specific role and contribution of aid to inclusive business partnerships for sustainable development, as well as drawing out where this role has been delivered specifically for SMMEs and including examples of entirely private sector supported initiatives.

The table below summarises the analysis, and categorises the 11 case studies in terms of:

- identifiable contributions to SD outcomes (economic, social and environmental)
- the partnership type (PPP, voluntary agreement, community contracts and community enterprises)
- modality for aid finance (capacity/training funds, preferential loans, private funds, commercial financing, revolving funds and grants)
- the role and key functions of aid (financing, convening, capacity, policy and transparency).

Traditionally, development aid has sought to achieve poverty reduction, equity, inclusion, and environmental and economic development outcomes. Increasingly, however, in seeking to maximise the reach and impact of aid, donors and public aid bodies[7] often attempt to use their financial resources and influence to leverage private sector partnerships.

Of the case studies reviewed, there are several examples of where this catalytic and/or influencing role has overcome barriers[8] and been used effectively. From these examples, we have identified five main categories of effective practice. We consider these to be *functions* of effective aid.

- Financial (de-risking)
- Capacity building (for SD)
- Convening
- Supporting (inclusive SD) policy – for example, subsidies, shaping markets, market linking
- Transparency.

Table 2: Summary of case study analysis results

CASE STUDY	PARTNERSHIP TYPE	ROLE AND KEY FUNCTION OF AID	AID FINANCE MECHANISMS	SD OUTCOME
VA3	Voluntary agreement	Capacity	Capacity/training funds	econ, soc, env
Manila Water	PPP	Convening	Local govt/donor financing	econ, soc, env
El Mezquital	Community contract	Financial, policy	Revolving door funds	econ, soc, env
Cadbury Cocoa Partnership	Community contract	Transparency	Grants	econ, soc, env
Switch–Asia	Voluntary agreement	Capacity	Capacity/training funds	econ, env
E+Co	PPP	Convening	Preferential loans	econ, env
Re-Tie Bangladesh	PPP	Facilitating, capacity	Capacity/training funds	econ, soc, env
Enterprise and Employment, Nicaragua	Community contract	Financial	Preferential loans	soc, env
Water-Futures Partnership	Community contract	Financial, facilitating	Commercial financing	econ, soc, env
Techfortrade	Community enterprise	Financial, policy	Private funds/pump-priming	econ, soc, env
ANSAB Nepal	Voluntary agreement	Convening, policy	Capacity/training funds	econ, soc, env

[7] Government and public sector initiatives, as opposed to ODA.

[8] For example, imbalances in power dynamics between public and private parties, differences in expectations and performance cultures, and mismatches between acceptable timescales.

Within these categories, we were able to identify examples of how certain processes, during formation of partnerships and operation of projects, complemented and reinforced these functions, drawing on the added value of each partner and helping foster both developmental and commercial success. These processes included fostering inclusive business models (IBM),[9] effective communication, and equality of representation.

The following analysis is structured under the five functions cross-referenced to the case studies. It attempts to draw out important process features and considers both the role of aid in leveraging private sector collaborations for sustainable development, and also the conditions within which SMME participation can be most effectively realised.

Financial

One clear role for aid in enabling SMME participation is in provision of **financial support mechanisms** (e.g. de-risking projects, overcoming market failure). Some examples are drawn out below.

- **Revolving funds**. Establishing financial sustainability (for some projects) through use of a revolving fund to reduce lending risk and bring project conditions closer to the commercial market (El Mezquital).
- **Preferential loans.** By combining strengths in finance (institutional finance and donor aid) with an on-the-ground understanding of project requirements (through extensive field offices), E+Co provided a preferential loan mechanism to enable lending to small-scale enterprises and infrastructure investments.
- **Overcoming market failure.** In Switch–Asia: Train the Trainers, public authorities overcame the 'market failure' of businesses to invest in taking a longer-term approach by working with key influencing individuals, bodies and institutions to overcome the costs associated with expert training, knowledge dissemination and awareness raising. By filling this gap, the public contribution was able to leverage a high level of private sector activity in the field of building standards and energy efficiency.

Capacity building

For larger organisations, capacity building is often a standard business activity where training is provided in order to ensure the correct implementation of project/business activities. However, for smaller businesses or communities that are either new, inexperienced or under-resourced, capacity building can be challenging without the support of larger organisations, donors or investors.

For example, the VA3 case study describes a partnership encouraging Chinese laundry and textile companies to improve their environmental performance. This example of capacity building was supported by the Netherlands Enterprise Agency, whereas the Re-Tie Bangladesh project brought together Sequa gGmbH and Bfz (Germany) with UNIDO, local chambers of commerce (DCCI) and a trade association (BFLLFEA) to overcome these challenges.

Aid interventions can also serve to build capacity, 'pump-prime' and promote collaborative activities. For example, many SMME's are often willing to address the environmental impacts associated with their activities and adopt new manufacturing methods, but face technical knowledge barriers in accessing markets.

The following capacity building processes have been drawn from the case studies:

- **Clarity about definition of roles, responsibilities, and ways of working**: Recognising that each participating organisation in a partnership brings its own strengths and extracts its own value, with the SD outcome providing the project with an 'organising framework' for all parties. The case studies suggested that:
  - A clear project rationale addressing evidence of market failure was key in bringing together public and private partners.
  - Successful projects or collaborations tended to be initiated by small, well integrated project teams with an equal balance of policy makers and commercial interests (to ensure special interests are balanced).
  - Capacity building between all participants, a key component of our five functions of aid, is important to ensure genuine partnerships, and to encourage sharing of perspectives.
  - Creation of MoUs helps clarify leadership and other roles and expectations.
  - Problems arise in any partnership. However, the case studies suggested that it was important to resolve conflicts via a process that encouraged all partners to feel as if they were working towards a solution, rather than a single party imposing a 'top-down' solution. Active management systems which allow for iterative evaluation and correction of governance and delivery of services across local/national/international hierarchies were identified as important.

[9] IBM has a broad definition and has various interpretations. This report has interpreted IBM to be generally inclusive of SMMEs/communities, which raises aspects of inclusion in design and governance of the project/initiative. This includes SMMEs/communities being part of regular reviews to steer the project in new directions.

   - Establishing an effective monitoring and evaluation (M&E) framework from the outset was found to be important in order to inform ongoing project management and also summative end-of-project evaluation. For example, the Manila Water Company received assistance from its investor IFC to help it learn how to disclose its environmental and social performance.

- The institutional and management capacities of service delivery actors (agencies, SMMEs, communities) were found to be generally weak and needing strengthening. Several of the case studies utilised **training/workshops for the company and/or stakeholders** to help achieve the desired capacities early in the partnership.

- **Scaling-up and replicating local innovation**. Learning and sharing of local examples that work, alongside project replication and adaption elsewhere. This can be promoted through training, capacity building, or other channels. Public/aid support may be needed, particularly at the beginning, to encourage this process.

Convening

The case studies highlighted the importance of aid interventions in convening project partners and participants, with a number of key features emerging:

- **Establishing a trusted process for participation and engagement in decision-making**. A trusted facilitator/honest broker is often needed. In some cases the aid partner has successfully provided a non-competitive 'neutral broker' role which has facilitated this process. Power dynamics should be a key consideration, particularly when including SMME and informal sector stakeholders. As with traditional models of effective project management, the role of the project manager was found to be key to overall success. Ideally, the project manager would be accountable to the project's governance structure rather than to a lead partner. The project manager role was also found to be most effective when the postholder was familiar with operating practices in both public and private contexts.

- **Active engagement of SMMEs/communities** in the decision-making process, assessment, and reporting with regular reflection/evaluation points that include all stakeholders. This may require changing mindsets. The role of aid in encouraging (rather than mandating) this process can be helpful, for example by financially supporting initial evaluations or workshops and by bringing in examples of best practice from elsewhere. For example, Manila Water includes community cooperatives in its supply chain and involves communities in the implementation and design of water supply.

- **Regularity of communications** was also found to be key. Successful projects ensured continual contact between project partners, and exchanged requests (such as for support with implementation, progress reports) on a regular and predictable basis.

Market 'pull' factors and influences can often be more successful at stimulating growth than subsidies or similar market interventions. The production and marketing of briquettes in Nepal had been unable to move beyond localised markets until ANSAB (NGO-led but funded via the Nepalese Ministry of Agriculture) convened stakeholders and brokered discussions between 18 major producers and helped to form a trade association. This led to improved coordination and a collective market presence of the producers.

This raises two related process points:

- First, given the number and diversity of SMMEs, they can often be challenging to engage. Several of the case studies describe utilising SMME associations as a more efficient route to engaging smaller and/or informal enterprises.

- Second, the project 'locus' is important, particularly when involving SMMEs. Unlike a large multinational organisation, the commercial and supply chain horizon of most SMMMEs is necessarily local, and projects should operate at a scale/boundary where all parties can contribute, and cooperation is easier (such as local towns or cities)

Policy

Government and donor aid can often be most influential when it enables a supportive policy environment for initiatives. This can include policy mechanisms such as: regulation, import rules and tariffs, registration fees, and consideration of sustainable subsidies (monetary or in-kind).

In order to design effective enabling policy, policymakers usually need to be informed by 'on-the-ground' conditions and involved in programme delivery.

For example, the Nicaraguan Programme for Enterprise and Employment involved donors working with in-country microfinance companies to create a supportive policy environment (a pre-established purchase process for agricultural outputs to stabilise the market and incentivise continued production). Farmers agreeing to this price structure were then eligible for microfinance loans, leading to significantly increased production and resilience to drought. By creating an intermediate market for produce, the donor contribution provided a means of bringing together producer with microfinance lender in a less risky manner.

Transparency

Several of the case studies highlighted the importance of communication between stakeholders, and the effectiveness of using a variety of communication channels to improve transparency and efficiency of delivery. Aid can assist with this in establishing early expectations around transparency and supporting multiple communication platforms (e.g. social media, websites and participatory forums, including multiple language use, formal and informal networks).

The Cadbury Cocoa partnership, for example, ensured effective communication and transparency through joint oversight boards (involving NGOs, cooperative farmers and UN agencies).

Building trust is a key component of successful aid–business projects. Establishing trust and then working to maintain it through openness, transparency and fair-dealing were found to be key processes in bringing participants together on the same platform, and in ensuring the project management structure included views from all parties.

Additional findings

Our findings suggest that aid and business partnerships benefit by incorporating the five functions of effective aid and the partnership processes described within them – both in terms of partnership sustainability and achieving sustainable development outcomes. Combined, these functions are more likely to achieve: additionality (i.e. not just financing areas business would have naturally invested in); financial sustainability (viable business models rather than short-term interventions); mutual transformation (businesses genuinely changing practices and donors improving their approaches); and risk-sharing; and be delivered within a market neutral (non-distorting) and transparent (social and environmental disclosure reporting) manner.

In analysing the case studies, several of the above features were identified. These are drawn out below:

- The El Mezquital Partnership demonstrated clear additionality (the housing improvement programme would not have occurred without the partnership) and risk-sharing through the use of a UN-backed revolving fund.
- The SWITCH–Asia initiative demonstrated additionality (no legislative drivers existed so without the programme the energy efficiency achievements would not have occurred) as well as effective use of enabling policy (e.g. utilising EU standards to set project SD benchmarks).
- The Re-Tie Bangladesh programme created employment and environmental improvement opportunities for SMMEs within the leather sector in Bangladesh, whilst operating within market rules (e.g. the programme opened up new export markets to Bangladeshi producers) and improving transparency (CSR practices were promoted).
- The Programme for Enterprise and Employment in Nicaragua leveraged improved SD practices by regulations and standards as a 'gateway' to financing.

This section has discussed the five functions of effective aid, within an aid–business partnership for SD context. It has highlighted some of the key processes, such as capacity building and transparency, which support and enable the engagement of SMMEs. Taken together, these key insights contribute to informing the design, implementation and evaluation of future aid–business collaborations for sustainable development.

Conclusion and ways forward

In analysing the case studies, which highlighted successful public–private SD collaborations in the areas of resource efficiency, health and sanitation, job creation and community income generation, we were able to identify five main functions of effective aid:

- Financial (de-risking)
- Capacity building (for SD)
- Convening
- Supporting (inclusive SD) policy – e.g subsidies, shaping markets, market linking
- Transparency.

These five functions represent the essential ingredients for effective public–private SD partnerships, and are critical in bridging the differences in objectives between public and private sector, and the differences in scale between large and small enterprises.

Additionally, the analysis also revealed how key processes (such as fostering inclusive business models, effective communication and equality of representation) help to reinforce these functions, draw on the added value of each partner, and help catalyse both developmental and commercial success.

Our initial findings indicate that these functions and processes provide the basis for effective aid–business partnerships for SD, which should help foster: additionality (i.e. not just financing areas business would have naturally invested in); financial sustainability (viable business models rather than short-term interventions); mutual transformation (businesses genuinely changing practices and donors improving their approaches); and risk-sharing. This should all be delivered within a market neutral (non-distorting) and transparent manner, with social and environmental disclosure reporting from businesses.

Additionality and the other factors described above should also be considered when developing and implementing joint ventures. Our research found evidence of a number of projects already delivering against these factors, which indicates the potential for the future.

The intention in highlighting the functions and processes of effective aid–business partnerships is to inform donors how to design partnerships that (a) are attractive to the private sector, (b) maximise SD outcomes, (c) maximise leverage of aid resources and (d) are inclusive through support for small-scale and informal businesses.

As such, we hope that the research will contribute to:

- greater mutual understanding between public and private parties
- better understanding of the importance of (and conditions for) early and effective engagement of small, medium, micro and informal businesses within collaborative projects
- the development of a shared evidence base to help inform future programmes, projects and aid interventions
- the design of relevant metrics to support measurement of impact and value for money, and ultimately help monitor and evaluate effective interventions.

IIED aims to add to and refine these initial findings in dialogue with the OECD, donors, national governments, private sector institutions, NGOs and developing economy entrepreneurs.

Research limitations

The case studies featured in this report were chosen to illustrate a variety of sectors and partnership types. As such they present a selective overview of partnership models, and the conclusions drawn from them are provisional and not necessarily systematic.

The following constraints were recognised by the authors when conducting this work.

- **Lack of documented outcomes**. The case studies that were not selected for this report did not have stated SD outputs/outcomes in publicly available documents (or verifiable through interview), and so fell outside of the selection criteria. In particular, the significant lack of documented outcomes raises questions as to why this might be the case. There are a number of speculative reasons for this: it is not typical of the business sector to capture non-financial and difficult-to-quantify targets; it may not be of direct shareholder benefit, and thus not considered a core business 'must'; projects also have a finite lifecycle and it can be difficult to measure outcomes after a project has closed – for example for reasons of 'short-term stakeholder interest', lack of ownership and accountability, or lack of available donor resource.

- **Lack of documentation of challenges and failure**. Sub-optimal outcomes and failure are also under-reported. Often only positive outcomes are reported because of concerns about reputational risk or donor reaction. The spirit of 'learning from failure' is viewed by the authors as a key component in better understanding the process issues within partnerships and on the sustainable development outcomes.
- **Monitoring and evaluation frameworks and comparability.** For the selected project case studies, although individual output measures were disclosed, few projects documented the type of M&E framework used in the partnership, or the management system employed in order to facilitate change and learning.

The authors believe that it is crucial to investigate these unknown factors further to understand how outputs are developed, whether they persist after the project has finished and can be measured as outcomes, and how partners learn from one another in order to facilitate and scale-up positive change.

- **Sample size.** This research has been conducted mainly as a desk-based exercise (case studies followed up with interviews). Online detailed information (particularly related to SD outcomes or project M&E frameworks) has been scarce. This project limitation was compounded by time constraints and the difficulty of reaching project leaders. Due to this limitation, it is advised that the results in this report be read as indicative rather than definitive in nature.

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The year 2015 was pivotal in moving towards a fairer, more sustainable world. The global Sustainable Development Goals and the Paris Conference of the Parties (COP21) to the UN Framework Convention on Climate Change aimed to address some of the greatest challenges facing humanity, including climate change, environmental degradation and the persistent disparity between rich and poor. To deliver on the post-2015 agenda, it is clear that traditional forms of development aid will no longer be adequate and that new forms of governance, partnerships and financing – particularly between public, private and informal economy actors – will be required. This report draws on a series of case studies to consider what works, bringing together an initial evidence base to help inform effective aid and business interventions for sustainable development, with a particular focus on those which involve and support small- and medium-scale businesses.

IIED is a policy and action research organisation working to promote sustainable development – development that improves livelihoods in ways that protect the environments on which these are built. Based in London and working on five continents, we specialise in linking local priorities to global challenges. In Africa, Asia, Latin America, the Middle East and the Pacific, we work with some of the world's most vulnerable people to ensure they have a say in the decision-making arenas that most directly affect them – from village councils to international conventions.

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