

















Recognizing the impact that the private sector can have on development, UNDP is committed to working with business towards meeting the MDGs. In the 10 years since UNDP started such collaboration it has made great progress in developing partnerships with business. Business is viewed no longer as a source of funding, but as an equal partner in development.

# **HOW UNDP COLLABORATES** WITH THE PRIVATE SECTOR

This chapter will give examples of how UNDP works as a policy advisor to national governments to shape policies resulting from national consultations with many partners, including inputs from the private sector; how it complements private-sector work with its research, knowledge networks and advocacy potential; how it co-funds partnership projects that involve the private sector; and, last but not least, how it develops the capacities of partners in these efforts.

To develop inclusive markets, UNDP generally collaborates with businesses and other partners in the following priority areas:

- Creating a legal environment for rule-based, nondiscriminatory and transparent market institutions.
- Integrating poor producers into value chains, specifically in sectors that offer the prospect of growth and transition to more-highly-value-added, betterremunerated forms of employment—especially in highly labour-intensive commodity markets.
- Brokering goods and services for the poor; promoting entrepreneurship, especially among the poor and in marginalized groups (women, youth, indigenous communities), with interventions that support the growth of the indigenous private sector. This is done by setting up business-support institutions, business incubators and vocational trainings and by opening access to micro-finance.
- Promoting corporate social responsibility—on the one hand by encouraging responsible corporate behaviour through advocating for the UN Global Compact, on the other by guiding social and long-term investments from the private sector towards development activities that benefit communities while winning social licence for businesses to operate.

UNDP typically works in multi-stakeholder settings, bringing together various partners—governments, NGOs, communities, associations, lead firms, think tanks, academia and so forth—in support of common objectives. Often UNDP is a broker of these complex, multi-player ventures, a partner in them—or both.

Drawing on its credibility as a trusted and neutral development partner, UNDP can act as a broker for privatesector investments that meet development needs. UNDP

can convene multi-stakeholder forums or facilitate partnerships between the public sector, private organizations and civil society. Specific activities may include researching context and feasibility, building the capacity of participating organizations, acting as a promoter to ensure overall progress for an initiative and monitoring the implementation of new partnerships.

Alternatively, drawing on its experience in designing and implementing development projects, UNDP can act as a partner—a provider of technical assistance, policy advisory or financial support. In this role UNDP engages its development expertise to alleviate capacity, policy and other technical barriers to developing pro-poor products, services or value chains.

# UNDP AS A SUPPORTING **ACTOR IN INCLUSIVE BUSINESS: FOUR ROLES, ONE INSTITUTION**

The rest of this chapter demonstrates how UNDP comes together with businesses and other relevant partners to facilitate the development of inclusive markets. Highlighting achievements and good practices, the chapter shows the varied roles that UNDP plays in such collaborations, including to promote inclusive business models.

Examples under four heads, corresponding to the four types of support distinguished in the overview to this book policy, research and advocacy, financing and complementary capacities—show how UNDP works with both large and small businesses at the global, regional and country levels through its network of 135 country offices around the world. The areas of expertise informing this work include poverty reduction, women's empowerment, environmental sustainability and green energy, democratic governance, HIV/AIDS, business roles in post-conflict environments and the development of national partners' capacities.

The present UNDP private-sector portfolio consists of more than 200 projects, in more than 90 country offices, with an annual value of more than \$200 million.

















### **UNDP** as policy adviser

Through its close links with national governments UNDP organises public-private policy dialogues, to gather inputs from partners and to influence policy change. The aim may be to create enabling legal and institutional frameworks for private sector growth; to promote private-sector investment as part of cooperation among developing countries; or both.

## China-Africa Business Council (CABC)

Description. CABC was established as a joint initiative between UNDP, the Chinese Ministry of Commerce and the China Society of Promotion of the Guangcai Programme, which counts over 16,500 Chinese private companies. The project aims to provide a practical business tool to facilitate economic links focusing on trade and investment between China and a group of African countries (Angola, Cameroon, DRC, Ethiopia, Ghana, Kenya, Liberia, Mozambique, Nigeria and Tanzania).

UNDP role. Through partnering with the Guangcai Programme—a governmental agency that addresses poverty alleviation—and through sharing CABC's experience as the first private-public partnership project

> within the 'South-South' cooperation framework, UNDP encourages the Chinese government to further such cooperation among developing countries. UNDP serves as a broker between the different parties and co-sponsors project activities, including the organization of annual China-Africa Business Forums.

Company involved

### Countries

Time-frame: 2005-11

**MDGs** addressed







# Supporting micro-enterprises in Nepal

**Description.** UNDP Nepal, the government and local partners—with financial contributions from donors AusAid and NZAID—are addressing rural poverty by engaging the population in entrepreneurial activities, particularly in agriculture, forest industry and tourism.

**UNDP role.** UNDP has co-defined and co-financed the project, monitors progress and works with the government on policy changes to scale up the approach in other parts of the country. As a result of the interventions, the government recognized the word *micro-enterprise*, and UNDP provided feedback to government policy based on project experiences.<sup>226</sup>

Partners involved
Nepalese Chamber
of Commerce and
Industries, Nepal Young
Entrepreneurs Forum,

**Country** Nepal

Time-frame: 1998-2010

**MDGs** addressed

Results. The programme has contributed to the growth of more than 46,000 micro-enterprises, 68% of them owned by women and 66% by young people, while 35% are within indigenous communities. The programme has created more than 55,400 jobs, and the entrepreneurs' income has risen by 297% on average. Micro-enterprises, as project beneficiaries, receive advice on environmentally-sustainable solutions. Recognizing micro-enterprise development as a viable strategy to enhance poor people's livelihoods and generate self-employment, the government has made it a priority for 2011–13 and plans to expand the programme in all 75 districts.



UNDP

















### **UNDP** as researcher and advocate

With its large outreach capacity at the national, regional and global levels, and with its development expertise, UNDP can complement private-sector activities as a platform for research and for raising awareness. For example, it can promote institutional solutions that harness or enable the private sector's contribution to development through core business operations.

### **S&P-EGX ESG**

Description. In March 2010 Egypt launched a new index—Standard and Poor's/Egypt Stock Exchange Economic Social and Governance Index (S&P-EGX ESG)—designed to track the performance of the top 100 listed companies on the Egypt Stock Exchange on a number of variables covering environmental, social and corporate governance (ESG) issues. Developed by the Egyptian Corporate Responsibility Center (ECRC), the index is a joint project between UNDP and the Egyptian Institute of Directors (EloD) affiliated to the Ministry of Investment in collaboration with the Cairo-Alexandria Stock Exchange. It uses Standard and Poor's (S&P) methodology to link ESG to share-price performance, enabling investors to take a leading role in driving firms to enhance transparency and disclosure and ultimately to improve reporting standards.

Company involved

**Countries** 

Time-frame: 2008–10

**MDGs** addressed

UNDP role. UNDP co-designed the project, building on its extensive corporatesocial-responsibility expertise. It shared international experiences. And it contributed financially. Finally, it was involved in disseminating information on the index to the business community.



UNDP EGYPT

# ASE STUDY

### Bionexx

**Description.** Recognizing the need to develop the cultivation in Africa of Artemisia Annua—a plant recommended by the World Health Organization and UNICEF as an effective treatment for malaria, a disease that infects 350 million and kills 1 million people every year—UNDP partnered with Bionexx, the sole producer of Artemisia in Madagascar, to expand production. Artemisinin, which is extracted and purified from Artemisia Annua leaf material, is the major component in the latest

generation of Artemisinin Combined Treatments (ACTs).

Company involved Bionexx

**Countries** Madagasca

Time-frame: 2007–10

**MDGs** addressed





UNDP role. UNDP invested in a feasibility study aimed at improving production techniques for captive production sites and at analysing programme opportunities for Madagascar's small farming community. UNDP also convened a partnership with key national and international partners to ensure that the project could be implemented successfully—for example, organizing a donor round-table in 2006 that raised funds for project technical assistance and equipment. UNDP has also co-financed the involvement

of an international NGO to help Bionexx with its first harvest.

**Results.** The initiative benefited 4,500 growers in 2010, with a target of 7,300 in 2011. So far in 2010 Bionexx produced 550 tons of Artemisia Annua leaf, which helped in 4.5 million ACT treatments,

and planned production in 2011 will reach the equivalent for 12 million ACT treatments. Bionexx and its partner Innovexx have invested nearly \$7 million in farming and industrial equipment for this initiative, which has strengthened the value chain by assuring production, transport and information exchange while it has also increased market and economic opportunities for previouslyisolated rural communities. The leaf increases the revenue of the growers and ameliorates the productivity of the land through alternance, while the system motivates growers to increase yields and seek high leaf quality. The final, crystal form of artemisinin is sold to large pharmaceutical companies involved in manufacturing ACTs.

# The World Business and Development Awards

The biennial World Business and Development Awards—organized by UNDP, the International Chamber of Commerce and the International Business Leaders
Forum—acknowledge the contribution of the private sector towards meeting the Millennium Development Goals (MDGs) through core business operations. Since 2000 the awards have been given to 62 companies, located (as of 2008) in 33 countries. For the 2010 awards more than 171 applications were received from over 41 countries, with winners to receive their awards at a high-level ceremony during the UN MDGs Summit in September. (See further http://www.iccwbo.org/awards)



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### **UNDP** as funder

In some cases UNDP may share the costs of a particular project with participating companies and other partners, including donors and governments. UNDP's financial contribution must be necessary for the implementation of the project and must not take the place of private-sector activities, while privatesector partners must be selected in a transparent way.<sup>227</sup> Such UNDP co-financing must explicitly contribute to public goods.

# **Pacific Financial Inclusion Programme**

Description. The Pacific Financial Inclusion Programme (PFIP), a partnership of UNDP, UNCDF, the European Union and AusAid, aims to expand access to financial services to the 80% of the region's people who are excluded—mostly rural and low-income women and micro-entrepreneurs. The programme will create knowledge and disseminate it to policymakers, regulators, banks, non-bank financial institutions, telecommunications operators and other players to overcome challenges in financial-service delivery to these vulnerable groups.

UNDP role. PFIP can act as both broker and partner, with these roles varying during the process of engagement with a particular company. UNDP's engagement includes technical assistance (providing a

consultant from MPesa to Vodafone Fiji, organizing training-of-trainers on financial literacy); policy dialogue (formation of the National Financial Inclusion Task Force, organization of the Microfinance Pacific Week that brought service providers, micro-finance institutions, regulators and donors to chart actions on micro-insurance and financial education); awareness and knowledge (information exchanges in five countries on m-banking and micro-insurance; financial literacy and gender impact assessment; cash-point research; a DVD on micro-insurance; national financial-services-sector assessments); and grants to five companies on a cost-sharing basis.

**Results.** Collectively the five companies will have contributed to reaching 150,000 clients—at least 30% of them women—by the end of 2010; 113 trainers will have been trained; and 48,000 people (mainly rural) will have received financial-literacy training from 36 national organizations. In addition, Pacific ministers of finance and central bank governors have adopted a set of common goals on financial education and access to financial services. At the same time new business models (m-banking products and services) are being developed and rolled out by the partner companies.



**Companies involved** Vodafone, FlexPacific,

### **Countries**

Time-frame: 2008–11

MDGs addressed







# CASE STUDY

### Supporting small dairy farmers in Armenia

**Description.** Ashtarak-Kat, a leading dairy producer in Armenia, launched this initiative with the Centre for Agribusiness and Rural Development (CARD) with the aim of building sustainable milk collection centres for small-holder farmers in the rural Tavush region. Tavush has a need for investment in modern milk cooling and storage infrastructure, essential to building a modern dairy market. The initiative aims to enliven the region's milk sector and to help its inhabitants—of whom 60% depend on agriculture for their livelihoods—by renovating premises, by purchasing equipment, by developing farmers' cooperatives and linking them to milk buyers and by assisting the farmers in organizing, collecting and selling.

Partners involved Ashtarak-Kat

**Country** Armenia

Time-frame: 2007-2008

**MDGs** addressed



**UNDP role.** UNDP brokered the relationship between the private sector, CARD and the farmer associations. It also helped renovating the collection centres and contributed to purchasing two milk trucks.

Results. Two co-operatives have been registered and three sustainable milk collection centres have opened, maintaining a 1,600-litre daily capacity that caters to 1,000 small-holder farmers and benefits 3,000 households from 10 villages. The household incomes of beneficiaries have increased by approximately 20–25%. The quality of milk has risen, creating a healthy competition among farmers and creating new incentives for improving production. Today farmers sell milk to a variety of buyers and the centres have become fully self-sustaining businesses with appointed managers.



UNDP ARMENIA

















### UNDP as technical advisor and capacity developer

UNDP has a wide network of local and regional offices, a recognized convening power and a strong expertise in designing and implementing development activities from which companies can benefit for example, to translate corporate-social-responsibility policies into long-term business goals aligned with core business operations.

## **Equity Bank**

Description. This joint project between UNDP, Equity Bank, UNIDO, the International Labour Organization and the Kenya Ministry of Trade aims to reduce poverty in local regions by giving women access to credit for economic activities. Specific goals include increasing the number of women in decision making positions, building awareness of women's roles in business at the local, regional and government levels and enhancing women's capacity and motivation through entrepreneurial-skills training.

UNDP role. UNDP provides capacity development to women in business and investment, while Equity Bank and other participating institutions provide financial intermediation. UNDP facilitated the

> establishment of ICT networks and the online promotion of women-targeted SME products, and it designed and rolled out a flagship development programme for women entrepreneurs.

Company involved

**Country** 

Time-frame: 2008–12

MDGs addressed





Results. 20,000 women have registered for training courses in managing small business loans. A dedicated "Women Empretec Center" was established to provide entrepreneurship training, mentoring and support, resulting in the expansion of local markets. Equity Bank has seen extremely rapid growth, with 3 new branches already built in Nairobi.



### **Get Airports Ready for Disaster**

Description. DHL and UNDP launched the Get Airports Ready for Disaster (GARD) programme to prepare airports and people for disaster situations and to make aid delivery more efficient. Using DHL's extensive logistics experience, Disaster Response Teams help local authorities in reviewing airport capabilities and capacities, understanding coordination requirements, training local trainers, and formulating a contingency plan and coordination structure. GARD helps airports to better handle the overwhelming international support that arrives after a disaster.

UNDP role. UNDP is involved in GARD—and many other projects—under the area of Crisis Prevention and

Recovery. Operating in some 100 countries, UNDP identifies the needs of people suffering from crises and responds by fostering partnerships for innovative approaches to crisis prevention. It also works to ensure that long-term development policies and programmes incorporate opportunities for disaster reduction and conflict resolution. UNDP brokered the relationship with DHL and invited its expertise into a larger, national disaster-risk reduction programme in Indonesia, cofinanced by the Government of Indonesia and UK DFID (Safer Communities through Disaster Risk Reduction in Development).

Results. In Indonesia DHL and UNDP trained local appointees to understand disaster relief surge requirements, to properly lead a GARD team and to learn the proper use of contingency planning in times of disaster. The programme developed airports and local relief agencies by determining and building surge capacity. During 2010 UNDP and DHL are introducing this project in four airports in Nepal, with plans to expand to other key locations in Asia and the Americas in 2011.

**Partners involved** 

Country

Time-frame: 2009–2011

**MDGs** addressed





















# **GLOBAL INITIATIVES** OF UNDP

On-going international flagship initiatives show how the private sector can engage with UNDP, both globally and in specific countries. They also illustrate UNDP's role in building 'eco-systems' of partners to support inclusive business.

## The Growing Inclusive Markets Initiative (GIM)

A UNDP-led global multi-stakeholder research and advocacy initiative, GIM seeks to understand, enable and inspire the development of inclusive business models that will help create new opportunities and better lives for poor people.

For businesses, GIM offers global, regional and national reports on inclusive markets; action-oriented research tools (market heat maps, a strategy matrix); an on-line database containing 120 case studies of inclusive business models across sectors, regions, themes and types of companies; and network building at the local level.<sup>228</sup>

**EXAMPLE:** In Colombia UNDP—collaborating with government entities, business associations, academia and civil-society organizations—has produced a national GIM report, based on 13 national case studies spread across sectors and regions; these include conflict-affected areas where companies are contributing to peace efforts through entrepreneurial activities.



### **Business Call to Action (BCtA)**

The initiative challenges companies to develop inclusive business models that offer a potential for development impact along with commercial success. Some 25 multinational and national companies have already joined BCtA and launched new initiatives around the globe.

For businesses, BCtA offers an opportunity to showcase results at high-visibility events around the globe, a knowledge-sharing platform and support for businessmodel development and monitoring.

**EXAMPLE:** Diageo, the world's largest premium drinks brand, joined BCtA in 2008 by committing to develop the sorghum agricultural value chain in Cameroon while providing a sustainable source of local grains for use in its products. Diageo is working with farmers to develop skills and agronomic practices, establish collectives and provide farmers with access to credit. The company plans to replace as much as 16,000 tonnes of imported grains with locally produced sorghum, benefiting about 10,000 people.

## The Enhanced Integrated Framework for LDCs (EIF): trade for human development

Development of trade capacity can be instrumental to creating jobs and to enhancing growth, human development and MDG achievement. UNDP is actively engaged in the aid-for-trade agenda through the EIF, working with partner and donor countries, multilateral agencies and the UN system to help developing countries do three things: expand their trade capacity, integrate trade into national poverty reduction or development plans and coordinate trade-related technical assistance on the ground. Typical UNDP interventions include conducting humancentred trade diagnostics (trade needs assessments, impact assessments of trade policies on human development) as well as implementing the recommendations of these studies (for example, supporting the export capacities of a country's private sector). Least-developed countries can benefit under the EIF from trade-related technical assistance that is needed to enhance their trade performance, and thus to become better integrated in international markets.

For businesses, EIF offers an opportunity to join policy dialogues and to provide technical input into national discussions on how to make the local private sector internationally-competitive (through pro-poor trade development measures and a better understanding of trade agreements).



UNDP

**EXAMPLE:** UNDP in Mali has enabled Mali's mango exports to rise sharply—from 2,915 tonnes in 2005 to 12,676 tonnes in 2008, more than fourfold—generating \$30 million for the Malian economy. The initiative works to alleviate poverty, especially by teaching women farmers useful skills in mango production and processing and by facilitating access to credit for mango exporters. Phyto-sanitary treatment of 5,000 hectares of orchards in 2008 helped to pave the way for European certification standards, known as EurepGAP (including social and environmental standards). Through this program, which also improved testing facilities and increased cold-storage facilities, rural women who sell mangoes at a premium price are able to significantly increase their incomes while improving their status in their homes and communities.

**EXAMPLE:** The first commodity exchange in Ethiopia—a least developed country where only one-third of agricultural products ever reach the market—was established in April 2008 to provide security and visibility for commodity traders. Since December 2008 the exchange has handled transactions worth \$240 million, amounting to more 160,000 tonnes of coffee beans. An estimated 850,000 small-holding farmers are now involved in the system. Cofinanced by the government of Ethiopia, the programme was made possible by a consortium of supporting partners including UNDP, the World Bank, USAID, the Canadian International Development Agency (CIDA) and the WFP. UNDP's support included initial project start-up, capacity building and technical-advisory services over four years.

# The UNDP Green Commodities Facility

Launched in 2009 with the objective of connecting global markets to national governments and farmers, the Green Commodities Facility manages a global portfolio of national-level commodity-focused programmes and platforms that remove barriers and institutionalize systemic approaches for scaling up the production of sustainable commodities. This includes addressing environmental externalities within the supply chain, strengthening financial sustainability for technical assistance and reforming policy.

For businesses, the facility affords an opportunity for partner companies to participate in the long-term institution, scaling up and integration of sustainable commodity practices into traditional supply-chain structures. Once programmes are successfully implemented, green commodities will be available for sale and participating companies will be well-placed to purchase them.

**EXAMPLE:** A platform for the responsible production and trade of pineapples is being established in Costa Rica, with support from the CR-USA Foundation and the Dutch inter-church organization for development cooperation ICCO. The platform will articulate joint action by the state, companies and communities to accomplish the development-wide interventions needed to produce this commodity without causing the chemical run-off, the labour-regulation violations and the high ecological impact of conventional production practices. International companies, traders and



















retailers buying pineapples from Costa Rica will be actively engaged so that changes in their purchasing policies promote more sustainable production.

## **The UN Global Compact**

UNDP is one of several UN agencies supporting the UN Global Compact in developing countries. The largest corporate responsibility initiative in the world, it targets businesses that are committed to aligning their operations and strategies with 10 universally-accepted principles on human rights, on labour, on the environment and on anticorruption efforts. By making this commitment businesses can help markets, commerce, technology and finance to advance in ways that will benefit economies and societies everywhere. Today the UN Global Compact counts more than 7,700 corporate participants and stakeholders from more than 130 countries.

For businesses, the compact offers a strategic policyframework platform as well as learning on development issues relevant to business, implementation and the disclosure of sustainability principles and practices (including a wide spectrum of specialized workstreams, management tools and resources).

UNDP is now engaged in setting up and developing local business-led UN Global Compact networks in 31 countries—to promote higher social, environmental and governance standards among local companies and to catalyse business action in support of national-development priorities.

**EXAMPLE:** In Syria UNDP provides the secretariat for the local Global Compact, which brings together the 38 largest Syrian companies. The companies are actively involved in social-investment projects in Syria, including in health, youth employment and tourism rehabilitation. UNDP provides technical advice on these projects.



## **The Global Environment** Facility (GEF)

Established in 1991 as an independent financial organization, the GEF is the largest funder of projects to improve the global environment. Providing grants to developing countries and transition economies for projects related to biodiversity, climate change, international waters, land degradation, the ozone layer and persistent organic pollutants, the GEF constitutes the financial mechanism for international environmental conventions (CBD, UNFCCC, POPs, UNCCD, Montreal Protocol). It has allocated \$8.8 billion, supplemented by more than \$38.7 billion in cofinancing, for more than 2,400 projects in more than 165 countries.<sup>229</sup> In the GEF partnership are 10 agencies: the UNDP, the UNEP, the World Bank, the UN FAO, the UNIDO, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the International Fund for Agricultural Development.

A data analysis of all GEF projects with private co-financing, conducted in early 2010, showed that of the GEF's current portfolio of 2,403 projects, about 18% are private-sector projects. This includes \$5.97 billion of identified co-financing for private projects, compared with \$38.74 billion of total identified co-financing—resulting in private projects with a co-financing ratio somewhat better than that for the overall portfolio (4.8x, compared with 4.44x). For private-sector engagement, projects related to climate change account for 73%, while those related to bio-diversity account for 17% (smaller categories include international waters at 7%, POPs at 3% and land degradation at less than 1%)<sup>230</sup>.

**EXAMPLE:** A project was launched in collaboration with Tchibo, Kraft Foods, Caribou Coffee Company, McDonald's Europe and others to help increase market demand for coffee produced under bio-diversity-friendly, sustainable production practices in Brazil, Colombia, El Salvador, Guatemala, Honduras and Peru. Providing market incentives through certification (87,000 metric tonnes sold in the 2009 calendar year, and estimated sales of around 100,000 metric tonnes by June 2010), the project will transform the coffee sector by ensuring that it valuably complements conservation efforts in protected areas. Of the 350,000 hectares of coffee farms certified globally on 30 June 2010, about half was in production and about 70% was held by small-holders. More than 35,000 farms are currently certified world-wide, the majority in the project countries. While most growers get significant premiums for their certified coffee, the project team considers the greatest benefits to be the changes on certified farms from implementing better practices, including efficiencies and product-quality improvement with increased yields. Livelihoods improve for the farm workers, who receive at least minimum wage and have dignified living conditions with potable water, sanitary conditions, health care and schooling for children. Large co-financing contributions are coming from companies that invest tens of millions of dollars in campaigns to raise public awareness. UNDP provides oversight and engages in policy dialogues with national policymakers and regional organizations such as the European Parliament. UNDP additionally provides technical assistance to dozens of companies—including instruction manuals in several languages—to increase compliance. Finally, UNDP has helped raise consumer awareness on sustainability. A global roll-out of major certified tea brands will develop awareness in North America, where companies are airing television advertisements.