



INNOVATING BY MOBILISING STAKEHOLDERS: 10 PROPOSALS FOR A NEW APPROACH TO DEVELOPMENT ASSISTANCE

Full report submitted by Emmanuel Faber and Jay Naidoo

OPTIONS REPORT



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This document is based on a report submitted
in January 2014 following a commission by the French Ministry
of Foreign Affairs and International Development.

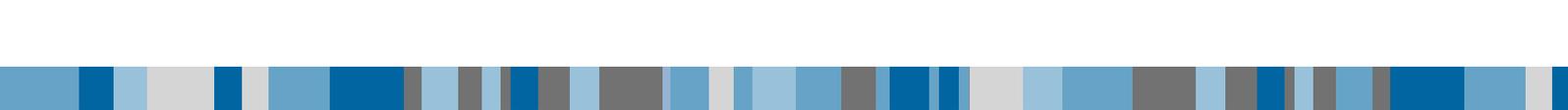
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Acknowledgments

The authors would like to thank all those who participated
in this work for their availability and the quality of their
contributions.



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Report compiled by:
Emmanuel Faber and Jay Naidoo,
assisted by Bernard Giraud and Sarah Marniesse.

FOREWORD AND ACKNOWLEDGMENTS

Emmanuel Faber¹ and Jay Naidoo² were asked by the Minister Delegate for Development to study innovation in the development assistance field and its link to the *positive agenda* of sustainable development. This report opens the debate through tangible proposals, raising in-depth questions concerning how assistance is conceived and its implementation in over the years.

It was produced by a small team made up of Sarah Marniesse, from the Ministry of Foreign Affairs Directorate-General for Global Affairs, Development and Partnerships, Bernard Giraud, President of the Livelihoods Venture and Senior Adviser on Sustainability and Shared Value Creation at Danone. They were assisted by Lola Blanc and Paule Drubigny. The Boston Consulting Group and the Hystra consultancy, along with Olivier Kayser and Jessica Graf, also contributed to preparing it.

Enriched by the consultation and contributions of numerous international leaders, experts, public and private sector stakeholders, civil society and major companies and NGOs, this report is based on their work and proposes innovative approaches to revisit what is known as “Official Development Assistance”, or ODA. We would like to thank all the contributors (listed [here](#)) and the Private Office of the Minister Delegate for following up our work.

¹ Deputy Managing Director of Danone, a major business long committed to social innovation.

² A South African former trade unionist and ANC leader, who stood alongside Nelson Mandela in his struggle and as a Minister, who is now Chair of the NGO Global Alliance for Improved Nutrition (GAIN).

Summary

1 PURPOSE OF THIS REPORT

The development assistance policies drawn up by the international community in the wake of the Second World War were designed at a time when the North-South divide was still an accurate, accepted reality. That was long before the economic and fiscal crisis in Europe, the rise of the BRICS, Africa's rapid growth and the gradual collective recognition of the environmental issues raised by development.

By the time any innovative approaches are introduced, official development assistance (ODA) will account for just a few percentage points of the South's GDP and is likely to drop even further due to budget trade-offs. We propose to review the priorities and methods of intervention of ODA so as to increase the qualitative, catalytic and sustainable nature of its impact.

ODA must innovate, by focusing on sustainable development solutions based on fairness and the ability of local populations to take the initiative and be creative, and by building on the willingness and ability of public and private stakeholders and civil society to work together, using methods of assistance that are more appropriate, effective and far-reaching than the State-level assistance that has so far constituted the main approach.

2 A SHARED GOAL: RECONCILE DEVELOPMENT WITH LOW-CARBON GROWTH

Over the last fifty years, people have gradually come to realise that they are endangering the planet. Ultimately, we are putting our own survival at risk.

As we prepare to adopt new sustainable development goals, it is becoming increasingly clear that our collective survival will depend on our ability to come to terms with fairer, lower-carbon growth models.

For the pursuit of this dual objective to have any credibility in developing countries, it must focus initially on fair development. For all those who live in extreme poverty and have no access to essential goods – and there are more than 400 million such people in Africa – sustainable development is a distant concept. It will only become meaningful for them if it changes their current living conditions in a concrete way.

It is therefore necessary to consider their living spaces to understand with them how changes to their living conditions could contribute to sustainable development.

3 LIVING SPACES AS A NEW STARTING POINT

Our belief in the choice of women and men in their living spaces as a starting point, with their perception of the problems, their incentives and their resolve to carry out a joint project and to innovate, has led us to tackle reality in its most concrete form and to prioritise stakeholders over the system.

It has also led us to study the emergence of a multiplicity of innovative initiatives in Africa. Such initiatives are carried by multiple public and private actors and weave a new form of solidarity. We see them as a promising way of renewing ODA policy.

This report chooses to focus on sub-Saharan Africa. Recent reports have shown that over the next 30 years, Africa will undergo changes that will have major geopolitical, demographic and economic consequences for Europe and France.

While acknowledging the contribution of innovative projects organised outside the sub-continent, we made three major observations, on which we have based areas of focus as well as intervention priorities and proposals coherent with our chosen local approach.

The report thus considers different forms of innovation able to offer solutions in the priority areas of intervention, to change Africa's course, to reconcile differing agendas, and to demonstrate efficiency at a time when public resources are limited. While Africa is undoubtedly enjoying growth in various fields and has many assets to become tomorrow's continent, it is also faced with all sorts of difficulties that could prevent it from realising this potential. Those represent tipping points, which ODA should target as a matter of priority:

- Population growth is a source of opportunities, but it also generates many needs, while landscapes are unable to cater for a growing population that is becoming increasingly urban while remaining large in the countryside, and economies are not strong enough to create all the jobs needed. The consequences of this uncontrolled population growth include unemployment and under-employment of young Africans, which is undeniably both a source of social and human suffering and a waste of economic resources;
- African landscapes are shifting under the weight of this population growth and the socio-economic forces acting on them: the way in which they are to be managed and linked will be a determining factor in the fair and sustainable development of the sub-continent. Rapid urbanisation in cities that only rarely organise and plan the use of space is jeopardising the improvement of living conditions and causing environmental damage and greenhouse gas emissions that will constitute a real threat to the planet. The same can be said of poor management of natural resources in rural areas, especially the use of agricultural models that destroy ecosystems and jobs. New technology and infrastructure are indeed starting to transform rural areas. Yet to be sustainable, this restructuring must be based on effective connections between landscapes to manage urban growth, promote exchanges and enable the countryside to flourish;
- At the moment, although the African sub-continent is only marginally responsible for the global increase in emissions, the high-carbon trajectory of South Africa shows how much Africa's growth could result in extremely high emissions if growth models are not adapted

- Finally, all kinds of impending threats to the continent's social balance are linked directly or indirectly to climate change (including drought, flooding, disease, population exodus and wars).

These observations have led us to define a cross-cutting issue and four priorities:

- The cross-cutting area of focus concerns women, who are the primary victims of delayed development, as indicated by maternal mortality rates in Africa as well as figures on land ownership, agricultural support or malnutrition. They are first to suffer from discrimination in all areas of private, social, economic and political life. A first priority is to help women contribute to driving development. It is in fact a primary condition to achieve fair development, as many studies show the positive impact of women's involvement.
- Young people in Africa and their under-employment: by 2025, 25 million young people will enter the job market in sub-Saharan Africa each year. Effective training will ensure they represent an opportunity rather than an additional risk, so that they find their place in society and take part in Africa's economic development. To achieve this, ODA approaches must evolve to take into account of skyrocketing demand on urban and rural job markets. It is high time to focus on vocational training in the informal sector, which is the only way to absorb most of the youth's labour capacity (in spite of a growing formal economy);
- Family farming: public policy has been neglecting this area, yet it is critically linked to essential issues such as employment, poverty reduction, food security and land conservation. The rural population is set to increase by 300 million inhabitants by 2030. Provided that it incorporates innovations allowing it to reconcile productivity and environmental protection, family farming is an appropriate response that development assistance must prioritise. Without support, it will be ruined by the market economy;
- Urban living conditions: fair development and environmental protection depend on an in-depth review of urban development practices in Africa. If nothing is done or improved in African cities, inadequate or delayed urban management and planning will lead to volatile social situations and intolerable environmental degradation, which will have a significant impact on climate change. Massive symbolic investment in more urbane cities (i.e. friendlier ones, including in terms of environmental sustainability) should be a top priority if we are to take up this challenge.
- Lastly, access to energy and its modalities is both the first step towards low-carbon growth and a crucial condition for fair development as access to electricity is such a driver of transformation for living conditions and capacity.

4 DEVELOPMENT AND DEVELOPMENT ASSISTANCE INNOVATIONS

To respond to the priorities identified above, the report favours a bottom-up approach focused on supporting coalitions of stakeholders involved in projects or programmes that are closest to the reality on the ground and as realistic as possible (e.g. training local stakeholders; mobilising international support for them; adopting innovative technologies and methods; etc.). The report

shows how technological, social and logistical innovations in those fields are offering promising solutions, which must now be implemented on a larger scale across the world.

This represents an opportunity to reform development assistance procedures, which is necessary to multiply and scale up these innovations.

This report seeks to support such a reform by offering recommendations on mobilising and coordinating stakeholders with regard to development issues; creating financing tools to support coalitions of stakeholders; adapting assistance mechanisms to remain innovative and take more risks; and supporting factors that facilitate innovation, which is necessary to ensure action is effective and relevant.

4.1 Innovating through the mobilisation of stakeholders in the inclusive economy

Let us consider first those inhabitants of rural or urban landscapes who feel the impact of the key issues raised by sustainable development in the reality of their daily life, and work out how to enable those stakeholders, who are primarily women, to change the situation through innovation.

Over the past decade, women have been forming groups to exercise their social and economic rights and organising into associations and cooperatives on the Indian sub-continent as well as in Africa and Latin America. The rise of new technologies has given civil society greater influence and turned it into a key development stakeholder. US and British foundations are trying to move beyond their purely philanthropic traditional methods and exploring impact investing; in France and Africa, large NGOs and small local associations are developing social business approaches to create a lasting impact, sometimes in the face of public funding cuts; large European and Japanese companies are experimenting with social business models that aim to resolve social or environmental problems on the basis of market economics. These initiatives often bring together stakeholders from different, complementary spheres, who deal with the area of the value chain in which they are the most competent.

An **inclusive economy** is thus beginning to develop under several forms. It is defined by its contribution to resolving problems of public interest, its focus on sustainability and economic viability, and its higher level of risk in comparison to the traditional economy. For all these reasons, it is still little known or understood.

The multiplication of such projects makes the traditional landscape of development funding richer and more complex. It also invites us to rethink development assistance and move away from conventional State-level funding while taking into account the richness and complexity of the processes at work.

Our approach focuses on coalitions of stakeholders who work together to invent hybrid models in response to concrete problems. A growing number of inclusive economy projects adopt this method in which companies, NGOs, governments, local authorities and foundations work together on the basis of **co-creation**.

This is the logical solution in a context where each stakeholder alone is inadequate in facing the complex challenges posed by sustainable development. The respective contributions of various stakeholders increase a project's relevance and facilitate its inclusion in public policies; cooperation based not only on mutual trust but also on the measurement of results improves monitoring standards and promotes results-based decision-making.

This approach is also becoming increasingly relevant as the amount of public resources available for development assistance decreases while sustainable development funding needs grow. By leveraging additional funding to achieve jointly defined goals and outcomes, development assistance can regain purpose, effectiveness and impact. Public resources channelled into such projects will enable them to achieve more in terms of social, environmental and economic outcomes.

This is why development assistance should step in under the form of subsidies, loans, guarantees or equity depending on requirements, thus providing support for initiatives that fall naturally within its remit, such as catch-up activities, purchases or pre-purchases of positive externalities or cover for higher risk linked to the complexity of the situation. However, development assistance in France does not yet have tools to follow these innovative approaches.

New funding methods through results-based payment are suited to these initiatives, since they are based on the precise definition of goals pursued jointly by investors, project developers and purchasers of externalities and on payment in relation to achieved outcomes. Such funding methods make it easier to leverage development assistance as they guarantee the effective use of resources and help establish mutual trust between stakeholders.

Although such coalitions of stakeholders are too recent for their effectiveness to have been evaluated, ambitious projects in sub-Saharan Africa with already visible results indicate that a conceptual shift is taking place and new stakeholder configurations are developing.

Proposal 8: Set up an inclusive economy facility for development to organize public support for coalitions of stakeholders

The new co-creation approach advocated in this report is more difficult to implement than traditional approaches in so far as it requires common ground between stakeholders who, on the face of it, have different aims, experience, skills and working methods. We propose to set up an **Facility for Inclusive Economy and Development** (FIED) to foster such approaches and turn them into reality. The aim of this facility is to provide favourable conditions and financial tools to leverage resources from various private sector sources: impact investing funds, bottom-of-pyramid (BOP) companies, carbon markets, etc. Public funding will be used to reduce the risks that are limiting private investments.

The FIED will represent a single entry point for project validation, funding and stakeholder support. Using the skills and services of the French Development Agency (AFD) and the Investment and Promotions Company for Economic Cooperation (Proparco), it will process submissions and follow up on them. It will determine a reference set of precise eligibility criteria for inclusive economy projects. It will have a dedicated budget to co-finance private funding and implement projects based on impact optimisation and measurement.

As a complementary measure, the report also recommends organising and promoting inclusive economy discussions and initiatives, including through revised operation of the National Council for Development and International Solidarity (CNDSI). In addition, it suggests strengthening the individual and collective skills of inclusive economy stakeholders.

4.2 Reform French ODA to favour and support innovation

Since the emergence of new overarching issues has significantly reshaped the field of development assistance in recent years, we believe that assistance must become more quality-focused, catalytic and sustainable by supporting teams of stakeholders who seek more inclusive and sustainable

development. All of the main bilateral and multilateral actors of global ODA are experimenting with ways to support those initiatives within their own culture, organisation and constraints. We have therefore assessed the ability of the French ODA system to respond to these challenges. The AFD plays a central role in the French ODA system. We feel that it should review some of its goals and intervention methods to improve its capacity to innovate and remain in sync with the paradigm shifts occurring in the international development community.

Proposal 9 : Reform the French ODA system in order to mobilise inclusive economy stakeholders in support of development

It is important to move away from the dominant approach, namely assistance to States and multilateral assistance, and broaden ODA to include financing the inclusive economy. The AFD has a role to play in this transition. It should reform some of its governance and operation procedures to support the growing trend towards an inclusive economy, just like many other donors worldwide. For example, it should review volume-based goals in favour of strategies aiming for a catalytic and qualitative impact and clarify its role and structure in order to adopt a clearer strategic position in the competition between international development actors. It will also be necessary to simplify the oversight of AFD and strengthen AFD governance by giving the agency greater autonomy with regard to aid implementation, allowing it to take risks and innovate. Finally, its human resources policy should promote risk-taking, innovation and effectiveness.

5 SUPPORTING COALITIONS OF STAKEHOLDERS IN FAVOUR OF EQUITABLE DEVELOPMENT

5.1 Cross-cutting priority: help women play their full part in development

Women's empowerment is crucial to achieving fair development. They are, in many cases, subject to such severe discrimination that it is necessary to focus on their empowerment as a matter of priority, without which development can be neither fair nor sustainable.

Proposal 1 : Acknowledge that women have a critical role to play in sustainable development projects and design aid schemes accordingly

Achieving this entails not only supporting the Gender and Development Strategy 2013-2017, but also surpassing it and breaking new ground: we must make sure that at least 10% of development projects identify female empowerment as a principal objective by 2017, while the number of projects with an OECD DAC gender marker 1 or 2^{3*} should increase by 20% instead of 11% as currently recommended.

³ * The OECD-DAC gender marker rates development projects and programmes with the following scores:

G-0: the project does not target gender equality;

G-1: improving gender equality or reducing gender inequalities is a significant or secondary objective of the project;

G-2: improving gender equality or reducing gender inequalities is a main objective of the project.

At the same time support must be provided in all development projects for components that target women: vocational training, access to credit, participation and, more generally, capacity building.

5.2 Focus on vocational training for young people in the informal sector

To integrate millions of young people into the job market each year, it is important to channel resources into vocational training.

Technical and vocational training is currently neglected in education systems and caters for around 2% of each age cohort. It is time **to scale this up and meet the needs of the real economy more effectively.**

To do so, it is necessary to work closely with those on the ground and economic actors to take inspiration from tried-and-tested models and prioritize dual apprenticeship schemes, which are the only way to link teaching to economic reality and promote the acquisition of concrete skills to create jobs on a large scale. There are significant training needs calling for innovative programmes in the informal economy, which can account for up to 90% of activity in some countries and is characterized by specific ways of thinking and doing. This should be associated with business start-up programmes, which yield positive results as illustrated by the examples presented in this report. Business start-up assistance should be particularly aimed at women, who often suffer discrimination in this field.

Proposal 2 : Reduce the mass under-employment of young people in Africa, acknowledge that dual apprenticeships are an absolute priority and foster their development in a variety of contexts (formal and informal)

Dual apprenticeships meet two key needs: they bring training producers and consumers closer together and help match the skills to the needs, and they facilitate contact between employers and job seekers. In this context, it is necessary to: involve business stakeholders in the planning and running of schemes to train young people; mobilize NGOs, social entrepreneurs and professional associations more effectively, especially trade federations, making sure to link new initiatives to existing public schemes; focus on training the teachers; provide specific support for the component of technical training courses that deals with the business start-up process; make vocational training courses more attractive; remove competition between dual apprenticeships and technical secondary education by raising the level of the latter; and, of course, reaffirm the role of basic education as the foundation for all training, including technical and adult courses.

5.3 Target family farming at last

Farming is crucial to reconciling the demands of job creation, food security, rural economic development and environmental protection. Currently, 60% of urban youths in sub-Saharan Africa still find their first jobs in agriculture.

Family farming provides a fitting solution to all of these constraints if it makes use of innovations that reconcile productivity with respect for the environment. Despite its accepted prominence in political discourse, family farming actually receives a very small share of official development assistance. Such assistance should have a two-fold objective. On the one hand, it should **strengthen family farming and improve its productivity and resilience**, through intensifying production models that spare natural resources (agroforestry, fertilization, tillage and integrated pest control techniques and resilience of farming ecosystems). On the other hand, it should **support structural change** through

the gradual diversification of rural activities to anchor rural development in a broader trend of sustainable socio-economic growth.

Proposal 3 : In the context of 2014 being declared the United Nations International Year of Family Farming, make significant investments in this sector, via an initiative for family farming in Africa

In view of the diagnosis of this sector and the identified levers for change, we feel it is essential that ODA policies prioritise family farming by doubling its funding allocation through new schemes. To achieve this, we propose to launch an initiative for Family Farming in Africa, which will aim to give momentum to integrated farming development projects on the relevant scale (valley, watershed, plateau, small region) and respond to the sharp increase in production and revenues using the levers identified in the report. This initiative could assist between 80,000 and 120,000 farms per year through a financial component (€200 million per year), an expertise and support network and a large-scale training programme. Financing would be organized in such a way as to ensure that stakeholders are coordinated and outcomes are achieved. This initiative would involve: introducing and enhancing skills with regard to technical models and practices in family farming; improving family farmers' access to local, national and international markets; increasing the use of new technologies for family farming; establishing innovative financing models to allow family farming support projects to be scaled up and achieve sustainable outcomes.

5.4 Promote social urban planning for sustainable urban development

While we need to identify the conditions for low-emission, eco-friendly urban development, it is even more urgent to improve the living conditions of marginalised populations, reduce urban divides, and facilitate access to essential services and community life.

This report is a proposal to reverse the sustainable city paradigm: let us build the green city of the future through social urban planning. This discourse speaks to women and men who are simply trying to survive each day and for whom a green city is a luxury of secondary importance.

Urban planning, participation and community are central to both social urban development and the construction of a green, low-carbon city. This model of social urban planning should be scaled to design isolated neighbourhoods, channelling resources into them and taking environmental issues into consideration when possible. The experiences presented in the report show that **ecological, cultural and social innovations for urban planning, participation, waste management models and greenbelts are options to be explored.**

Proposal 4: Set up a social urban planning laboratory for sub-Saharan Africa at the World Urban Forum in Medellin in 2014, with the aim of developing successful experiments for urban social integration within five years

To raise awareness of urban issues in Africa, we feel it is time to launch a social urban planning project led by a team of public and private stakeholders.

Medellin's social urban planning experiment has taught us that it is possible to alter a city's evolution by heavily targeting marginalized neighbourhoods, drawing up a development plan in collaboration with their inhabitants, channelling resources into those areas and focusing them on all aspects of urban development, especially those which boost residents' confidence and dignity, thus making the city greener and more sustainable.

We propose to set up a social urban planning laboratory that would bring together candidate cities in developing countries on a virtual level, as well as cities in both developed and developing countries that can offer skills and support to city stakeholders who will help to adapt models and outline, implement or finance projects. The laboratory will need resources will to become established, operate and manage a fund to implement two to three projects each year. **The objective is to use calls for applications to identify motivated municipalities backed by coalitions of stakeholders.** Evaluation methods will be needed to demonstrate whether this approach has worked and helped to divert the course of growth towards sustainable urban development after five years. Stakeholder coalitions can work on the basis of decentralized cooperation to assist with urban governance (especially financial, but also technical) and strategic urban planning. This framework will support innovative projects that facilitate urban planning and management (especially ones making use of information technology) and those that reconcile green city design with social and economic impacts. Lastly, the laboratory will include a training component, such as an online school of architecture and urban planning, as this is currently lacking in Africa.

5.5 Promote clean energy on different scales

Africa is facing a dual challenge: the need to improve access to energy, since more than 500 million Africans have no electricity, coupled with the need to establish the conditions for sparing, clean development.

At the same time, Africa has paradoxically vast, unexploited potential when it comes to renewable energy.

This situation leads us to highlight three priorities:

- promote hydroelectricity by helping countries to build large infrastructure for this purpose, which is fundamental for development, while taking sustainable development concerns into account from the earliest stage;
- promote technological and logistical innovations to bring electricity to poorly supplied areas, which, in poor countries, requires subsidies and the coordination of many stakeholders throughout the production and distribution chain;
- and promote improved cooking stoves to ensure biomass is used in a more economical way that is less damaging to the health of users (mostly women).

In the energy sector in particular, renewed focus must be placed on carbon financing so that it continues to support projects to reduce emissions.

Proposal 5 : Lay the groundwork for low-carbon growth to achieve sustainable, fair development in Africa

To achieve this goal, the chronic inadequacy of hydroelectric equipment in Africa must be addressed first. Shouldering part of the political and financial risks could facilitate private sector involvement and ODA should act as a catalyst to introduce social and environmental fairness when such very large programmes take place.

Another proposal is to couple each of the funded energy projects with a study of alternative energy solutions to facilitate the shift to green energy sources. Lastly, to speed up the process of electrification, so-called smart grid distribution networks should be developed through more effective

coordination between ODA, national electrification funds and local operators, and redirecting funds intended to subsidize fossil fuels towards such innovative operations.

Proposal 6 : Launch a “Healthy Cooking Stoves for Africa” project to address the key issues of women’s health, women’s productivity and deforestation, using a results-based payment system (development impact bonds) to equip 50 million families between 2015 and 2025.

Without a strong incentive mechanism, the rate at which households become equipped with improved cooking stoves will continue to progress very slowly. This initiative will send a message to all stakeholders in the industry (producers, NGOs, distributors, investment funds, carbon market operators, government, etc.) by giving them sufficient forecasting ability and guarantees to encourage investment. Public funds would be used as a lever to mobilise stakeholders, and the principles of results-based payment, stakeholder coordination, priority to stakeholders and long-term investment would allow the project to reach the desired scale.

The proposal consists in guaranteeing the purchase of carbon credits for a period of ten years at a pre-determined price. A fund could be set up (financed by the Green Climate Fund) to buy these credits.

Proposal 7 : Give new momentum to the European voluntary carbon market and turn it into a unique development assistance tool by purchasing carbon credits to finance Africa’s energy transition to a lower-carbon model

Although the European carbon market is currently facing difficulties, it should be written off. The European Union (EU) and European governments should demonstrate strong political commitment to the issue and take the required steps to bolster the EU emissions trading system (ETS), push up the price of carbon, improve ETS market regulation and simplify the system. With this in mind, we propose to set up a clean development mechanism (CDM) for Africa dedicated to funding low-carbon energy production and distribution projects, including agroforestry initiatives. The French government should help reform the EU ETS to restore carbon prices to incentivizing level and steer investment towards low-carbon, inclusive development projects.

6 ESTABLISH THE CONDITIONS FOR SUCCESSFUL INNOVATION IN THE FIELD OF DEVELOPMENT ASSISTANCE

OAD systems must take into account the conditions allowing innovation in development assistance so as to adapt the regulatory framework to an inclusive economy that fosters development. Project design and implementation, too, should meet a number of conditions:

- ensure more systematic cultural anchoring of development projects, since culture can act as a driver of, or a dampener on, the mobilisation of stakeholders for action;
- gain broader knowledge of the population taking part in development project – their aims, incentives and environment – which requires urgent improvement of statistical systems;
- accelerate the spreading of digital technology throughout Africa, given improved living conditions it allows in many development-related fields, as shown by many examples in the report;

- build capacities to enable beneficiaries to become primary agents of change. Coalitions and alliances formed between inclusive economy stakeholders have an important part to play in this area, as they help shape future agents of change in Africa and build links that will become future bridges between government, business and the non-profit sector in developed and developing countries.

Proposal 10 : Establish the conditions needed for successful innovation in the field of development assistance: regulatory framework, cultural anchoring, connectivity, stakeholder capacities and knowledge

In terms of **regulations**, an appropriate framework is needed to encourage investment in the inclusive economy (grant explicit exemptions from the democratic governance system in the social economy, channel savings into inclusive economy projects for development, create a label for funds supporting solidarity projects overseas, clarify the legal framework of social business, amend Article 1832 of the French Civil Code, etc.).

Development stakeholders should be encouraged to accord greater importance to **culture** throughout the project life-cycle. Examples of cultural anchoring illustrate that taking culture into consideration helps to boost projects.

Capacity-building for stakeholders is crucial to ensuring that innovations flourish and are accepted. With this in mind, we propose to launch a call for applications for the creation of a **Campus for African Agents of Change**. This call for applications would be launched jointly by companies and universities, with a view to selecting a project that would enable young African executives and entrepreneurs with high potential to take a complementary course preparing them for a management position (vision, strategy, growth and change management, innovation, etc.). This virtual campus would offer a series of seminars and training sessions, work experience in companies and coaching by French and African managers.

With regard to connectivity, the report recommends urgently reforming Universal Service Funds and using them to speed up digitalisation and facilitate the development of environments that facilitate the adoption of market-based connectivity solutions.

Lastly, with regard to statistics, which are essential to our understanding and ability to make predictions, the report recommends backing the proposal for a global partnership for development data and sustaining French ambitions to improve statistical capacity in Africa, since France boasts particular expertise in this area.

10 proposals for a new approach to development assistance

PROPOSAL 1.

ACKNOWLEDGE THAT WOMEN HAVE A CRITICAL ROLE TO PLAY IN BUILDING SUSTAINABLE DEVELOPMENT PROJECTS AND DESIGN ASSISTANCE SCHEMES ACCORDINGLY

- R. 1 -** To spur on breakthrough innovation in assistance for women's empowerment, double the improvement target currently attached to French ODA in the adoption of the OECD DAC Gender Equality Marker (GEM) and set an ambitious target concerning "main goals"

PROPOSAL 2.

TO REDUCE THE MASS UNDER-EMPLOYMENT OF YOUNG PEOPLE IN AFRICA, ACKNOWLEDGE THAT DUAL APPRENTICESHIPS ARE AN ABSOLUTE PRIORITY AND FOSTER THEIR DEVELOPMENT IN A VARIETY OF CONTEXTS (FORMAL AND INFORMAL)

- R. 2 -** Plan and organize training of young people with help from professional stakeholders.
- R. 3 -** Emphasize trainer training, particularly in dual apprenticeships in the traditional sector.
- R. 4 -** In technical training courses, provide support for the business start-up assistance component.
- R. 5 -** Improve vocational Training and Apprenticeship courses.
- R. 6 -** Remove competition between dual apprenticeships and technical secondary education, by raising the level of the latter to meet the new skills needs on the formal and modern labour market.
- R. 7 -** Reaffirm the role of basic education (reading, writing and arithmetic) as the foundation of all training – including technical and adult education.

PROPOSAL 3.

IN THE CONTEXT OF 2014 BEING DECLARED THE INTERNATIONAL YEAR OF FAMILY FARMING BY THE UNITED NATIONS, MAKE CONSIDERABLE INVESTMENTS IN THIS SECTOR, VIA AN INITIATIVE FOR FAMILY FARMING IN AFRICA

- R. 8 -** Affirm the importance of family farming in ODA priority policies by doubling the funding allocated to it, through new schemes specifically designed to support it.
- R. 9 -** Set up the Family Farming In Africa (AFA) initiative.
- R. 10 -** Introduce and enhance skills concerning technical and practical agricultural models for family farming at all levels (farmers, public initiatives, project leaders, advisers, etc.).
- R. 11 -** Increase family farmers' access to local, national and international markets.
- R. 12 -** Increase use of new technologies for family farming.
- R. 13 -** Establish innovative financing models to enable family farming support projects to be scaled up and achieve lasting results.

PROPOSAL 4.

SET UP A SOCIALLY-ORIENTED URBAN PLANNING LABORATORY IN SUB-SAHARAN AFRICA, ON THE OCCASION OF THE WORLD URBAN FORUM IN MEDELLÍN IN 2014, WITH THE AIM OF DEVELOPING SUCCESSFUL EXPERIMENTS FOR URBAN SOCIAL INTEGRATION WITHIN FIVE YEARS

- R. 14** - Ensure “fair urban development” is taken into account in the new sustainable development goals (SDGs).
- R. 15** - Launch a social urban planning laboratory in sub-Saharan Africa, with the aim of developing successful experiments for urban social integration within five years.
- R. 16** - Support stakeholder partnerships centred around decentralized cooperation projects, drawing on the model of local operational platforms envisaged in the framework of the French Alliance for Cities and Territorial Development.
- R. 17** - Build the capacity to raise resources and obtain financing of cities by supporting the training of city personnel in administrative methods.
- R. 18** - Support online architecture and town planning schools (smart classes) to fuel discussions on the future of African cities.

PROPOSAL 5.

FOR SUSTAINABLE, FAIR DEVELOPMENT IN AFRICA, LAY THE GROUND FOR LOW-CARBON GROWTH

- R. 19** - To overcome Africa's chronic lack of hydroelectric infrastructure, facilitate private sector involvement by sharing political and financial risks, and use ODA as a catalyst to promote social and environmental equity when programmes are implemented.
- R. 20** - Use ODA to support development of growth phase 1 and preparation of growth phase 2 (lower carbon emissions) via specific mechanisms.
- R. 21** - Foster the development of the “smart grid” by coordinating ODA, national electrification funds and local operators more effectively.

PROPOSAL 6.

TO ADDRESS THE KEY ISSUES OF WOMEN'S HEALTH, WOMEN'S PRODUCTIVITY AND DEFORESTATION, LAUNCH A "HEALTHY COOKSTOVES FOR AFRICA" PROJECT, USING A RESULTS-BASED PAYMENT SYSTEM (DEVELOPMENT IMPACT BONDS) TO EQUIP 50 MILLION FAMILIES BETWEEN 2015 AND 2025.

PROPOSAL 7.

GIVE NEW MOMENTUM TO THE EUROPEAN VOLUNTARY CARBON MARKET AND TURN IT INTO A UNIQUE DEVELOPMENT ASSISTANCE TOOL BY PURCHASING CARBON OFFSETS IN ORDER TO FINANCE AFRICA'S ENERGY TRANSITION TO A LOWER-CARBON MODEL.

- R. 22** - Re-establish carbon finance as a driver of development and set up an African Clean Development Mechanism (CDM).

PROPOSAL 8.

CREATE AN “INCLUSIVE ECONOMY FOR DEVELOPMENT FACILITY”, HELPING STRUCTURE PUBLIC SUPPORT FOR STAKEHOLDER COALITIONS.

- R. 23 - Establish an inclusive economy for development facility (FEID) to promote new models of inclusive development, involving results-based payment schemes modelled on development impact bonds.
- R. 24 - Create and organize inclusive economy discussions and initiatives, and adapt the functioning of the National Council for Development and International Solidarity (CNDSI) to promote them.
- R. 25 - Strengthen individual and collective skills of stakeholders of the inclusive economy for development (public, private, civil society, academic world).

PROPOSAL 9.

REFORM THE FRENCH ODA SYSTEM IN ORDER TO MOBILIZE STAKEHOLDERS IN SUPPORT OF DEVELOPMENT

- R. 26 - Break free of the predominance of assistance to States and multilateral assistance, opening the ODA system to funding of the inclusive economy in support of development.
- R. 27 - Reorient targets to move from a volume strategy (“disbursement”) to a strategy aimed at a catalyst effect, focused on quality and long-term effectiveness of assistance.
- R. 28 - Clarify the missions and organization of ODA, giving it clear strategic positioning in competition between international development stakeholders.
- R. 29 - Simplify the ODA system of supervision and strengthen AFD governance by giving the Agency greater autonomy with regard to aid implementation, allowing it to take risks and innovate.
- R. 30 - Open up the careers, assessment systems and compensation of AFD managers to promote innovation and support the evolution of these trades towards the new catalytic terms of assistance.

PROPOSAL 10.

ESTABLISH THE CONDITIONS NEEDED FOR SUCCESSFUL INNOVATION IN THE FIELD OF DEVELOPMENT ASSISTANCE: REGULATORY FRAMEWORK, CULTURAL ANCHORING, CONNECTIVITY, STAKEHOLDER CAPACITIES AND KNOWLEDGE

- R. 31 - Encourage investment in the inclusive economy by establishing an appropriate regulatory framework.
- R. 32 - Grant explicit exemptions from “democratic governance” (1 person/1 vote) in the social and solidarity economy to allow the movement to fully exploit the potential of the new forms of inclusive economy supporting development.
- R. 33 - Amend regulations to accord the “solidarity fund” label where investments in the inclusive economy are carried out beyond the French territory. Open up this label to initiatives covering a specific list of countries.
- R. 34 - Immediately clarify the “social business” legal framework (tax benefit on abandoning profit margins, law on agreements concerning co-creations between stakeholders in the same sector, anti-dumping legislation).
- R. 35 - Enshrine the social goal of the economy and businesses in the Civil Code by amending Article 1832, giving a legal basis to the pursuit of a wider goal than simple profit.
- R. 36 - Make culture central to projects and an integral part of public policies.

- R. 37** - Recommendation: Launch a call for projects to create a “Campus for African Change Agents”.
- R. 38** - Foster immediate reform of national Universal Service Funds, employing them to accelerate digital connectedness.
- R. 39** - Foster the emergence of ecosystems (policies, regulations and skills) favourable to the adoption of market-based connectivity solutions.
- R. 40** - Support the global partnership for development data initiative proposed by the High-Level Panel and affirm French cooperation's ambitions for building statistical capacities in Africa.

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INTRODUCTION

In the course of the last century, development has spread immense areas of prosperity across the planet and pulled millions of people out of poverty,⁴ feeding, caring for, educating and freeing them like never before. But by creating new needs, it has at the same time broken down solidarity and led to violence, crime, and areas of great poverty and poor living conditions.

The demographic explosion, uncontrolled urbanization, aggravated inequalities, permanent indecent living conditions, an undermining of the established political and economic order, raising frustrations, and increased needs and risks on every front have led to the reign of complexity⁵ and ambivalence prevailing over certainty and unwavering faith in progress.

The official development assistance (ODA) policies as structured by the international community in the immediate post-war period were formed at a time – fifty years ago – when the North-South divide was still an accurate, accepted concept. That was long before the economic and fiscal crisis in Europe, the rise of the BRICS, Africa's economic take-off and the gradual collective recognition of the environmental issues raised by development.

At the timescale over which all innovation needs to be conceived – several decades – it appears clear that ODA will represent only a few GDP points for the countries of the "South", particularly as it is very unlikely that current assistance levels will be maintained, given the fiscal decisions to be made by the "North": the sum of ODA has been decreasing since 2011.⁶

But beyond the mere amount of ODA, the question must be raised as to what the countries which have committed to dedicating 0.7% of their GNI⁷ to it can truly claim concerning the robustness and sustainability of the development model they widely export in the assistance process. The crisis that has been affecting this model since 2008 has led to the resurgence of slums in European cities; pockets of great regional poverty in so-called "developed" countries, including in rural areas; bankruptcy of major cities in Europe and the USA; and increased imbalances in the social models established in the last 50 years. Poverty and

⁴ According to the UN's 2013 Millennium Development Goals Report, "in developing regions, the proportion of people living on less than \$1.25 a day fell from 47 per cent in 1990 to 22 per cent in 2010", "over 2 billion people gained access to improved sources of drinking water" and "the proportion of undernourished people in developing regions decreased from 23.2 per cent in 1990–1992 to 14.9 per cent in 2010–2012."

⁵ E Morin, video extract from 2011: <http://www.youtube.com/watch?v=68RA6tdl4MY>.

⁶ According to OECD aid figures, "in 2012, members of the Development Assistance Committee (DAC) of the OECD provided USD 125.6 billion in net official development assistance (ODA), [...] a -4.0% drop in real terms compared to 2011."

⁷ And will they ever do it, given that most are in budget reduction phases (the contribution of OECD Development Assistance Committee members represented "0.29 per cent of their combined gross national income" in 2012, and 4.8% for France)?

wealth are now widespread, in both the “North” and the “South”, although the proportions are often reversed. These poverties are intertwined,⁸ and our countries have a lot to learn concerning social, cultural, technical and financial innovation implemented in the poorest countries in order to adapt their development model to financial and demographic realities (public sector, businesses and civil society). ODA can therefore no longer be considered a one-way assistance process based on a unilateral world view, where “Northern” countries train and assist “Southern” countries out of altruism and demographic morality.⁹ Aid needs to give way to a process of exchange in the name of direct and indirect reciprocal interests.

For that is truly what is needed today. Inventing a new way of “living together” that satisfied a public interest that is genuinely shared universally. Making the case, both here and there, for the collective need to design a development envisaged as a factor of peace, security, stability and environmental protection. A development established as a common good that all have the duty to build but may also, in return, benefit from.

For these reasons, we propose to review the priorities and modes of intervention in the ODA field to make it more quality-focused, catalytic and long-lasting in its effects, starting from these postures:

I. Mobilize field stakeholders

Over the past decade, on the Indian sub-continent, as well as in Africa and Latin America, women have been forming groups to exercise their social and economic rights and organizing themselves into associations and cooperatives. For the last five years, foundations in the USA and the UK have been seeking to move beyond their traditional, purely philanthropic approaches, innovating in the field of impact investing. In France and in Africa, major NGOs and small local associations are developing commercial approaches with social aims to ensure their work endures, sometimes in a context of the public support they enjoy becoming scarcer. Large European and Japanese businesses are trialling business models aimed at resolving social and environmental problems through social business-type models within the merchant economy. These initiatives often involve stakeholders from varying, complementary spheres, covering the links in the value chain for which they are most competent. Thus, an “inclusive **economy**” is beginning to develop, taking several forms and characterized at once by its contribution to resolving problems that affect public interests, its focus on sustainability and economic viability, and its higher level of risk in comparison to the traditional economy. For these reasons, it is still little known or understood.

⁸ See Michelle Bachelet’s [Report on a Social Protection Floor for a Fair and Inclusive Globalization](#).

⁹ For many reasons, its stakeholders would strongly deny having conceived it as such, as decades of practice have helped perfect discourse on this theme.

If you look closely, governments everywhere are losing their pre-eminence in development assistance. Did they ever have it, or was it largely an illusion? And in reality, no single stakeholder has the power to invent and implement solutions equal to the challenges.

The approach proposed here will be that of coalitions of stakeholders working together on concrete issues. Indeed, this shift is already underway. It can be seen in the growing number of inclusive economy projects, where companies, NGOs and public authorities, work together on the basis of “**co-creation**”.

Going even further, we could genuinely build upwards from people and communities for whom the major sustainable development stakes are daily realities. We need to seek ways to allow these stakeholders, and above all women, to make a difference through innovative approaches.

For day-to-day practitioners of development, this involves a radical paradigm shift in the role and terms of intervention of public aid policies. These are experiencing a deep crisis in their traditional conception. It is time to review these policies, which remain very largely characterized by their State focus, particularly in France, by connecting them further to the great variety of development stakeholders, coordinating them with the wealth and complexity of the inclusive economy. By bolstering or even renovating ODA systems and organizations, this new coordination would help re-establish meaning room for manoeuvre to the aid field and improve its effectiveness, with an increased concern for accountability inherent to the proposed models. This is what will allow the inclusive economy to go further in terms of social, environmental and economic impact.

This ambition implies a convergence of available resources and initiatives. Development stakeholders in both the public and private sectors therefore need to learn to work together.

Fostering the participation of businesses in the collective effort with the aim of more sustainable development obviously means taking into consideration their financial clout as well as, perhaps even more so, their capacity to innovate.

This approach calls for a renewal by governments of the very conception of aid, and especially its framework, the political and technical straitjacket of its calculation and tools. This report will only very partially tackle this issue, considering it only insofar as is necessary or favourable for the implementation of the recommendations.

II. Everyone is the agent of his or her own development

Because we were convinced that working up from stakeholders was a priority, we confronted the most concrete reality possible, fostering study and proposals concerning

experimentation and incubation. Rather than focusing on institutional levers like “multilateral coordination” and “global governance of issues”, we therefore asked ourselves what mechanisms we could use to help individuals and communities assert themselves as agents of development? How can capacity building be supported, taking into account the full wealth of the human dimension? How could we utilize stakeholder postures, on culture and traditional social structures using the very powerful incentive mechanisms of stakeholders themselves? What institutional barriers need to be lifted to make this innovation possible?

The word “economy” comes from the Greek expression *oikos nomia*, meaning household administration. By extension, it therefore means our place of living and personal and collective roots – and our common space. Should this definition not remain the foundation of our economy? Is putting oneself at the service of the common good to share a single space not firstly mean working from the most concrete and microeconomic reality?

To mobilize men and women as agents of their own development, we need to take into account the nature of their “field of consciousness”, as everyone apprehends the world and reality differently. These fields of consciousness depend on cultural factors and are clearly very fluid. The field of consciousness of migrants for example greatly defies borders, as demonstrated for example by the annual amount of migrant remittances;¹⁰ social media also considerably reshape fields of consciousness, taking them far beyond local realities, etc. Because they sketch the forms of living spaces, define needs, fuel motivation to act and influence choices, it is the confluence of these individual fields of consciousness that creates the conditions of “living together”. No development can therefore be conceived outside these fields. They are required for all development. They are vital in the mobilization of stakeholders.

III. Women, central to development

At least 1.6 billion women live in rural areas, depending on agriculture for the subsistence of themselves and of their families. That is more than a quarter of the global population, which produces more than half of the world's food resources. These figures stand at 60% in Asia and 80% in Africa.¹¹ But these women receive less than 5% of global agriculture assistance and 5% of agricultural extension,¹² and own only 2% of the world’s land whose ownership is established.¹³ In this field of agriculture, like in many others, women remain in the minority amongst beneficiaries of ODA.

¹⁰ The portion of money earned by migrants that they send home.

¹¹ According to the [International Fund for Agricultural Development \(IFAD\)](#), the International Federation of Agricultural Producers (IFAP) and Women Farmers.

¹² Ibid.

¹³ Steinzon, N. 2003, *Women's property and inheritance rights: improving lives in a changing time* – Women in Development Technical Assistance – In Uganda, for example, women represent about 75% of the agricultural workforce and own almost no land. (Tripp, A. 2004 *Women's movements, customary law, and land rights in Africa: the case of Uganda* – African Studies Quarterly 22 March 2004). In India, Nepal and Thailand, less than 10% of women own land, yet they represent 90% of the rice-growing workforce (FAO – Gender and Food Security: Agriculture).

More fundamentally, the poorest are often women, illustrating how their status is not really central to national concerns, nor taken into account effectively by development policies. Beyond individual tragedies, this strongly penalizes African development: in Liberia, Mozambique, Sierra Leone and Angola, one girl in 20 dies during childbirth. Many obstacles continue to stand in their way, each representing a missed opportunity for each of them and for the development of their countries.

Very many studies show their development potential, including one carried out by the World Bank in Burkina Faso, which says that agricultural production could be increased by 20% by exchanging the land worked within a single household between husband and wife.¹⁴ Another, in Tanzania, shows that capital productivity could be increased by nearly 50% in small coffee and banana plantations if the time women spend on certain chores were reduced.¹⁵

Beyond the agriculture field, extremely innovative experiments by microcredit pioneers – an area in which women are near-exclusively the central stakeholders – in the 1970s have given rise to a plethora of studies, particularly the Grameen Bank, created by Muhammad Yunus, and BRAC in Bangladesh. Although the conclusions of these studies sometimes differ, they show overall how microcredit can be a lever for development, but also, in some cases, its limits, depending on the conditions of its implementation and governance. However, they almost unanimously recognize the effectiveness of women’s involvement in microcredit systems. Some, less well-known studies conclude however that loans to micro-businesses led by men create greater value than those made to micro-businesses led by women. Political considerations introduce clear bias on the dissemination of the studies depending on their conclusions. But beyond these politically correct statements, there is no justification for the imbalance against women of both economic systems and aid provision. We are convinced that ODA must support women’s empowerment much more significantly – even disproportionately – in order to have a high-quality, catalytic and long-term effect.

IV. Humans in a natural ecosystem

The last half century has been that of mankind becoming aware that it was endangering the planet it calls home and that, in the long term, it was threatening its own survival. By their number, their activities and the techniques they implement, humans have greatly eaten into natural capital, with increasing consequences for the climate, biodiversity and ocean health.¹⁶ And this shift is gaining pace. Humanism needs to be redesigned, placing humanity back into an ecosystem before it is too late. Where once, mankind saw itself at the centre of the world, subjugating nature to satisfy its own ends, the conception of nature needing to be

¹⁴ [Gender and growth: Africa's missed potential](#), Gelb, Alan, 2000.

¹⁵ [Gender and Shared Growth in Sub-Saharan Africa](#), Briefing Notes on Critical Gender Issues, World Bank, 2005.

¹⁶ Between +2°C (greenhouse gas emissions are greatly reduced) and +4°C (in case of continued emissions at current levels), sea levels rising 3mm/year, etc. according to the September 2013 Intergovernmental Panel on Climate Change (IPCC) report.

heeded is emerging little by little in the global consciousness, where a more balanced approach to man as an agent and stakeholder in an ecosystem, to which he must adapt to invent a sustainable future. This new vision is increasingly widespread but is not yet integrated into political decisions and actions, as shown by the difficulty of international climate negotiations in recent years. However, in this area, like in others, forces for innovation exist and are increasingly numerous.

Thanks to new means of communication and unimaginable networking, to our curiosity, ingenuity and need to communicate with others, and thanks to our survival instinct, we have undertaken to invent a shared path: "sustainable development". But individualism is persuasive and short-term individual interests undeniably obstruct the implementation of public policies that are equal to the stakes. And beyond this, this capacity of mankind to innovate to survive in a constantly changing world is perhaps, in a way, part of the problem. The defenders of technical progress and innovation in every form assume that we will be able to adapt in the face of every dangerous situation. Yet scientific analysis on climate change modelling¹⁷ has shown that a time may come where we will leave the field of probabilities to enter into uncertainty. Nothing will remain predictable.

2015 will see both the United Nations Climate Change Conference¹⁸ and the adoption of the new Sustainable Development Goals¹⁹ (SDGs). These two major international events will lead to convergence towards a renewed development agenda. Firstly, they will be an opportunity to show that the stakes of combating climate change and the issue of resource scarcity concern at the same time Southern and Northern countries, industrialized countries, BRICS and emerging countries. But these decisive negotiations will also have to recognize a preferential option for the poorest if they are to succeed. Any moral argument for this statement is irrelevant, as it is above all a question of effectiveness: for the governments of the least economically developed countries, the argument for sustainable development is inaudible if the issue of fairness is not firstly tackled concerning the daily challenges of the billion human beings who live in great precarity.

This accounting for the links of today's people with both their descendents and their contemporaries is what we call fairness. We are convinced that the attention of all parties for compliance with this principle can allow us to improve the capacity of the populations that most struggle to plan in the medium and long term because of the living conditions they have to cope with to take on board sustainable development issues.

We will therefore refer as a priority to the notion of fair development as a condition of sustainable development.

¹⁷ *"Kyoto et l'économie de l'effet de serre"* (Kyoto and the Greenhouse Effect Economy), Guesnerie R., La Documentation Française, 2003.

Roger Guesnerie explains that "the increased average rate of increase of global temperature of 5 degrees between 1850 and 2100 would force the planet to undergo in two and a half centuries the equivalent of the change since the last ice age, 10,000 years ago. [...] Such a shift could lead to surprises that climatologists cannot exclude."

¹⁸ See <http://www.un.org/climatechange/>

¹⁹ See <http://www.un.org/millenniumgoals/>

Among others, we will revisit the work of John Rawls²⁰ and Amartya Sen²¹ to look at the notion of fairness in greater depth. Where necessary we will refer to the Gini coefficient,²² the most commonly used tool to apprehend issues of fairness, although the limits of this indicator are known, in contexts where household income statistics are often very rough.²³

More generally, all the development projects examined in this report confirm the current consensus concerning development assistance, that all factors are interdependent. We attach particular importance to this aspect, both a cause of complexity in observations and a possible lever for proposals.

V. Priority for sub-Saharan Africa

Now that French ODA has been refocused on Africa,²⁴ it seems to us that the diversification that has long prevailed has made it possible to tackle this new focus with a fresh approach capitalizing on experience. We are part of this same movement, considering that given the scarcity of resources, and to continue enshrining its political legitimacy (and thus its permanence), French ODA needs to be focused on our neighbouring continent: Africa. This is where the major shifts of the next three decades will take place, with major geopolitical, demographic and economic consequences for France and Europe.

Four major stakes emerge from analysis of ongoing dynamics on African territories:

- **Young people** in Africa and their under-employment: by 2025, 25 million young people will join sub-Saharan Africa's job market. They need to be trained effectively for them to represent an opportunity and not an additional challenge;
- **Family farming:** this area is neglected by public policy, yet it is central to essential issues such as employment, poverty reduction, food security and land conservation; meanwhile the rural population is set to increase by 300 million by 2030;

²⁰ In 1971 he published his famous *A Theory of Justice*, advocating a society based on redistributive justice reducing inequalities.

²¹ A specialist in poverty and development, 1998 Nobel Prize for Economics laureate for "contributions to welfare economics".

²² Gini coefficient: "Measure of the deviation of the distribution of income (or consumption) among individuals or households within a country from a perfectly equal distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality." UN Development Programme, 2012.

²³ Based on current data, it emerges that, even within countries, the difference in income between habitants is on average much greater than in OECD countries. According to the Gini coefficient, the most "equal" countries are at around 20%, whereas the most "unequal" are at around 60%. In 2010, France's Gini coefficient was 29% (source: INSEE), with a differential of 5x between the 1st and 5th income quintiles ("I/P20%"). Norway's was 26 (I/P20% of 4x), Japan's 25 (3.4x), and the USA's 41 (8x). The same coefficient stands at between 50% and 60% in countries like South Africa (I/P20% of 18x), the Central African Republic (32x), Rwanda, Angola, Zambia, Zimbabwe and Equatorial Guinea, but also at more than 40% in Kenya (48%), Nigeria, Uganda and Sierra Leone. These UN, World Bank and GPI figures are not fully comparable, as they are estimates and sometimes "official" statistics and some are old (eg. Botswana, whose last Gini coefficient of 63% was calculated in 1993).

²⁴ Africa is the top recipient of French ODA (55%), particularly sub-Saharan Africa (41%). [Ministry of Foreign Affairs website](#).

- **City living conditions:** these are not central to current concerns, but if nothing new – or more – is done, they will lead eventually to explosive social situations and unacceptable damage to the environment;
- **Access to energy:** this is both a crucial condition for development and the most important step to sketch out a trajectory to reduced carbon intensity.

Climate, security, employment and social cohesion issues are such in this world region that living together becomes an objective in itself, with women as its cement. Thus the implementation of the positive agenda (application of the principles of sustainable development) will only be possible if fairness becomes the central focus of development policies, particularly in sub-Saharan Africa.

VI. The relevant themes that we have chosen not to discuss

It is difficult to set the boundaries of an exercise concerning innovation, regardless of its scope. In this case, in the development assistance field, there has been such change over 20 years and there are so many factors that we had to make choices regarding the themes selected for this report.

To start with, we will not tackle reform of ODA, of its governance and its calculation, although we consider it inevitable. However, certain developments below refer to it ([part II. 3](#)), insofar as this reform would directly French assistance mechanisms and their effectiveness.

Our professional and personal experiences show the importance of supporting the emergence of South-East Asian countries, the Indian sub-continent, the Middle East and Latin and Central America, amongst others. However, in order to ensure coherence with our own recommendations, we have chosen to centre this report on Africa, after justifying our support for the political decisions to shift the focus of the French assistance system back to the continent.

Although it would have been innovative to consider it from this angle, we will not discuss the issue of “underdevelopment” in certain sectors of activity and in many regions of countries considered “developed”, which show the reappearance of slums in European countries including France, as well as the growth of income disparities. This is a complex phenomenon of interdependence between poverty in the “South” and the “North”. Nor will we look at the reshoring strategies implemented in the USA, for example, where the support is “Northern redevelopment assistance”.²⁵ Yet economic interdependence is such that, as shown by the

²⁵ See articles on the websites of [The Boston Consulting Group](#) and [Les Echos](#).

report produced for the Ministry of the Economy and Finance, the “Vedrine Report”, *A Partnership for the Future: 15 Proposals for a New Dynamic between Africa and France*²⁶ (Hubert Vedrine, Lionel Zinsou, Tidjane Thiam, Jean-Michel Severino, Hakim El Karoui), France has everything to gain economically and socially from closely supporting African growth.

This report on innovation in development assistance will not discuss migratory flows (apart from urbanization) or their role as a regulator of development, although it is of capital importance. For example, the Bangladeshi diaspora annually sends home more than 10 times the total amount of international aid in remittances, while the population of the USA will continue to grow over the next two decades thanks to the birth rate of Latin American immigrant communities. Climate refugees will be a reality in 30 years. These migratory flows are extremely complex, and given their scale and possible forms, they underpin – insufficiently however, as they are politically difficult to discuss – the fundamentals of aid policies. Policy innovation in this area will be essential.

Nor will we look at global regulatory issues:

- The aspects of economic and financial regulation of development (taxation, customs tariffs, carbon taxes, Tobin tax, etc.) at regional (a major issue for intra-African trade) and global levels, despite their importance. The WTO’s work in these areas during Pascal Lamy’s terms of office (see for example *Aid for Trade*²⁷) shows the close ties between these subjects. The Vedrine Report²⁸ also approaches some of these issues in the framework of the French agenda and we back its recommendations.
- Labour law issues, despite the fact that our personal experiences²⁹ have convinced us of the great importance of this factor in the emergence of a fair development. The groundwork carried out by in this area by businesses, governments and unions is essential, and some of them moreover are directly involved in development assistance cooperation at their own level (such as the CFDT union’s Belleville Institute).
- Social coverage aspects: here we refer readers to the report prepared by Michelle Bachelet.³⁰ These issues are of course essential, and this work shows the possibilities of progress in the area, involving both public and private sectors.

²⁶ See [Ministry of the Economy and Finance Report](http://www.tresor.economie.gouv.fr/File/393414), December 2013 (<http://www.tresor.economie.gouv.fr/File/393414>).

²⁷ Aid for Trade 2013, European Commission (http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc_151890.pdf).

²⁸ See [Ministry of the Economy and Finance Report](http://www.tresor.economie.gouv.fr/File/393414), December 2013 (<http://www.tresor.economie.gouv.fr/File/393414>).

²⁹ Jay Naidoo was an ANC leader alongside Nelson Mandela and Minister in his first government. In 1988, Danone signed a unique agreement with the IUF (International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers’ Associations). As of late 2012, 9 agreements have been signed.

³⁰ See the [Report on a Social Protection Floor for a Fair and Inclusive Globalization](#) 2011, and the work of Martin Hirsch, who participated in drafting the report and drew on it to write the book “*Sécu : objectif monde*” (Social Security: Objective World).

We have chosen not to tackle these very complex issues which are also areas of major innovation in the development field, focusing our work only on the area delimited by the ODA framework. Moreover, we have chosen to start from the mobilization of stakeholders themselves and therefore have little discussed global governance issues.

We have left aside technical innovation subjects, each of which could have been studied by a specific report, apart from an explicit mention of connectivity (ICT4D: Information and Communication Technologies for Development) as conditions required for development and some of our considerations on renewable energy sources. In particular, we have not debated the place of biotechnologies such as GMOs in the evolution of agrifood practices. Pragmatism will be needed for African populations to address their food needs. Our stakeholder empowerment posture will lead us to be very vigilant about dependencies created by the technical solutions selected locally.

Lastly, in connection with this issue of technological innovation, we have not discussed the very important role of intellectual property in the emergence of development. All conventional works on the foundations of the market economy agree that private property protection needs to be given a fundamental role in the creation of economic wealth.³¹ Conversely the emergence over the last decades of new ways of sharing intellectual property such as conditional licensing, copyleft and creative commons licensing, particularly in the information and communication technology area reveals the prospect of major innovation in the capacity to share technical expertise. The French Agricultural Research Centre for International Development (CIRAD), for example, has developed a consortium for thematic promotion (CVT).³² These very complex issues seemed too emerging to reach a conclusion other than to strongly recommend work in this area. In this respect we welcome the initiative of the [Licensing Executives Society](#)³³ in France to organize and coordinate work around the sharing of intellectual property to foster development, bringing together public and private experts, academics and researchers to discuss these issues.

³¹ The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else, De Soto, H., Basic Books, 2003.

³² *Consortium Valorisation Sud* (Consortium for Southern Promotion), for the emergence of a technology market in the South.

³³ See <http://www.les-france.org/>.

I. A NEW AGENDA FOR LIVING TOGETHER

PROPOSAL 1.

ACKNOWLEDGE THAT WOMEN HAVE A CRITICAL ROLE TO PLAY IN SUSTAINABLE DEVELOPMENT PROJECTS AND DESIGN ASSISTANCE SCHEMES ACCORDINGLY

In her research paper, “Women Empowerment and Economic Development”,³⁴ Esther Duflo examines the relationship between these two factors. Her paper draws on a very wide corpus of studies, concluding that *“the usual depiction of women as always making the best decisions for long-term development is somewhat exaggerated. The conclusion here is a more balanced, somewhat more pessimistic picture of the potential for women’s empowerment and economic development to mutually reinforce each other than that offered by the more strident voices on either side of the debate.”*

This is almost a non-debate, given how the unanimous and almost empty political discourse around women’s empowerment over the last twenty years has influenced the dissemination of impact studies whose results differ more than this environment would have us believe. Despite these factors which should encourage prudence, and given that we are convinced that only fair development can be sustainable, we believe that an “inverse precautionary principle” should be applied to the situation of the poorest women, who are victims of discrimination on such a scale that ODA needs to make supporting women's empowerment a strong priority to create the conditions for fair – and so sustainable – development.

R. 1 - To spur on breakthrough innovation in assistance for women's empowerment, double the improvement target currently attached to French ODA in the adoption of the OECD DAC Gender Equality Marker (GEM) and set an ambitious target concerning “main goals”

We support the ambition of the “2013-2017 Gender and Development Strategy” of the French Ministry of Foreign Affairs, adopted by the Interministerial Committee for International Cooperation and Development (CICID) in July 2013. In 2011, France reported that 39% of its aid included a sub-goal or secondary goal (marker level 1) of improving gender equality, while no French project had it as a main goal (marker level 2). The ambition is that by 2017, 50% of projects or programmes funded by France should be at level 1 or 2. The lower boundary of this ambition is therefore an 11% progression of level 1 in 6 years, with no goal set for level 2; in 2017, France may still not have funded a single programme with the main goal of women’s empowerment. We consider that the conditions for breakthrough innovation in this area are not met, and recommend doubling this ambition to make the marker (1 or 2) progress by 20% instead of 11% over this period, and setting a goal of 10% level 2 for the same period. This goal will require a very in-depth reform of aid provision, organizations and competencies, and could build on the recommendations of this report focused on “stakeholder mobilization”.

³⁴ Duflo E, 2012, Journal of Economic Literature

1.1. Living in Africa

Thanks to the demographic, Africa is in the middle of its economic take-off and growth is high.³⁵ But not everything is enjoying the benefits yet. It is not yet sufficiently inclusive and there are clear signs of the environmental limits of its model. For all the more than 400 million Africans living in extreme poverty³⁶ and with no access to essential goods (to feed their families, light their homes, receive medical treatment and enjoy education, etc.), sustainable development is a very distant concept. Yet Africa's populations are amongst those most affected by climate change.³⁷ The stakes of sustainable cities and agriculture and of access to clean energy are central to development issues and poverty reduction.

Sustainable development can only be truly meaningful if it contributes for tangibly transforming the living conditions and prospects of the men and women who struggle to get by on a daily basis and who cannot plan for their future beyond the very short term because of their extreme poverty. Their determination, and often their optimism, along with their ability to invent solutions to their problems, are the daily ingredients of sustainable development. It is therefore the homes of these men and women of Africa that need to be the basis to understand how they could "live together better".

1.1.1. African territories in motion

Urban development is a relatively recent phenomenon in Africa. Yes, regions like the haossa and yoruba regions of northern and south-eastern Nigeria, like certain networks of ancient cities in the secular trade centres of the Sahel and the Swahili coast, have long been urbanized, but most African cities are recent, born of the meeting between traditional Africa and colonizing societies.³⁸

Colonization did not create urbanization any more than it did urbanity.³⁹ It neglected urban development, as did the authorities and donors after them.⁴⁰ The shifts have been all the more violent because of this. Urban development is so fast in sub-Saharan Africa, and so

³⁵ In the IMF's October 2013 Regional Economic Outlook, "Sub-Saharan Africa - Keeping the Pace", it notes that sustained high investment continues to support growth in most of the region and that production should grow 5% in 2013 and 6% in 2014.

³⁶ Extreme poverty is defined by a threshold of \$1.25 per day. One third of people in extreme poverty today live in sub-Saharan Africa, the only world region where this level is rising according to the [World Bank](#).

³⁷ The populations of sub-Saharan Africa, South Asia and South-East Asia are most vulnerable – [World Bank report on climate change and its impact on populations](#).

³⁸ "Les Villes d'Afrique tropicale" (Cities of Tropical Africa), Pierre Venetier, Paris, Masson, 1976.

³⁹ In French (*urbanite*) as in English (*urbanity*) and in German (*urbanität*), the word has often been used in scientific literature to designate a particular form of "society", where "colonizers eliminated more cities than they created", according to C. Coquery Vidrovitch (La Documentation française, Dossiers, *L'Afrique subsaharienne: de la décolonisation à la mondialisation* (1960-2008) (Sub-Saharan Africa: from decolonisation to globalization (1960-2008)).

⁴⁰ In the 1950s-1970s, development assistance specialists considered poverty reduction only to be meaningful in the countryside, with city growth being a mere consequence of rural poverty. An "anti-urban" feeling emerged gradually, underpinning a theory of urban investment being counterproductive (Lipton, 1977) and increasing the "urban bias" that led to migration to cities. Only in the mid-1970s did the World Bank's interest and funding start to turn towards cities, with the appointment of Robert McNamara as President and growing awareness of the explosion of urban poverty (McNamara, 1983).

profound, that a genuine urban revolution is taking place. At the same time, the rural population remains in the majority, and the emergence of networks of small villages or increased links and communications between the countryside and towns shows that more balanced territorial development is in motion.

COUNTRYSIDE AND NATURAL SPACES: PREPARING A SUSTAINABLE RURALITY

Urbanization in sub-Saharan Africa is attracting the attention of many players interested in its conditions and consequences. The rural reality needs to be looked at in connection with cities, in the light of the capacity of the countryside to ensure the urban food supply, and in the light of rural exodus flows, whose current form complicates sustainable urban development and could deprive the countryside of productive human resources.⁴¹

Yet despite the massive phenomenon of rural exodus towards cities, the region's rural population remains not only very much in the majority but also constantly growing, because of the sustained high birth rates in the countryside. Moreover, recent statistics (UN HABITAT, 2010⁴²) suggest that the pace of urbanization is far from equal depending on countries, and that urbanisation is even falling in certain areas. Of course, care needs to be taken as the statistics are not very reliable or comparable over time. But these long-term figures are backed up by the empirical observation of sometimes massive short-term returns to the countryside during crises linked to insecurity and political instability, supply difficulties in certain capitals, and sudden deteriorations in living conditions.⁴³

Thus notwithstanding simplifications, there is no strong evidence to support a scenario where the level of urbanization would exceed 50% in Africa in 2030. It is therefore certain that the increase in rural population will continue in sub-Saharan Africa and that there will be 300 million more rural people in 2050 than there are today.⁴⁴ In no case should the issue of rurality be looked at as a collateral aspect of the continent's development.

Rural areas are therefore set to play a key role and they are already changing.⁴⁵ Demographic changes and the arrival of simple, cheap technical innovations, improved transport and communication networks and above all mobile telephones and the development of the fabric of villages and towns are factors of the rapid transformation of

⁴¹ Resistance to "modernity" is apparently common in the rural world, leading "innovative" stakeholders to choose rural exodus. Thus, according to André Guichaoua (sociologist, anthropologist, Africa specialist and ICC witness on the Rwanda genocide), in certain sub-Saharan African countries, "*peasant farmers block changes in non-agricultural activities (such as home construction and modernization of tools) as they dispossess them and bring them into an economy to which they are afraid not to have access. Competent people therefore leave: as soon as a peasant farmer is trained as a plumber, he leaves for the city with his tools. Certain villages therefore say: let's now train only women, as they stay.*"

⁴² See: <http://www.unhabitat.org/documents/soac10/soac-pr1-en.pdf>.

⁴³ Although potentially one of Africa's richest countries (notably 13% annual growth between 1964 and 1969), Zambia fell into poverty in the early 1980s following the collapse of copper prices. From then on, the growth in the urban population has slowed, falling from 5.9% per year between 1975 and 1980 to 2.8% between 1985 and 1990. At the same time, the annual rural population growth rate rose from 1.7% to more than 3%. [World urbanization prospects](#), 2011 (Revision).

⁴⁴ Ibid.

⁴⁵ CIRAD, NEPAD, 2013: A new emerging rural world: an overview of rural change in Africa.

rural Africa and contribute to the reformation of rural areas. They notably foster rural access to information, to markets⁴⁶ and to diversification of their activities.

Moreover, Africa's agriculture is a full stakeholder of the development of exchanges between urban and rural territories. While African cities remain very dependent on rice and wheat imports⁴⁷ to ensure their food security concerning basic starchy foods, the food shopping basket of urban dwellers is now for the most part made up of national or regional products.⁴⁸ This is a major shift in the last decade. Local or regional products from markets already represent two thirds of the diet of urban populations. Urban markets are thus increasingly important outlets for African producers, and particularly family farmers. They see their production develop, being marketed and processed industrially or by hand, notably to meet the demand of urban consumers.

That said, the development challenges for rural areas remain immense, despite marked improvements.

Agricultural productivity remains low in Africa. Yes, agricultural production has risen faster than population in the last three decades, and this increase is two-thirds due to greater yields. Yet food crop per capita is falling, which is an exception worldwide. At the same time, agricultural labour productivity has barely risen, or even fallen.⁴⁹ This weak productivity is both a handicap and a considerable opportunity for progress.

Africa is the continent with the highest malnutrition rate worldwide at 21%. That represents 220 million people, who mostly live in sub-Saharan Africa (25% of the population). This level is not falling, and on average, 40% of sub-Saharan under-fives suffer from rickets.⁵⁰

More generally, Africa still faces major food security challenges. Over 30 years, food availability has risen from 1,700 to 2,400 kcal per person per day. But to address the needs arising from demographic growth, the African continent will have to multiply by five its agricultural output between 2000 and 2050, not to mention the need to improve food diversity.

Africa is the world's second largest continent after Asia, with 20% of land. It also boasts 16% of the world's arable land and 60% of uncultivated land.⁵¹ This potential is an opportunity for

⁴⁶ This point will be looked at in greater detail in the connectivity section of this report.

⁴⁷ 45% of rice and 85% of wheat consumed is imported according to an [interview](#) with Mr Robert Townsend, Senior Economist at the World Bank's Agriculture Unit.

⁴⁸ 28% of animal products, 36% of oils, fruits, vegetables and condiments, 4% of roots, tubers and plantains and 10% of local cereal crops, according to the repartition of the urban market in the 8 capitals of the West African Economic and Monetary Union (WAEMU), according to a survey on household spending in the capitals in 2008. See Proparco [article](#).

⁴⁹ The average size of farms fell from 1.6 to 1.1 hectares between 1961 and 2003 because of the increase in the rural active population. Moreover, average cereal crop yields are 1 tonne per hectare in Africa, compared to 2.5 tonnes in South Asia and 4.5 tonnes in the Far East. As for labour productivity, the added value per worker in Agriculture is \$327, a rise of a mere 1.4% between 1992 and 2003. It rose by 4.4% over the same period in the OECD countries, with an average of \$23,081 per worker.

⁵⁰ "The state of food insecurity in the world", FAO, 2013.

⁵¹ The notion of availability is however very relative given the many different legal systems. Moreover, it does not take into account the loss of positive externalities currently provided by natural ecosystems, attributable to territories that could be cultivated.

African farmers but also attracts operators, often from abroad, who mainly produce for the needs of other continents. Uncultivated or little-cultivated surfaces moreover are very unequally spread geographically. Their exploitation will involve major cross-border migrations of populations from densely populated areas, leading to risks of violence.

African agriculture is central to environmental issues. In certain regions, the continent has considerable natural resources (land, climate conditions) that could help it become a major agricultural power. But these resources are fragile and are rapidly degraded. Soil erosion and degradation affect 5-10 million hectares per year. They are caused by deforestation, slash and burn farming, agricultural overexploitation and overtillage. Runoff, which carries away organic matter and overloads watercourses with it, is a major threat to agriculture and leads to landslides and flooding. The shift from 1% to 3% of carbon content in soils would more than triple the soil's water storage capacity, reducing irrigation needs in step. Soil maintained by appropriate practices would also foster the water penetration and resource replenishment.

Deforestation and degradation of natural ecosystem production is another consequence of poor natural resources management, particularly for agricultural purposes. Forests covered 21.8% of Africa in 2011, but they are disappearing fast.⁵² Pressure is particularly high in West Africa because of the migration of Sahel populations towards forest areas considered available for cultivation.⁵³ This deforestation reinforces ecological degradation of the environment (water scarcity, loss of biodiversity).

Biodiversity, while remaining very rich, is fragile. Africa is home to close to a quarter of the world's mammal species (1,230 species) in addition to half of bird species, about 950 species of amphibians and 2000 species of freshwater fish. Between 40,000 and 60,000 plant species are found in Africa, and 35,000 are specific to the continent.⁵⁴ So far, African biodiversity has been less threatened than that of other continents, but it is suffering the growing pressures of human activities. Protecting this biodiversity is another challenge for today's Africa, but especially for that of tomorrow insofar as this biological capital also has major scientific, agricultural, industrial and touristic potential.

In conclusion, the combination of growing human pressure and short-termist agricultural practices creates a vicious cycle of degradation of natural resources and increasing impoverishment of farmers, particularly because of the loss of soil fertility, soil erosion and scarcer water resources. These changes have led to very low yields, agricultural land lost to

⁵² Africa suffered one of the highest annual rates of net forest loss between 2000 and 2010 (3.4 million hectares/year on average for 650 million ha, or an annual deforestation rate of 0.52%. FAO Global Forest Resources Assessment 2010.

⁵³ *Les migrations, une stratégie d'adaptation à la variabilité climatique en zones sahéliennes* (Migrations, an adaptation strategy for climate variability in Sahel regions) Cissé, P., Malicki, Z., Barbier, B., Maïga, A., [RGLL, No. 08 Dec. 2010](#).

⁵⁴ On top of the 39 African UNESCO Natural Heritage sites, and more generally the great diversity of the continent's landscapes, these resources are a major stake in the development of tourism. Africa was visited by 52 million tourists in 2012, while more than 134 million are expected in 2030 according to the World Travel & Tourism Council. The direct contribution of the sector to GDP is also expected to grow 5% annually, reaching \$120 billion in 2023. Lastly, travel and tourism could create 2 million jobs in Africa over the next decade.

production and abandoned, and increasing pressure on “natural” ecosystems (biodiversity reserves and national parks).

The immense but fragile resources of sub-Saharan Africa need agricultural models to be promoted that intensify production while remaining economical in natural resource use. The choices made in this area will have major influence on the resilience and ability to adapt of African agriculture. Sustainable management of these resources and rural areas is, moreover, a major challenge for these cities seeing rapid development. Water resources, energy production, food and leisure spaces are and will be increasingly central to city sustainability.

URBAN TERRITORIES – SEEKING A VIABLE URBAN SPACE

The urban revolution in Africa

“In 10 years, 37% of the sub-Saharan population will probably live in a city of at least 1 million inhabitants, compared to 22% in 1990 and 4% in 1960. Everyone needs to take stock of this shift and prepare.” J.P. Elong Mbassi, Secretary General of United Cities and Local Governments (UCLG)⁵⁵.

In the course of the second half of the 20th century, while the world’s population tripled, that of towns increased nine-fold. While in 2010 the rate of urbanization remained modest at around 35%, it is set to reach 45% in 2025⁵⁶ and could be nearly 50 by 2030⁵⁷. In 2025, sub-Saharan Africa, which counted in 2010 43 cities of more than 1 million inhabitants⁵⁸, will have two conurbations of more than 15 million inhabitants (Lagos and Kinshasa) and vast, fast-growing cities of many millions of people (Ouagadougou, for example, should grow by 80% between 2010 and 2020, while Niamey should grow 56%)⁵⁹.

While it could for a time be explained by massive rural exodus, half of city growth is now due to natural causes.

Of course, as statistics become more fine-tuned, specificities emerge, highlighting a very unequal situation from country to country⁶⁰. Urbanization is indeed much slower in East Africa than elsewhere. It is however very strong in Southern Africa. But beyond these specificities, urbanization remains a strong trend for the coming years, and therefore a completely unprecedented urban challenge in humanity’s history which the Africans will have to address.

⁵⁵ “*Villes en développement*”, Paroles d’acteurs no. 10, p 8 ,AFD, 2011.

⁵⁶ *State of the world’s cities 2012/2013*, UN Habitat, Routledge, 2013.

⁵⁷ See: <http://www.ladocumentationfrancaise.fr/dossiers/afrique-subsaharienne-decolonisation-mondialisation/continent-changement.shtml>.

⁵⁸ The State of African Cities 2010 – UN-Habitat, UNEP

⁵⁹ World Urbanisation Prospects, 2010.

⁶⁰ For example, the urbanization rate is 10% in Rwanda and Burundi, yet 80% in Gabon. [L’Afrique subsaharienne : de la décolonisation à la mondialisation \(1960-2008\)](#) (Sub-Saharan Africa: from decolonisation to globalization).

Cities in search of meaning and social cohesion

In theory, the agglomerative effects generated by the area of concentration and interactivity represented by a town foster innovation, wealth creation and improved living conditions for inhabitants while encouraging their participation in civic life and the development of culture.⁶¹ However, in sub-Saharan Africa, it is clear that this image of urbanization helping inhabitants and economic growth thrive is not a reality. Rapid urbanization has been disconnected from parallel processes of industrialization and wealth creation. It has not come with territorial development policies and the development of infrastructure and public services that meet requirements.

African cities, which are increasingly autonomous thanks to decentralization policies, do not have the resources to match the responsibilities transferred to them or the scale of the needs resulting from past underinvestment and demographic growth forecasts. We will see how creative and visionary municipal teams can change the situation, including in difficult contexts. But incumbent teams often lack the experience to manage growing complexity. The weakness of local finances shows, moreover, the great fragility of public action at local level. It can be explained by both low yield of own resources (small tax base, informality, absence of suitability of land use plans, etc.) and insufficient State transfers. Thierry Paulais⁶² provides very useful estimates: the resources of municipalities across all 53 African countries are estimated overall at \$50 billion, the equivalent of \$50 per year and per capita. This amount represents less than 3.3% of the cumulative GDP of the continent.⁶³ Across Africa, these local finances are very concentrated in the North and the South, and per capita amounts are even lower in most of the countries of sub-Saharan Africa. In West Africa, for example, revenue per capita and per year totals \$10 (Togo has to work with annual revenues of \$4 per capita).

Weak local governance and constraints linked to a great shortage of resources explain why many cities sprawl across infinite swathes of informal neighbourhoods,⁶⁴ overlapping with bordering territories:

“60,000 inhabitants in 1960, 2 million now. like most major African capitals, Ouagadougou is growing at breakneck speed. Can you believe that the town I administer is the most sprawling of West Africa? It now covers 52,000 hectares, compared to 1000 at the end of the colonial period!” Simon Campaoré, former Mayor of Ouagadougou.

Because the form of urban growth in African cities is not that of densification or vertical expansion, but rather informal urban sprawl, the spatial expansion of cities has been faster

⁶¹ *“L’urbanisation, horizon du monde”*, Michel Lussault, revue en ligne, n°1, Territoires 2040.

⁶² T. Paulais, 2012 : Financer les villes en Afrique, AFD, World Bank.

⁶³ For comparison, the figure stands at €3800 per capita each year in France (11% of GDP). See the Government [website](#).

⁶⁴ Precarious and informal settlements are areas that are particularly vulnerable for a number of reasons and are heavily stigmatized by society. They constitute slums, defined by UN Habitat as *“a contiguous settlement where the inhabitants are characterized as having inadequate housing and basic services. A slum is often not recognised and addressed by the public authorities as an integral or equal part of the city”*, in *Etudes et travaux en ligne n°31* by GRET.

than demographic growth, with a reduction in their density.⁶⁵ The latter is very low (often between 1000 and 4000 inhabitants/km²). Only a handful of African cities (such as Lagos) have population densities exceeding 10,000 inhabitants/km², two or three times less than Bombay, Shanghai or Calcutta and four times lower than Cairo and Manila (see the graph in the [annexes](#)).

This sprawl is notably linked to the fact that the growth of African cities mostly takes place outside a legal process: "spontaneously" occupied plots represented on average 40% of urban area and housed 62% of city-dwellers in 2010 (almost 210 million people), while globally the proportion was 16%.⁶⁶ In certain countries this figure reaches astonishing levels. In the Central African Republic (4.5 million inhabitants), in Sierra Leone (6.3 million inhabitants) in Sudan (32 million inhabitants) and in Chad (11 million inhabitants), more than 90% of the urban population lives in slums (see graph in the [annexes](#)).

Kibera is considered Africa's largest slum, with between 700,000 and 1 million people living there as of 2006. Situated in Kenya's capital, Nairobi, where there are some 200 slums and where the population has grown from 119,000 in 1948 to more than 3,100,000 today, Kibera is a makeshift hive of informality.⁶⁷

It is of course important not to over-simplify, and what we call "slums" covers a wide variety of realities.⁶⁸ More generally, the living conditions and income of slum-dwellers varies a great deal from one city to another. Thus, thanks to leadership, land tenure, ownership and citizen participation, the slum-dwellers of Dakar have a greater quality of life than those of Nairobi, despite the latter having greater income and education.⁶⁹ Working-class neighbourhoods generally house a great number of individual or collective initiatives to improve conditions of living together (see examples of revitalized working-class neighbourhoods in Haiti in Chapter III 3. [Cultural anchoring](#)). These are places where populations, who have to improvise to survive, deploy great energy to change their daily life. However, these neighbourhoods share the burden of concentrating insufficient infrastructure (roads, public spaces) and access to public services (drinking water, sanitation, waste management, electricity and public transport, as well as health, education culture and security) and insalubrities and risks, for they are at the very bottom of the urban hierarchy.

For example, the residents of Nairobi's slums pay up to 11 times more for water from private sellers than those who have a main supply.⁷⁰ Access to water and sanitation, as well as to electricity, hygiene and mobility are daily struggles. Another example is the failings of waste management, both a serious public health hazard and an indication of poor urban management. In Ethiopia's capital, Addis Ababa, whose population has risen from 100,000

⁶⁵ "How should African cities look in the future?", [online article](#), AFDB, 2013.

⁶⁶ *State of the world's cities, 2010/2011*, NU Habitat, 2011.

⁶⁷ <http://horslesmurs.ning.com/profiles/blogs/kibera-le-plus-grand>

⁶⁸ In Africa, there are "true" slums, like in Nairobi and Kigali, and concentrations of precarious habitats, including in city centres.

⁶⁹ "Les infrastructures en Afrique Subsaharienne" (Infrastructure in sub-Saharan Africa), Gulyani, Talukdar and Jack, World Bank Collection, AFD, 2008.

⁷⁰ According the World Bank/AFD report on African infrastructure, 2010.

to 3.5 million in 50 years, only 5% of collected waste is recycled. The rest is most often dumped in watercourses, leading to food poisoning as 60% of urban agriculture uses this wastewater⁷¹ (see [annexed](#) map of connections to water sanitation and sewerage systems).

Public transport is a challenge, with access to urban transport services limited by the poor range of sealed urban roads and by insufficient fleets of buses. Only a third of African city roads are sealed, ranging from barely 10% in Kinshasa (Democratic Republic of Congo) and Kigali (Rwanda) to more than 70% in Kampala (Uganda).⁷² Moreover, while informal minibuses provide an empirical response to demand (congestion, pollution, road safety, passenger crowding), they are relatively expensive. Data on the repartition of forms of urban transport used indicate that on average, 37% of journeys in cities are made by bus, with the same proportion on foot, while the rest use various private transport options. The proportion of journeys on foot can reach 50% or more, at 47% in Nairobi (Kenya), 60% in Douala (Cameroon) and 78% in Conakry (Guinea).⁷³ The combination of low access levels and limited financial accessibility of transport services leads to serious restrictions on city residents' mobility, which is a brake on access to jobs for the poorest and stops cities from playing their full role as social and economic integrators.⁷⁴

Lastly, violence is – although it is important not to generalize about this phenomenon – the result of difficult living conditions in isolated, "lawless" areas where armed gangs carry out organized looting, giving cities like Johannesburg and Lagos a reputation for serious security problems; militias made up of young unemployed city-dwellers (Freetown, Kinshasa, Bangui); and violence linked to generalized poverty, the urban crisis and the impossibility for teenagers and young adults to integrate.

Cities, an environmental challenge

While cities currently occupy 2% of the world's surface, they house 50% of the global population, consume 75% of generated energy and are responsible for 80% of CO₂ emissions.⁷⁵ The figures are less equivocal in sub-Saharan Africa, but they should be in the future. Indeed, as elsewhere, population growth and urban spread are contributing to growing greenhouse gas emissions, considerable resource consumption and production of waste that is a threat to ecosystems. The factors and symptoms of unsustainable development are massively urban and the environmental impact of cities is and will therefore be considerable concerning climate change. The management of city growth is in any case a major factor of the fight against climate change.

⁷¹ See <http://www.slateafrique.com/34433/pauvrete-demographie-le-nombre-de-bidonvilles-explose-en-afrique>.

⁷² According to the [World Bank/AFD report](#) on African infrastructure, 2010, pg. 92.

⁷³ Ibid.

⁷⁴ "Stuck in traffic: Urban Transport in Africa.", Kumar, A. J., and F. Barret, Africa Infrastructure Country Diagnostic Background Paper 1, World Bank, Washington DC, 2008.

⁷⁵ "[Smart Cities](#)" dossier, French Energy Regulatory Commission.

There is an inverse relationship between urban density and energy consumption per person for travel. At comparable density, the existence of public transport leads to reduced average greenhouse gas emissions for these journeys. But it also appears that the key variables of greenhouse gas emissions depend as much on the characteristics of urban forms as on the organization of territories and ongoing transformation processes: modes of transport,⁷⁶ location of residential areas and jobs, and land issues.

Because of considerable inertia over time concerning infrastructure, land allocation and energy management choices, it is now crucial to design the viable city of tomorrow. To do so, in-depth rethinking of the forms and models of access to resources, transport, waste management, building air conditioning and above all energy management (generation, transport, etc.).

While cities pollute and damage the environment, they are also the primary victims of ongoing changes in the area of climate change and resource scarcity. A recent report,⁷⁷ prepared by the Potsdam Institute for Climate Impact Research and Climate Analytics for the World Bank in 2012, presents the probable impacts of climate change (impacts at current temperatures, at +2°C and at +4°C) on agricultural production, water resources, ecosystems and coastal cities across sub-Saharan Africa, South Asia and South-East Asia. The probably migration of the affected communities to urban areas could lead an ever higher number of inhabitants to settle in informal neighbourhoods exposed to heat waves, floods and diseases. The particular vulnerability of city-dwellers – especially the poor – to the effects of climate change will therefore be increased.

Thus, in the urban areas of sub-Saharan Africa, climate change will play a particularly decisive role, applying increasing pressure on the means of subsistence and living conditions of rural and coastal populations.⁷⁸ The ability of African cities to adapt to these challenges will therefore be crucial.

In conclusion, for all the reasons discussed above, Africa's cities are a priority field of intervention to change the game in sub-Saharan Africa. Of course, they hide the factors for their transformation; the middle classes now represent practically 40% of Africa's population and its youth, currently underemployed and relegated to the informal sector to survive aspires to "get moving". But the "laissez-faire" attitude and impotence dominate and the manner in which urban development develops, with no vision, thought for the future or mobilization of stakeholders in support of a project for the future is currently the source of numerous risks. These are economic, as the image of African cities is often negative and weakens their attractiveness; social, as cohesion is whittled away in a context of

⁷⁶ According to the World Bank, the transport sector in cities represents at least a third of greenhouse gas emissions (18% in Washington, DC, but 60% in São Paulo).

⁷⁷ World Bank, 2012: *Turn Down the Heat: Why a 4°C Warmer World Must be Avoided*. [Report](#).

⁷⁸ According to the December 2011 [Joint Statement](#) by United Nations Environment Programme, International Organization for Migration, Office for the Coordination of Humanitarian Affairs, United Nations University and the Permanent Interstate Committee for Drought Control in the Sahel.

precariousness and exclusion; and environmental, as cities are central to issues that threaten ecosystems and the planet.

THE INTERDEPENDENCE OF RURAL AND URBAN DYNAMICS

The previous developments have shown that it is no longer possible today to think in terms of territorial dualism; that cities are eating into the countryside; that gardens grow on urban wasteland; that the emergence of new territorialities and the interweaving of living spaces are the deepest change of recent decades; and that demographic growth, rural exodus, urban spread, the densification of road networks, the development of trade and shifts in ways of life contribute to the interpenetration of territories. The economic integration of cities and the countryside is the only way to achieve inclusive development and growth.

Yet the rate of the development of transport infrastructure and intermediate urbanization is insufficient for this integration to occur in sub-Saharan Africa. Yes, urban frameworks are being redrawn thanks to the emergence of small- and medium- sized towns around major cities. "Between 1950 and 2010, the average distance between cities of over 10 000 inhabitants has been divided by three, from 111 to 33 km. [...] Eighty percent of the rural population now lives within a 90 km radius of an urban centre of at least 50 000 inhabitants."⁷⁹

The emergence of these new cities and towns raises difficulties because of the lack of a vision for territorial development to go with it and "structural anaemia undermining territorial capacities".⁸⁰

How can the integration of territories be strengthened in support of stakeholders and their activities? This is a decisive issue, as sub-optimal interconnection leads to negative externalities, while more fluid, strengthened interconnection enables potentialities for development and "better living together". This means that, in strategic and policy planning work, urban spaces on the one hand and rural spaces on the other should no longer be considered separately, cloistered and in watertight categories. On the contrary, study scope should be extended to cities and their hinterland.

1.1.2. Millions of young people looking to build a future

In 2050, 50% of Africa's population will be under 24 years old.

By 2100, almost 50% of the world's youth will be African⁸¹

The population of 37 African countries will double by 2050. This demographic growth makes the issue of employment all the more essential for growth, inclusion and social cohesion.

⁷⁹ CIRAD, NEPAD, 2013, "A New Emerging Rural World: An Overview of Rural Change in Africa".

⁸⁰ Ibid.

⁸¹ "Africa Ahead: The Next 50 Years, 2013", Ibrahim Forum, Addis Ababa, Facts & Figures, November 2013.

Young people under 24 now represent 20% of Africa's population. In 2050, they will represent half of it, while half of the world's young people in 2100 could be African.⁸²

In sub-Saharan Africa, 17 million young people join the labour market each year currently. The most reliable forecasts estimate that this number will reach 25 million in 2025. Cumulatively, 330 million economically active young people will join the labour market over the next 15 years.⁸³ And sub-Saharan Africa is the only region where the flow of economically active people will continue to grow post-2050.

The recent proliferation of studies published about youth employment by international institutions and the world of research shows increasing awareness of the decisive nature of this issue in sub-Saharan Africa.⁸⁴

VULNERABLE YOUNG PEOPLE, TORN BETWEEN OPTIMISM AND DISCOURAGEMENT

In addition to officially unemployed young people in Africa, account needs to be taken of those who are "discouraged"⁸⁵ (while in all sub-Saharan African countries, they are more numerous than the young "employed") and economically inactive young people – those who have left the labour market. Counting these populations, one young African in two does not have employment.

As for the population of economically inactive young people, three quarters of them are women and 40% are young people who have received no education. More than half say they have suffered from hunger several times in the last year.

While these figures do not suffice to depict the stake of youth employment, it should be added that the conventional calculation of the youth employment rate does not take into account each form of workers' vulnerability: precarity, harsh working conditions and hazards. Contractual precarity currently affects 97% of workers in the informal sector, 49% of formal private sector employees and 85% of private sector workers. According to ILO figures, 247 million workers occupied a vulnerable job in 2012 in sub-Saharan Africa, 2.5 times as many as 20 years ago. Indeed, the total proportion of vulnerable jobs only fell from 83% to 77% over the same period.⁸⁶

⁸² Ibid.

⁸³ B. Losch, "Agriculture: the key to the employment challenge", Perspective CIRAD (Policy Brief), no. 19, October 2012.

⁸⁴ Including "Youth employment in SSA", World Bank, 2013; "Renforcement des compétences en Afrique à travers une meilleure adéquation offre/emploi", Sofreco 2013; "Youth unemployment and vocational training", IZA, 2012; "L'itinéraire professionnel du jeune africain", AFD, 2009; "Skills and productivity in the informal economy", ILO, 2008.

⁸⁵ INSEE definition: The discouraged unemployed are those who wish to work and are available to work but who declare that they no longer seek work as the chances of finding it seems too low.

⁸⁶ *Global employment trends*, ILO, 2013.

The consequence of these difficulties in finding decent work is that young people often face poverty.⁸⁷ On average, 75% of them live today on less than \$2 per day, and this rate is even higher for young women and young people in rural areas.⁸⁸

THE INFORMAL SECTOR: THE MAIN SOURCE OF WORK AND SET TO REMAIN SO

The notion of the informal sector is not very relevant in sub-Saharan Africa, like elsewhere, given the wide diversity of situations it covers. Indeed, it covers self-employed workers and very small businesses working illegally, but also those that respect certain regulations only and people working outside of any business (home workers, domestic staff, street vendors, apprentices and unpaid family workers, for example).⁸⁹

Of the 84% of workers who are part of the so-called informal sector, 62% work on family farms and 22% work in “family businesses”.⁹⁰ In total, only 16% of African jobs are in formal salaried employment. Given the growth forecasts of the different sectors and Africa’s demographics, it would appear that, over the next decade, only one young person in four will have access to a salaried job. And of them, only a fraction will have a formal job in a modern business.⁹¹

WORK IN THE CITIES, WORK IN THE FIELDS

Africans’ mobility most often takes the form of rural exodus, with young people leaving the countryside and moving to the city in search of better opportunities and jobs that match their desires, as well as, often, better living conditions. They often associate agricultural trades and rural Africa with an archaic image of the continent. *“Their desire [for professional integration] is all the more difficult to satisfy because their demands and expectations have shifted under the influence of the media (television and Internet), which are now very widespread. Simple reproduction of the “old trades” or “village trades” is often taken as a failure.*⁹²

Statistically, African migrants leaving the countryside for the city are better educated than rural populations but less so than city-dwellers. They are more active in the most precarious part of the informal sector and therefore less well-paid than non-migrants. They are more exposed to unemployment than their non-migrant counterparts. Although they are more likely to find a job than a city-dweller, that job is likely to be more precarious.⁹³

⁸⁷ International standards define young people as being aged between 15 and 24 years.

⁸⁸ Youth and employment in Africa: The Potential, the Problem, the Promise. World Bank, 2009.

⁸⁹ *Skills and productivity in the informal economy*, ILO, 2008.

⁹⁰ Non-agricultural businesses run by a sole individual or with the help of family members.

⁹¹ *Youth employment in SSA*, World Bank, 2013.

⁹² *Métiers porteurs : le rôle de l'entrepreneuriat, de la formation et de l'insertion professionnelle*, AFD, 2011.

⁹³ Youth and employment in Africa: The Potential, the Problem, the Promise. World Bank, 2009.

When they arrive in cities, young people face great competition on the urban labour market and are fully exposed to the difficulties of city living because of explosive urban growth, mobility difficulties, and insecurity which undermines their main source of income when they seek to develop activity: customer access,⁹⁴ not to mention that they sometimes also have to cope with the – legal or illegal – harassment of the local authorities.

The fact remains that this strong increase in the flow of young people onto the urban job market does not lead to a reduction in the flow of young people joining the rural job market, and jobseekers in sub-Saharan Africa will remain rural for the most part until 2035. These are not forecasts: these new economically active people have already been born.⁹⁵

A recent World Bank study carried out in several countries of sub-Saharan Africa measures the complexity of the relationships between city employment and work in the fields for young Africans:

- Unsurprisingly, 90% of young 15-year-old Africans in employment work in agriculture;
- The proportion of young people working in other sectors then increases as they move up the educational system;
- In rural areas, where educational prospects are limited, 80% of them are still doing agricultural work at the age of 24;
- Young women work more in agriculture, and their proportion in this sector does not fall with age, unlike that of men;⁹⁶
- Lastly, and no doubt counter-intuitively, young people in urban areas enter the employment market as a very large majority through farm work and then change sectors to be self-employed or become salaried employees.⁹⁷ Linkages between farm and city work therefore need to be part of the urgent responses to the issue of youth employment (see graph in [annex](#)).

1.1.3. Climate : how to adjust development models fairly?

ENERGY AND DEVELOPMENT: A DANGEROUS LIAISON FOR AFRICA

Sub-Saharan Africa is particularly exposed to the consequences of global warming (see graph in [annex](#)). The aforementioned World Bank report⁹⁸ establishes the list of devastating consequences that a scenario of a 4°C average temperature rise would have in Africa,

⁹⁴ *Youth employment in SSA*, World Bank, 2013.

⁹⁵ United Nations, *World Urbanization Prospects, 2011 revision*, et *World Population Prospects, 2010 revision*, Losch, Fréguin-Gresh, White (2012).

⁹⁶ It is known moreover that they represent in total 70%-90% of agricultural manpower in many sub-Saharan African countries –

⁹⁷ *Youth employment in SSA*, World Bank, 2013.

⁹⁸ *Turn down the heat: why a 4°C warmer world must be avoided*, World Bank, 2012.

including worsened drought, extreme temperature waves, population displacements in coastal areas, salinization of freshwater because of rising sea levels, disappearance of 25% to 40 % of plant species, reduction in arable farming areas and a 50 % rise in malaria transmission risk. It concludes that in the 2030s, drought and heat will make 40% of cultivated corn-growing land in sub-Saharan Africa unworkable for that crop, and that rising temperatures could lead to disappearance of major prairie areas of the savannah, thus threatening pastoral means of subsistence. It is forecast that the proportion of undernourished populations could increase very significantly in the 2050s compared to current levels.

THE URGENCY OF ADJUSTING THE ENERGY MODEL IN SUB-SAHARAN AFRICA

Global energy consumption has doubled in 40 years, from a little more than 4 billion tonnes of oil equivalent (TOE) to almost 9 billion.

Africa consumes very little energy (almost 6% of global consumption) relative to its demographic weight (15% of the world's population). African per capita annual consumption (excluding South Africa) is around 100 kg of oil equivalent, compared to 8000 in the USA and 4000 in OECD countries (see graph in [annex](#)). It burns only 3.4% of the oil, 3.1% of the gas and 0.5% of the coal consumed globally.⁹⁹

But accelerating economic growth will automatically lead to an increase in greenhouse gas emissions.

Their volume in a country results from four factors:

1. population size;
2. amount of per capita production;
3. unitary level of energy production;
4. CO₂ intensity of energy emissions.

The product of these last two factors is the economy's carbon intensity.¹⁰⁰

This breakdown separates the results of demographic and economic growth from the results of technical and ecological efficiency of the means of production used (energy and carbon intensity) in the evolution of greenhouse gas emissions.

The consequences of the growth factor have been shown by China, which in a few decades has become the world's greatest greenhouse gas emitter (9.6 billion tonnes of CO₂ in 2012,

⁹⁹ [Energie, croissance et développement durable : une équation africaine](#), C. Heuraux et al., IFRI, 2011.

¹⁰⁰ Kaya equation:

$$CO_2 = Pop * \frac{PIB}{POP} * \frac{ENE}{PIB} * \frac{CO_2}{ENE}$$
, Pop = Population, GDP/Pop = standard of living (per capita GDP), ENE/GDP = Energy intensity of GDP, CO₂/ENE = CO₂ emission-intensity of energy, in "Environment, Energy, and Economy: strategies for sustainability", Yoschi Kaya, 1993.

representing 70% of emissions growth – a 60% rise since 1990) with a model where two thirds of energy consumption currently comes from coal. Rapidly becoming the factory of a tacitly accepting world, China has now caught up with the EU in per capita CO₂ emissions.

Thanks to its low level of industrialization and its development delays, Africa produces the world's lowest CO₂ emissions (less than 4% of global emissions, see graph in [annex](#)). But Africa's growth is strong and its per capita GDP remains very low. It is out of the question to consider restricting African economic growth or the increase in Africans' income. To avoid another "Chinese" scenario, the energy and carbon intensity of growth will therefore be the key factor to adjust the trajectory of emissions linked to Africa's growth.

Africa's carbon intensity was estimated at 0.3 tonnes per capita in 1995, compared to around 3 tonnes for OECD countries.

Since then, Africa's carbon intensity has changed little, while that of the rest of the world has skyrocketed. Only ten African countries had carbon footprints of more than 2 tonnes per capita in 2008. Five countries stood between 1 and 2 tonnes per capita and all others (almost 40) emitted less than 1 tonne per capita. These 2008 figures of course need to be updated, as the annual GDP growth of 4-5% that the continent has seen will probably have increased them by at least 20-30%. But that update will in no way change the general picture, as the carbon footprint of the USA stands at 17.3 tonnes per capita¹⁰¹ and that of Belgium at 13 tonnes per capita, while the emission rates of sub-Saharan Africa's countries remain a marginal fraction of those of the OECD and BRIC countries.

However, certain African trajectories show the capital importance of this factor for future scenarios. South Africa, for example, whose growth preceded the economic lift-off of the sub-Saharan region, focused on fossil energy sources. Its emissions have risen very sharply over a decade (in 2010, 600 million tonnes of CO₂, or 9.7 tonnes per capita) and are set to increase three-fold by 2050 if no reduction policy is adopted.¹⁰²

Africa has considerable assets to shift to non-fossil energy models, including hydroelectric and solar potential and biomass. Their implementation requires investment. Given that Africa will be one of the continents most affected by the consequences of global warming, it is urgent to conceive means of investing in these energy sources of the future without slowing African economic growth, while immediately preparing a gradual transition phase towards less carbon-intensive models. If there is any one area where interests are shared, that area is the climate. Given the direct or indirect energy excesses (in China for example) of the Western growth model, it would be both reasonable and fair for official development assistance (ODA) to contribute massively to supporting and funding this effort.

¹⁰¹ Cf. http://www.statistiques-mondiales.com/emissions_co2.htm.

¹⁰² Ibid.

1.2. Recognizing the priority of the youth employment goal

The question of youth employment today appears more pregnant than ever. The Arab Springs highlighted the risks of social upheaval caused by exclusion, ill-being and the disillusionment of an entire generation, and ten-year forecasts imply a rise in frustrations.

During the International Labour Conference in 2012, the International Labour Organization (ILO), the UN Development Programme (UNDP), the African Development Bank (AfDB) and the Organisation for Economic Co-operation and Development (OECD) emphasized the urgency of addressing them, recalling that *“high growth is not sufficient to guarantee productive employment for all. Large sections of the population, and particularly the young, can be left behind and become frustrated. In the absence of a political process allowing them to express their views and produce policy changes, instability can result, as it did last year in a number of North African countries. This is an opportune time to reset the policy agenda of African governments towards an inclusive, employment-creating and sustainable growth strategy, aimed particularly at addressing the special needs of the young.”*

Pascal Lamy, former Director-General of the World Trade Organization (WTO), answering questions during the Mo Ibrahim Foundation Forum in Addis Ababa in November 2013, declared moreover that *“if I had to choose a single indicator to manage African development, I would choose that of the employment rate of young people and women.”*

The challenge is vast and requires profound changes, such as firstly, that of the basic education system, aimed at producing a foundation of useful knowledge for these young people, but which is often ill adapted; then that of vocational training, helping young people find their place in the emerging economic system; that of supporting young people in a posture of entrepreneurship vis-à-vis their own future; and that of particular attention paid to decent work for young women, which is decisive for their empowerment and improving their living conditions.

1.2.1. Jobs & education

THE SCHOOLING CHALLENGE

Since 2000 the planet seemed to have been on the right track concerning children's schooling. Between 1999 and 2010, the net schooling rate in primary schools rose from 82% to 89%, and this encouraging trajectory was also true in sub-Saharan Africa, where rates rose from 58% to 79%. Yet a recent UNESCO report¹⁰³ has shown that progress isn't so clear.

¹⁰³ *Youth and skills: Putting education to work*. EFA Global Monitoring Report, UNESCO, 2012.

The Millennium Development Goal of Universal Primary Education by 2015 will be far from being achieved by then, particularly in rural areas. Moreover, given the runaway demographics of certain countries, stagnation could quickly give way to regression. Education quality, meanwhile, suffers from the scarcity of teachers and their lack of qualifications and training, as well as poor textbooks for example. Many children leave primary school early without mastering the basics of reading, writing and maths, with 10 million children dropping out of primary school in sub-Saharan Africa each year.

Yet one euro invested in education allows those who benefit from it to generate €10-15 of growth because they have greater chances of moving beyond a survival situation and becoming economic players, more capable of building their own future,¹⁰⁴ for as all studies have shown, basic education is an essential foundation for further training. Several projects offering classes at hours compatible with professional work have emerged amongst innovative initiatives to help achieve this goal.¹⁰⁵

TEACHING ILL-ADAPTED TO LABOUR MARKET REALITIES

There is often a profound disconnection between educational offers, student expectations and employer demand in sub-Saharan Africa. The university system is focused on administrative and public sector work, accumulating student numbers in literary and humanities courses. It does not promote short “vocational” courses, scientific or technological programmes, nor does it foster high added-value skills in terms of knowledge and innovations needed in international competition. Between 2008 and 2010, 26% of African students graduated in education, humanities or arts, compared to less than 2% in agriculture (see figure in [annex](#)). This split is completely disconnected with labour market realities on the continent, where the agricultural sector contributes 25% of GDP on average (see graph in [annex](#)).

Paradoxically, while engineers have better employment prospects than other graduates and are particularly sought-after in countries where the economy relies on natural resources, Africa has the lowest rate of engineering graduates globally. Hubert Védrine’s report¹⁰⁶ insists moreover on the need for “a training offer of excellent standard at technician and engineer levels, addressing the needs of the African labour market and based on partnerships between educational establishments and businesses, particularly French ones.”

This disconnection between youth training and market demands is aggravated by the orientation of further education towards public sector jobs while the private sector has greater employment prospects.

¹⁰⁴ Ibid.

¹⁰⁵ "[Skills and productivity in the informal economy](#)", Palmer Robert, Employment Sector, Employment Working Paper No.5, International Labour Office, p 72, Case 4. Nigeria : National Open Apprenticeship System (NOAS).

¹⁰⁶ See [Report to the Ministry of the Economy and Finances](#), December 2013 (<http://www.tresor.economie.gouv.fr/File/393414>).

This is why, in a 2009 study conducted by the *Agence française de développement* (AFD), young African “leaders” recommended, given their educational and professional paths, that *“the leaders of Africa’s different countries should invest in vocational training to help young people gain professional experience in real (and not dreamed) activities and trades that they will exercise. This professionalization will have to involve a type of training similar to apprenticeship, work/study training and experience of genuine work situations. But it also supposes structural reform of existing provision.”*¹⁰⁷

RETHINKING VOCATIONAL TRAINING

In the light of the challenge of employment for the cohorts of young people who join the labour market every year, Africa needs to train its young people and create more jobs at any price. Technical and vocational education and training (TVET) is the poor cousin of education systems, training a tiny minority of young people. In Africa today, the average attendance rate of technical and vocational education stands between 2% and 8% of a given cohort. Cameroon is a notable exception in this area as, according to UNESCO data, its technical education system trains approximately 30% of young people in secondary schooling.

In terms of the resources dedicated to this sector, there is logically a very low level of government investment, with Cameroon again an exception. In both Central and Western Africa, the sums dedicated to vocational training in the framework of public education spending are close to 5%, compared to 13% in Cameroon.

The vast majority of young people do not receive training in formal vocational training establishments but instead “on the job” in the informal sector, and we are not the first to observe this. This is one reason why one of the Védrine report’s recommendations is to *“encourage the development of a training offer of excellent standard at technician and engineer levels, addressing the needs of the African labour market and based on partnerships between educational establishments and businesses, particularly French ones”* and also to *“develop programmes to identify, train and follow up young African economic talents.”*¹⁰⁸

To enable the development of skills that are currently too rare or inexistent, particularly in the agricultural and industrial technical fields, it is important to both train the millions of young people who will join the labour market and make them “employable”.

THREE FORMS OF LEARNING FOR A DUAL HERITAGE

There are three different, sometimes complementary ways to train for a profession:

¹⁰⁷ *L’itinéraire professionnel du jeune africain*, AFD, 2009.

¹⁰⁸ Excerpt of Proposal 2 of the Védrine Report, [Report to the Ministry of the Economy and Finances](#), December 2013

- **Formal learning** takes place in the framework of the educational system, in schools, universities and vocational training centres;
- **Non-formal learning**, meanwhile, takes place outside the formal educational system but remains part of a framework of planned activities with deadlines and goals, including a certain form of training;
- **Informal learning**, lastly, is not organized or structured in terms of goals, time or training. It includes skills acquired (sometimes involuntarily) in the framework of personal and professional life.¹⁰⁹

Informal learning is by far most common. In the so-called “informal” sector, which has provided more than 80% of urban jobs in West Africa in recent years, the only training option available remains traditional apprenticeships. In Senegal, 400,000 young people become apprentices each year, while only 7,000 enrol in vocational training centres.¹¹⁰

As regards formal vocational training, it is very much inherited from the colonial period. In French-speaking Africa, it results from a *“transplantation of French technical education structured around diplomas (Certificat d’aptitude professionnel – Professional Aptitude Certificate – or Brevet d’études professionnelles – Vocational Studies Certification – initially, and more recently Brevet de technicien supérieur – Higher Technician’s Certification – Diplôme universitaire technique – Technical University Diploma – and the Professional Baccalaureate more recently), as well as competitive examinations for public sector jobs (businesses and administrations).”*¹¹¹

Given its origins, Africa’s technical education system was designed to prepare young people for public sector jobs. Its model was therefore very much disturbed by the massive privatizations imposed by the structural adjustment programmes conducted in the 1980s by the IMF and the World Bank,¹¹² as well as by falling public budgets impacting on the teaching sector. As they were not updated after the upheaval, the courses and equipment of training centres are now largely obsolete, and more so every day because of technical progress.

FROM TECHNICAL TRAINING TO “SKILLS DEVELOPMENT”

A new paradigm

In 2008, the Biennale of the Association for the Development of Education in Africa (ADEA) brought together 60 African Education Ministers to discuss the issue of renewing vocational training on the continent. Debates notably highlighted the *“need for a paradigm shift”* and recommended moving from the principle of technical and vocational education and training

¹⁰⁹ Cf. http://ec.europa.eu/education/lifelong-learning-policy/informal_fr.htm.

¹¹⁰ *Africa ahead: The next 50 years*, Mo Ibrahim Foundation, 2013.

¹¹¹ *Le défi de la jeunesse et des réformes des formations professionnelles*, André Gauron, Réseau FAR, 2013.

¹¹² Education, adjustment and reconstruction: options for change; a UNESCO policy discussion paper. UNESCO, 1993.

(TVET) to “a more holistic and inclusive concept of technical and vocational skills development (TVSD) that is more flexible and responsive to labor market demands than the traditional supply-driven system.”¹¹³

During its Triennale four years later, the ADEA observed in case studies carried out in various African countries that “many countries have recently embarked on important legal and policy reforms geared towards a more holistic and flexible TVSD delivery system that is better coordinated and managed.”

This “conceptual revolution” fostering demand-driven technical and vocational training aims to allow the development of skills matching genuine market needs and address the need to increase the skills level of the continent’s manpower as well as youth employment.

This shift reflects the expression of a need felt by many young people¹¹⁴ who are unsatisfied with the traditional technical training system, to benefit from training involving apprenticeships and work experience.

This new type of vocational training, focused on demand and needs, must naturally come with increasing involvement from the many stakeholders interested in the skills that are developed (participation of the formal and informal private sector, NGOs and civil society) in the construction of a new type of vocational training. This is probably the avenue that should be preferred.

Develop skills through “dual learning”

Although the vocational system established by Germany during the *Trente glorieuses* (three decades of prosperity following WW2) did not protect the country from mass unemployment, it does seem to have relatively well protected its economically active young people, amongst whom the unemployment rate remained at a ratio of 1:1.5 compared to that of adults during the 1990s, while in France, the youth unemployment rate has been up to three times higher than that of older people.

The German model notably involves “dual” training partly within a company and partly at a vocational training establishment, which lasts for an average of three years and enables course graduates to exercise one of 344 skilled occupations classed as requiring regulated training. The vocational aspect of the training occupies two thirds of learning time and takes place within the business under its sole control.¹¹⁵

Reform of African learning is based on this model, which is also developed in Switzerland and Austria and utilizes trade organizations, which in turn are helped to structure

¹¹³ Introduction to Key Issues and Findings of the ADEA 2012 Triennial: a Reader’s Digest. ADEA, 2012.

¹¹⁴ *L’itinéraire professionnel du jeune africain*, AFD, 2009.

¹¹⁵ “Formation professionnelle initiale : l’Allemagne est-elle un modèle pour la France ?”, Analytical note 322, Centre d’analyse stratégique (Strategic Analysis Centre), 2013.

themselves. The aim is both to enhance the skill levels of master tradesmen and apprentices through theoretical aspects and better practices and to recognize apprenticeship as a whole separate professional training system, setting up national certifications to replace simple tradesman-issued certificates for completion of apprenticeships.

However, technical training programmes aiming to train students in the same methods as these new learning models have not been abolished, generating competition that is damaging to dual learning.

Moroccan Rural Family Homes (*Maisons familiales rurales*, MFR)

Rural Family Homes are dual training centres under family responsibility. These centres emerged in Morocco¹¹⁶ in 1998 and help young people from rural areas to access education and vocational qualifications. One Moroccan Rural Family Home tracked the careers of young people after their training from 2006 until 2012. As of 2013, 85% of them were professionally active (67% in agriculture, 17% in businesses either upstream or downstream of agriculture, and 4% abroad), all for an annual training cost three times lower than in the Moroccan State school system (around 10,000 dirhams as against 30,000).

For young people who often dropped out of school after primary level and have had a series of odd jobs, Rural Family Homes offer genuine professional prospects. Dual training alternates between a farm (often the young person's family farm) and the training centre, thus combining formal, non formal and informal learning.

GRET, exchanges with B. Hermelin, 2013.

REVIEWING THE REFORMS

André Gauron¹¹⁷ gives a mixed appraisal of the vocational training reforms that have been carried out in Africa. Although they have enabled progress towards a needs-oriented model and the development of new dual apprenticeship courses¹¹⁸, they suffer from the following three weaknesses:

- technical education remains disconnected from economic realities (unsuitable equipment, the vocational skills taught do not correspond to companies' needs, very low enrolment);
- dual apprenticeships, although recognized by professionals, are still not considered equal to technical education;

¹¹⁶ Created in France in 1937, these centres developed worldwide, starting in former French colonies and then spreading to other countries such as Brazil and Argentina (some 40 countries in total).

¹¹⁷ *Le défi de la jeunesse et des réformes des formations professionnelles*, André Gauron, Réseau FAR, 2013.

¹¹⁸ Training split between a company and a vocational training establishment, which lasts for an average of three years and enables course graduates to exercise one of the 344 skilled occupations classed as requiring regulated training.

- non-formal and informal learning, particularly training in an agricultural environment, are conspicuously absent from the reforms.

A fourth problem should also be added: the inadequacy of teacher training. Although this point is unanimously acknowledged in theory, it is almost always neglected in practice.¹¹⁹

OPENING THE TRAINING SECTOR UP TO NEW ACTORS

Reducing reliance on public support

The slow pace of institutional reforms and development is a factor that delays improvements to vocational training schemes. The report on a seminar organized in December 2012 on the UPA initiative run by the NGO Essor in Mozambique¹²⁰ notes: “Political context means that the scheme cannot always rely on public support, but other solutions can be envisaged, particularly in economic terms in a country undergoing rapid growth; it is important to reflect in advance on institutionally sustainable alternatives involving other actors.”

Training support organized directly at the level of the stakeholders can help to compensate for the slow rate of institutional change, the hazards of governance and the consequences of potentially chaotic political transitions.

The assessor of the Malian youth support programme PAJM, an innovative training experiment which received a positive evaluation, endorsed this approach: “In view of the events that took place in Mali over that period (2008-2012), close links with the public employment service (APEJ) would have had a strongly detrimental effect.”¹²¹

¹¹⁹ See [The vocational skills and informal sector support project \(VSP\) in Ghana](#).

¹²⁰ Seminar on the employment and integration of young people in sub-Saharan Africa, organized by the French Ministry of Foreign Affairs, in collaboration with the Agence Française de Développement (AFD) and the Research and Technological Exchange Group (GRET), 2013.

¹²¹ PAJM programme evaluation report for the French Ministry of Foreign and European Affairs, Michael Ruleta, 2009.

Partnerships

In 2011, AFD carried out studies to gather information on the courses available and evaluate the level of training institutions in Niger and Togo. As a follow-up to this, in 2013, SOFRECO conducted a study on behalf of CIAN¹²² on strengthening capacities in Africa by improving the match between training courses and jobs.¹²³ This study, which covered 13 African countries, identified existing courses (from CAP vocational training certificate level to Master's degree level) in which CIAN member companies were involved, which totalled around 100.

Due to the breadth and complexity of the subject, among other things, SOFRECO came up against significant obstacles while completing the study. Yet in spite of these difficulties and the incompleteness of the results compared to the ambitious goals that had been set, the findings are interesting. The report shows the diverse nature of the situations and the specificity of the courses in each country, and recommends establishing individual partnerships between businesses, educational establishments and the local training ecosystem.

The numerous French companies of all sizes present on the continent (including 100 members of CIAN¹²⁴) remain an underexploited resource for organizing projects to facilitate young Africans' access to employment. The value of such projects is constantly evidenced by the many existing initiatives run by French (and foreign) companies, whether individually or as part of national federations or local unions of employers, to promote the development of technical skills among young Africans. They must therefore be encouraged.

The example of [Schneider Electric's BipBop programme](#), which has undertaken to train 10,000 young people from underprivileged backgrounds in electrical trades, shows how a large company can contribute to training young people.

Involvement on the ground

In order to innovate in this field, in view of the immense complexity of national schemes and ecosystems, intervention at the level of stakeholders on the ground seems to be the most fitting approach. With this in mind, the idea of an “establishment project”, proposed in the SOFRECO study, is an interesting starting point, in so far as it would allow a partnership of “aggregators”, at the level of stakeholders on the ground, to help execute the project.

Initiatives such as these, which bring together a company (or a limited number of companies) and a learning establishment (or a limited number of establishments), to focus

¹²² *Conseil français des investisseurs en Afrique.*

¹²³ *Renforcement des compétences en Afrique à travers une meilleure adéquation emploi/formation*, SOFRECO, 2013.

¹²⁴ These 100 member companies have 80,000 members of staff on the continent and a turnover of €40 billion.

on a concrete project, supported (or at least tolerated) by the local government, certainly count among the methods of mobilizing stakeholders described in Chapter II of this report.

The authors of the SOFRECO study note, however, that its centre of gravity was “displaced to levels III and II, while the real needs that are constantly mentioned are situated between the basic qualification levels, at levels V and IV”.¹²⁵ Its proposals therefore do not offer a solution for the majority of young people in urban Africa, who are far less highly qualified and mainly find work in the informal sector.

Examples of innovative initiatives

A number of innovative experiments by social entrepreneurs deserve to be mentioned here. In order to give young people access to employment, technical training might be supplemented by teaching on cultural codes and personal skills such as self-confidence, creativity, team work and empathy, for example. Many social entrepreneurs have taken on this challenge, setting up programmes that are parallel to, or incorporated into the education system.

- In Nigeria, for example, Jude Obodo has developed the **First Preferred Innovators** methodology, a test that aims to evaluate the values, passions and aptitudes of young people to help them choose a career. He promotes this methodology to vocational training centres and the Government.¹²⁶
- Similarly, in Burkina Faso, Katrin Rohde set up **Tond Tenga**, an agricultural technique training centre for young people in rural areas who are not enrolled in school. The programme seeks to build confidence and self-esteem through a process of selection by peers and lessons in which students explore their personalities and develop their team-work abilities.
- The projects on the ground can sometimes take on much greater dimensions. For example, **CDI**, a Brazilian NGO founded by Rodrigo Baggio, trains 100,000 young people from very low-income backgrounds each year on computer skills and citizenship via a network of 780 schools and 1,000 teachers from similar backgrounds to the students.
- Lastly, each year, the 1,100 teachers in the **Network for Teaching Entrepreneurship** (NFTE) provide entrepreneurship training for 60,000 young people who are enrolled in education, through lessons, games and mentoring.

¹²⁵ Level I is the highest.

¹²⁶ See <https://www.ashoka.org/fellow/jude-obodo>

ADAPTING TRAINING PROGRAMMES TO THE NEEDS OF THE INFORMAL SECTOR

Within what is commonly known as the informal sector, the majority of micro-enterprises are household enterprises, which form the basis of the traditional economy in both rural and urban areas. These enterprises serve the household's needs while relying on its capacities (husband and/or wife, sometimes children).

In this core sector of the African economy, appropriate vocational training must be provided. Approaches based strictly on the needs of European companies are anthropologically biased, in that, with regard to even their underlying logic, they imitate current models used in Western economies. This bias is no doubt a significant barrier to be overcome in order to develop innovations in vocational training that really change the prospects of most young African people.

In 2005, André Gauron¹²⁷ wrote that unlike in industrial countries, where technology spreads from professional uses to home uses, creating a technological culture shared by both groups, nothing of the kind exists in sub-Saharan Africa, where, on the contrary, two technical worlds can be identified, one that involves modern technologies used in so-called "modern" companies, and another that concerns traditional activities, which remain isolated from the spread of modern technology.

These two worlds are not distinguished simply by the techniques used: they represent two separate mental worlds, which employ neither the same language nor the same concepts. In addition, the privatization of government-owned companies has led to the shrinking of the "modern" private sector rather than its expansion, and therefore has not boosted development as hoped. This divide automatically has an impact on the training system.

André Gauron goes on to make the following observations regarding the world of modern technology:

- Modern companies are generally characterized by the use of equipment purchased in industrialized or semi-industrialized countries which meets the technological standards that currently apply on the global market. As a result, jobs for unskilled workers are gradually being replaced by jobs for high-level technicians and engineers.
- In some African countries, specialized training programmes cannot offer sufficient employment opportunities because there are too few jobs available. Modern companies therefore ask their subcontractors to train staff themselves, or bring in skilled staff from abroad.

¹²⁷ *Quelle formation pour quelles compétences professionnelles ?* Paper for the Centre international d'études pédagogiques (CIEP), 2005. André Gauron is an economist, an honorary magistrate at the French Court of Accounts and a former advisor to Pierre Bérégovoy at the French Ministry for the Economy and Finance. He was previously a member of the French Council of Economic Analysis and chairman of the French High Committee on Education, the Economy and Employment. Although his paper dates back to 2005, André Gauron maintains that it has lost none of its topicality.

- Students from sub-Saharan Africa could be trained as part of regional cooperation projects with North African countries that have a large enough industrial base to open technology institutes to cater for their own needs. The countries of sub-Saharan Africa should nonetheless provide high quality secondary education in preparation for this.

One thing is certain: demand is so unpredictable that small business owners choose not to invest. There is therefore no technology continuum from modern companies to traditional enterprises. From this point of view, it was, according to André Gauron, a tragic mistake to create a single scale of qualifications, ranging from the CAP vocational training certificate to the DUT university technology qualification and the engineering degree, and export it to the countries of sub-Saharan Africa.

Programmes for young women in the informal sector

The World Bank's "Adolescent Girl Initiative" is training 12,000 girls in eight countries, in five trades that are considered non-traditional for women but offer many employment opportunities: carpentry and joinery, heavy machinery, masonry, plumbing and electricity. For example, 1000 girls from Haiti, aged 14-20, will receive training and a stipend to cover costs relating to their participation in the programme (transport, equipment, etc.).

Source: World Bank, 2012¹²⁸

1.2.2. Turning young people into future entrepreneurs

In addition to purely technical training, business start-up support should be encouraged.

Moreover, this theme is clearly highlighted in AFD's investigation on the subject of young African leaders.¹²⁹ The measures advocated include:

- guidance and support to help young people access employment;
- "tool kits" to be given out at the end of the training to facilitate self-employment or the launch of a micro-activity;
- reduction of tax charges burdening potential new businesses;
- financing of some start-up costs.

In this field, the Malian youth support programme PAJM (see box below), which was funded under the 2007-2012 plan for growth and poverty reduction in Mali by the French and Malian Governments, then extended to April 2012, showed the positive impacts of combining the following three components:

¹²⁸ [Press release](#), World Bank, May 2012.

¹²⁹ *L'itinéraire professionnel du jeune africain*, AFD, 2009.

- entrepreneurship training;
- support/sponsorship;
- financing.

The importance of these three components obviously does not come as a surprise, but the PAJM experiment interests us precisely because it took all three into account at once, predicting that they would mutually strengthen each other. This systemic approach was one of the innovative features of the initiative.

These three components were tackled under PAJM with a good success rate in terms of the programme objectives, namely the number of young people trained (although there were few women, as the evaluation report points out), the number of jobs created, and to a lesser extent, the repayment rate.

Of the 227 start-up projects validated at the time of the intermediate evaluation in 2009, 151 were put forward by men and only 76 by women (out of 1353 and 386 applications, respectively). Almost half of them concerned trade, followed by small-scale industries (28% for men, 42% for women). Services accounted for little more than 10% of the projects, and agriculture for less than 15%. By 2011, over 300 enterprises had been set up and 75% of loans had been repaid, which is nonetheless a relatively low proportion compared to usual rates (95%). The final evaluation in 2012 noted that the political crisis had severely affected the young people's repayment capacity¹³⁰ and the survival of the enterprises.

An important lesson to draw from this experience is that the creation of an enterprise (mainly in trade or small-scale industries) resulted on average, within a short period of time (1-2 years), in the creation of 2-3 jobs per enterprise (a minority of which were salaried positions), not counting apprentices and initiators. The leverage effect can therefore rapidly become significant. Lastly, the final evaluation highlighted many positive side effects.¹³¹

PAJM Programme

Following the recommendations of the 23rd Africa-France Summit, held in Bamako in December 2005 on the theme of "The vitality, creativity and aspirations of African youth", the Malian and French Governments decided to offer increased support to initiatives in the field of social and professional integration of young people and set up a Malian youth support programme (PAJM) in April 2008, with funding of €2 million over a period of three years. It was extended until April 2012.

¹³⁰ In reality, the people concerned were aged between 21 and 35, and almost half of the applications accepted were put forward by people over 30.

¹³¹ It turns out that a considerable number of the young people who received the training but not the funding nevertheless managed to finance their project, which demonstrates the positive impact of this training on self-confidence and credibility.

This programme involves, in particular, setting up a scheme to support and supervise young business founders, throughout the designing, implementation and development of their projects. It is aimed at young men and women, aged 21-35, who are capable of taking the initiative, formalizing and presenting the draft of a project and the main aspects of its implementation, and who are willing to commit to taking part in a long-term support scheme. The project is being implemented throughout Mali and focuses in particular on projects put forward by women, even though the results in this area are fairly disappointing (more information in the [annexes](#)).

Source: PAJM programme evaluation report for the French Ministry of Foreign and European Affairs, 2009

The following recommendations are based on several observations:

- A huge number of young people who are on the verge of entering the world of work cannot find training for the skills they wish to acquire.
- Existing training systems do not meet the needs of the economy.
- It is therefore necessary to invent something new, that is, to rethink training programmes by opening them up to local stakeholder participation (private sector, NGOs, local governments, etc.).
- Immersion in a company during training is a crucial way of increasing young people's chances of employment, as it allows them to receive more comprehensive training, to make sure that they have chosen the right path, and to enter into contact with potential recruiters at an earlier stage.
- Not only are local entrepreneurs the main potential employers of young Africans, but they also set an example. It is therefore essential to promote contact between young people and local entrepreneurs.

It is necessary to bring training “producers” and “consumers” closer together to improve the match between skills and needs, to make the best use of production sites and tools (rental for training, etc.) and to facilitate contact and mutual understanding between job seekers and employers.

PROPOSAL 2. TO REDUCE THE MASS UNDER-EMPLOYMENT OF YOUNG PEOPLE IN AFRICA, ACKNOWLEDGE THAT DUAL APPRENTICESHIPS ARE AN ABSOLUTE PRIORITY AND FOSTER THEIR DEVELOPMENT IN A VARIETY OF CONTEXTS (FORMAL AND INFORMAL)

R. 2 - Plan and organize training of young people with help from professional stakeholders

So as to ensure that the initiatives are organized at a manageable scale, we recommend, in particular, greater mobilization of NGOs and social entrepreneurs working in vocational training, as well as trade associations from the industries concerned, including federations of

local craftspeople in the traditional sector, which will continue over the long-term to provide crucial employment opportunities for young people at risk of poor social integration.

This should not reduce the scope for linking these initiatives to existing government schemes. Most evaluations and studies of past experiences show that such support from the private sector and civil society organizations ensures that the immediate needs of the market are better fulfilled (which is why the training yields better immediate results) and the appeal to candidates is greater.

R. 3 - Focus on training the teachers, particularly for dual apprenticeships in the traditional sector

This point is always mentioned but, in reality, neglected everywhere. It is essential in order to raise the level of the training courses. For each context, suitable incentives should be thought of (financial incentives, qualifications, etc.), for training the teachers on both technical aspects and teaching methods, improving their skills and monitoring their performance over time. In the traditional sector, federations of craftspeople should be responsible for providing this teacher training. Official Development Assistance has a role to play in supporting the creation of professional federations and building their capacities.

R. 4 - Provide support for the business start-up module of technical training courses

All dual apprenticeship technical training courses must include a business start-up module (accounting, management, market research, innovation, etc.). This may sometimes be supplemented by a “micro-finance” module (although with a high risk of loss). Lastly, mentoring is essential, in order to limit these risks of loss and increase the impact of the training.

R. 5 - Improve vocational training and apprenticeship courses

Steps should be taken to introduce a “skill testing” qualification (equivalent to the French certificate validating knowledge acquired through experience) that promotes professional mobility, thus increasing the appeal of the training courses.¹³² In some countries, it is even possible to resume studying on the basis of this qualification.

R. 6 - Remove competition between dual apprenticeships and technical secondary education, by raising the level of the latter to meet new skills needs on the modern formal labour market

Technical secondary education courses must be transformed so that students reach a higher level of qualification, corresponding to the needs of SMEs and companies in the modern formal sector. This policy will give dual apprenticeships an entirely unique role and remove all competition with other forms of training that are seen as more attractive. Some countries

¹³² Examples include the National Vocational Training Institute (NVTI) in Ghana, with limited numbers – 8% in 2006, or the Inter-professional Group of Craftspeople (GIPA) in Cameroon, with certification by the Ministry of Employment and Vocational Training (MINEFOP).

have already taken this step. Work to define and transform technical training courses must continue, with support from assistance policies in this field.

R. 7 - Reaffirm the importance of basic education (reading, writing, numeracy) as the foundation of all training, even technical, including for adults

1.3. Focus on family farming

When it comes to reconciling the demands of job creation, rural economic development and environmental protection, the farming industry remains a priority, and its development should be accompanied by measures to strengthen the local economy. Its growth would help to resolve two critical issues:

- Firstly, if the rural exodus intensifies, it could constitute a real risk for African cities. In this context, it is vitally important to promote the development of the farming industry, as it could provide jobs for some of the excess rural workforce.
- Secondly, the growth of the farming industry would generate income and thus promote economic diversification, through the development of the agrifood processing sector, in particular.

It is therefore necessary to fix a two-fold objective, which consists of:

- Strengthening family farms, which occupy the vast majority of farm workers, possess great potential in terms of production, employment and income generation, and can help to protect ecosystems.
- Supporting structural change through gradual diversification of activities. This will only be possible if there is demand from consumers, mainly in rural areas, but also in cities. The first step is therefore to boost farmers' income and develop agrifood processing activities.

1.3.1. Choosing farming models for the future

African agriculture covers a wide variety of production models, land tenure arrangements and farm sizes, ranging from subsistence farms to large export-oriented farms. Nevertheless, it is still largely dominated by family farming, in its various forms. The agricultural labour force in sub-Saharan African doubled between 1980 and 2010, from 105 to 200 million workers, the vast majority of whom work on small family farms.

The choice of which farming model to prioritize in terms of public and private investment is not an academic question, let alone an ideological one. It is closely bound to the economic, social and environmental issues at stake. Indeed, the future political stability of the

continent depends on the choice that is made. It is therefore necessary, above all, to focus on models that promote improved distribution of resources, taking into account the various externalities, and not simply the economic dimension.

Since the 2007 crisis in agricultural product prices, and as we head towards a significant global increase in requirements for food and agro-fuels, pressure on land and water resources has worsened. New investors have established themselves, proposing large-scale farming models, which are often capital intensive, and result, in particular, in the practice of land-grabbing. In recent years, for example, 8.6 million hectares have been leased to Middle Eastern and Asian investors in the Nile valley alone (Egypt, Ethiopia, Sudan and South Sudan). Will Africa's available land be used to feed local people, or will Africa become an exporter of agricultural commodities to countries that are poorer in natural resources or very highly populated?

These investments are encouraged by some governments on the grounds that they bring in capital and technology which can be used to achieve rapid economic results. Others, meanwhile, try to curb them by introducing measures to ensure security of land tenure for small-scale farmers or livestock farmers, but it is tempting to promote them, given the immediate benefits that they offer. These large-scale, high-input, capital-intensive models, which are often heavily subsidized, have very different economic, social and environmental impacts to those generated by family farming models. Firstly, they lead to widespread exclusion of rural dwellers. Secondly, they cannot resolve the critical employment and food security issues facing African countries.

The family farming model, on the other hand, offers many advantages linked to the goals underpinning this report. All recent studies, including the World Bank Annual Report (2012)¹³³, emphasize the powerful leveraging effect that agricultural investments can have when they target farmers themselves, the main change agents. By supporting family farming, it is possible to have an impact on many development factors:

- **Reducing food insecurity** – 75% of people affected by food insecurity live in rural areas. In most cases, it has been observed that when a farm's level of production increases, the immediate benefits are felt by the family, their friends and neighbours, and local markets. Investing in family farming therefore has a direct impact on food security.
- **Preserving and creating jobs** – family farming provides a living for 1.5 billion members of the working population worldwide, which makes it an extremely labour-intensive sector.
- **Controlling the rural exodus** – offering new opportunities to rural dwellers can help reduce the volume of migration to cities that are currently unable to create enough jobs.

¹³³ World Bank Annual Report, 2012.

- **Reducing poverty** – around 60% of the working population in Africa still depend on farming for their livelihood. Furthermore, it represents 34% of the continent’s GDP.¹³⁴ According to the World Bank,¹³⁵ growth in farming GDP often leads to a greater increase in the income of extremely poor people than growth in other sectors. The assertion should be qualified to take account of development models which invest in industrial development.

- **Reinvesting in farms and the region** – Unlike industrial farming, where profits are usually reinvested in other activities, other regions, or even other countries, small-scale farmers reinvest their financial resources in their own farm, by purchasing equipment that contributes directly or indirectly to production,¹³⁶

- **Supplying the markets** – Although they do not have access to much funding, the various small-scale farming models have demonstrated their ability to adapt to change, particularly population growth. In the countries of the Economic Community of West African States (ECOWAS) food production by small-scale farms went from 59 million tonnes in 1980 to 212 million tonnes in 2006. The study which published this figure¹³⁷ confirmed that whenever farmers received the slightest support (improved production techniques, favourable prices, access to markets, etc.), they demonstrated their ability to increase and diversify their production, whether they were growing food to eat, crops to sell at local and regional markets, or specific food products to be exported.

1.3.2. Investing in family farming

Family farming in Africa therefore has the potential to resolve some of the issues facing the continent, but it suffers from a severe lack of public investment. For the past few decades, agricultural policy in sub-Saharan Africa has been neglected. A recent study by the World Bank¹³⁸ shows, for example, that farmers invest four times as much capital in their own farms as their government invests in the country’s farming sector as a whole.

More alarmingly still, between 1985 and 2007, the average proportion of public spending that was allocated to agriculture in Africa fell from 9% to 4%.¹³⁹ According to FAO, in 2007, African governments allocated an average of 4.7% of their spending to agriculture, despite the African Union’s commitment in Maputo in 2003 to raise this figure to at least 10%. Only 10 out of 54 countries honoured this commitment.

When it comes to Official Development Assistance, large international institutions and most national development agencies have shifted their position and now emphasize the central

¹³⁴ Realizing Africa’s Wealth: Building Inclusive Businesses for Shared Prosperity, UNDP, 2013.

¹³⁵ World Bank Annual Report, 2008 and 2012.

¹³⁶ World Bank Annual Report, 2012.

¹³⁷ Agricultural Potential of West Africa (ECOWAS), FARM, 2008.

¹³⁸ The State of Food and Agriculture - Investing in Agriculture for a Better Future, World Bank, 2012.

¹³⁹ World Bank Annual Report, 2012.

role of agriculture, especially family farming. However, it is taking time for this shift to be reflected financially.¹⁴⁰

In France, the Interministerial Committee for International Cooperation and Development (CICID) addressed the issue of family farming in sub-Saharan Africa in July 2013.¹⁴¹ The Government reaffirmed at the time that “*support for farmers in developing countries [was] an essential tool for reducing food insecurity and poverty*”. It also decided to “*promote a form of family farming that generates wealth, creates jobs and preserves the environment*” in these countries.

The statement of conclusions continues: “*France will support projects that enable family farming to fully play its role : adopting agricultural policies, increasing regional integration, structuring agricultural markets, developing industries, supporting farmers’ organizations, seeking fair access to water, securing land tenure and reducing land degradation. The Government approves the policy objectives adopted by AFD in this regard.*”¹⁴²

This declaration clearly establishes family farming as a key component of French development policy in sub-Saharan Africa.

1.3.3. Moving beyond the urban/rural divide

Markets, especially national and regional ones, are the main tool for accelerating and increasing the productivity of African farms.¹⁴³ However, since it is mainly urban markets that are growing rapidly, the marketing and processing of agricultural products cannot be considered solely in terms of rural development policies. The entire value chain must be taken into account and action must be taken in collaboration with all stakeholders, whether rural or urban. Similarly, the issue of food and nutrition security must be understood and addressed from both rural and urban perspectives.

Consequently, urban planning and development policies must take account of land and equipment needs, as well as opportunities provided by local farms that are capable of meeting urban food requirements. With this in mind, medium-sized cities, large rural towns and peri-urban zones resembling green belts or dairy belts can play an important role in the development of farming-related services.

Cities, rural communities and core public and private stakeholders must now work together to plan the use of natural capital, especially the management of water resources collected in rainwater reservoirs and their use for industrial and urban human activities. This is linked, in particular, to farming practices and plant cover.

¹⁴⁰ AFD was not able to tell us exactly how much financial support it provides to family farming.

¹⁴¹ CICID statement of conclusions of 31 July 2013, conclusion no. 6.

¹⁴² Ibid.

¹⁴³ FAO Report, High-Level Expert Forum, Rome 12-13 October 2009.

There is considerable scope for introducing a system of payments for ecosystem services (PES), bringing together public and private stakeholders to develop a productive form of agriculture which preserves water resources and maintains the supply of food products to towns and for subsequent food processing. This PES-type approach could be based on Development Impact Bond models (see part II).

1.3.4. Aiming for productive and resilient family farming

Since the Hague Conference on Agriculture, Food Security and Climate Change in 2010, FAO has carried out extensive research to identify agricultural models that can significantly boost production in order to meet food requirements, at a time of dwindling natural resources and global climate change. The fruit of this research was the concept of “smart agriculture”¹⁴⁴ which centres on three objectives:

- increasing farming productivity and income sustainably;
- adapting to climate change and building resilient models;
- reducing greenhouse gas emissions.

FAO’s proposals converge with those of many experts and practitioners who, in recent years, have developed concepts that resemble smart agriculture, under a different name: “conservation agriculture”, “ecologically intensive agriculture”, “agro-ecology”, “doubly green agriculture”, etc. These approaches all promote models for intensifying production that are economical with natural resources and accessible to family farmers.

Many farming techniques and practices have already been successfully mastered. Moreover, many are already widely implemented by smallholders, with convincing results, in order to increase soil fertility and reduce erosion, optimize water use, make use of plant and wildlife biodiversity, and reduce greenhouse gas (GHG) emissions.

The impact of these methods is all the greater as they are implemented as part of an integrated systemic approach, at the scale of an agricultural region or drainage basin, so as to take account of all economic, environmental and social parameters and the interaction between them. Here are some examples of tried-and-tested techniques that could be rolled out on a large scale.

AGROFORESTRY

Combining trees and crops has proved to be an effective method throughout the tropics.

¹⁴⁴ Climate-Smart Agriculture Sourcebook, FAO, 2013.

When the species of trees are carefully chosen and planted at precise densities, using specific techniques, there are numerous benefits: the trees protect the soil from erosion and retain water; the leaves provide organic fertilizer which nourishes the soil; some trees fix nitrogen from the soil using their roots; the foliage can be eaten by animals; the fruit can be eaten by people; many crops can be grown in the shade, etc. These agroforestry techniques can be used to increase yields rapidly and diversify farmers' sources of income. They do not call for substantial investments, but they require significant technical support and training, as well as long-term monitoring.

[*Case 1 – Mango and coffee trees in the Araku Valley \(India\) – details in Annexes*](#)

[*Case 2 – From slash-and-burn to agroforestry \(Central America\) – details in Annexes*](#)

[*Case 3 – Agroforestry to increase food security \(Cameroon, Kenya, Madagascar\) – details in Annexes*](#)

INTEGRATED MANAGEMENT OF SMALL AGRICULTURAL REGIONS AND DRAINAGE BASINS

Farmers are key change agents, both individually at farm level, and collectively at the level of regions or drainage basins. Land use planning is essential to ensure that there is synergy between practices and that the correct decisions are made. This planning must be participative and the communities concerned must be closely involved. It can be based on effective methods that have been developed in this field, such as the Land Degradation Assessment in Drylands (LADA).

[*Case 4 – Managing the agroforestry systems of Mount Kilimanjaro \(Tanzania\) – details in Annexes*](#)

[*Case 5 – Management of grazing land in Laikipia \(Kenya\) – details in Annexes*](#)

[*Case 6 – Integrated management of the Kagera Basin \(Burundi, Rwanda, Uganda, Tanzania\) – details in Annexes*](#)

The amount of irrigated land in sub-Saharan Africa is increasing, but rainfed agriculture still accounts for 98% of the region's farmland. Developing irrigated areas requires considerable investment, as well as favourable geographical, political and administrative conditions. It should therefore be restricted to certain geographical areas.

As a result, rainfed farming will remain central to agricultural production. As climate change is starting to have a significant impact on the quantity, regularity and pattern of rainfall, it is

becoming increasingly important to implement techniques to save water, reduce evapotranspiration and promote infiltration.

[**Case 7 – Stone barriers in Burkina Faso – details in Annexes**](#)

[**Case 8 – Minga system for drought management \(Bolivia\) – details in Annexes**](#)

FERTILIZATION, TILLAGE AND INTEGRATED PEST CONTROL TECHNIQUES

Many low-cost, environmentally-friendly fertilization techniques have been developed: biomass composting, permanent soil cover using techniques based on permaculture,¹⁴⁵ nitrogen-fixing plants, crop rotation, no slash-and-burn, etc. New land preparation techniques are based on zero or minimal tillage, which allow micro-organisms to enrich and break down the soil without destroying its structure.

[**Case 9 – Farming practices and large-scale fertilization in Kisumu, Kenya \(VI Agroforestry\) – details in Annexes**](#)

[**Case 10 – “Slash and Mulch” agroforestry system in Qesunqual \(Honduras\)¹⁴⁶ – details in Annexes**](#)

[**Case 11- Agroecology: network for direct seeding over permanent soil cover¹⁴⁷ – details in Annexes**](#)

ADAPTING TO CLIMATE CHANGE & RESILIENCE OF FARMING ECOSYSTEMS

In order to withstand and adapt to the effects of climate change more effectively, African farmers must limit their exposure to natural hazards, for example by choosing drought-resistant varieties of crop, building up stocks of fodder and modifying farming systems to make them more resistant.

[**Case 12 – Community restoration of mangroves \(Senegal, India, Indonesia\)¹⁴⁸ – details in Annexes**](#)

[**Case 13 – The Potato Park \(Peru\)¹⁴⁹ – details in Annexes**](#)

¹⁴⁵ Science of designing cultivated land, living areas and human agriculture systems on the basis of environmental principles and traditional knowledge in order to reproduce the diversity, stability and resilience of natural ecosystems.

¹⁴⁶ FAO Climate-Smart Agriculture Sourcebook, p.121

¹⁴⁷ CIRAD, agroecology programme.

¹⁴⁸ JP Renaud, Livelihoods

¹⁴⁹ The “Potato Park”, Peru, FAO Climate-Smart Agriculture Sourcebook, p.184

1.3.5. Seven measures to support the transition

BOOST INNOVATION, TECHNICAL SUPPORT AND TRAINING

When the techniques described above are implemented by the farmers themselves as part of a systemic approach that takes local issues into account, they result in a significant, lasting increase in yield per hectare, in just a few years, for a relatively low financial investment (less than €1000/ha on average). However, they require investment in the form of training for the farmers, who are the key stakeholders.

Training and technical support in farming have been neglected for many years. This is because farming is perceived by many young Africans to represent the past, opposition to change and resignation to poverty. Just 2% of young Africans study farming, whereas 26% of them graduate in education, humanity and arts.¹⁵⁰ Farming therefore urgently needs to be revamped and restored to favour.

The success of the new agronomic techniques mentioned above requires the implementation of technical outreach programmes, designed and run in collaboration with the farmers. To this end, it is necessary to train high-quality technical personnel to work on the ground.

Africa has many public technical bodies, but they often lack the resources needed to carry out work in the field. In many cases, management and staff in these bodies adopt an administrative approach to development, even though all successful initiatives in the past have shown the value of taking farmers' needs and knowledge as a starting point, and carefully considering their concerns in order to collectively come up with solutions which they are capable of making their own.

Some NGOs have tested and implemented promising agroecology models that have helped to create real local growth. Now it is important to capitalize on these good practices so that they can be scaled up.

Lastly, France and its European partners have institutions specializing in research, development and training in agronomy, rural sociology, economics, water and landscape management, etc., with a high level of expertise and extensive experience of Africa. These skills and this detailed knowledge of the reality of life in Africa should be put to much better use, and the resources and means available should be reorganized to serve the policies implemented more effectively. The links between research and development, action on the ground and achievement of outcomes should be a key priority for these organizations and their teams (see recommendation R2).

¹⁵⁰ Africa ahead: The next 50 years, Mo Ibrahim Foundation, 2013.

PROMOTE THE ESTABLISHMENT OF “AGGREGATORS”

“Aggregators” are organizations that are capable of implementing projects affecting several thousand small-scale farmers, who need to be persuaded of the value of an innovation and helped to implement it on a large scale, for example over an area of 5000 or 10,000 hectares. They can be NGOs, farmers’ organizations, or cooperatives. The ability of these stakeholders to run complex projects in close collaboration with communities of farmers on the ground often has a decisive impact. However, the quality of their work is very uneven, with some of them struggling to spread their innovations and scale up their activities. Building their technical and managerial skills and improving their model of management or governance is a crucial step towards development. New methods of financing could also help.

HELP FARMERS TO INCREASE THE VALUE OF THEIR PRODUCTS

Boosting the commercial value of produce is as important as increasing yields. Markets are, and will continue to be, the main tool for motivating African farmers, whether at local, regional or international level. It is therefore necessary to invest in best practices and examples of success, in order to:

- strengthen collective marketing organizations;
- help to create and strengthen industries;
- help to inform farmers about markets and prices;
- prefinance harvests for cooperatives and groups;
- maintain or build infrastructure for storage and transport;
- reduce regulatory and administrative constraints on the movement of products.

SUPPORT THE DEVELOPMENT OF INDUSTRIAL AND CRAFT ENTERPRISES OF ALL SIZES THAT PROCESS, ADD VALUE TO, AND MARKET LOCAL AGRICULTURAL PRODUCTS

Urban lifestyles are affecting consumers’ habits: they want food that is easy to cook and does not take long to prepare. Agricultural food products, which are now sometimes consumed far from where they are produced, must be processed, not only to meet this urban demand but also for the purposes of preservation. This means that it is important to support agrifood-processing companies, particularly small enterprises which generate economic activity for women, by

- setting up local information and advice systems;
- facilitating access to bank credit (meso-credit);
- developing step-by-step approaches to good hygiene practices in food processing;
- promoting cross-industry discussions.

OFFER PRODUCERS MORE SECURITY BY INTRODUCING SOLUTIONS ADAPTED TO SMALL-SCALE FARMING: LAND TENURE ARRANGEMENTS, LOANS AND AGRICULTURAL INSURANCE

Smallholders face a number of constraints that must be removed to enable them to invest in their farms. These constraints concern access to resources (land, water), access to credit, and income volatility linked, for example, to changes in weather conditions. To remove them, it is necessary to:

- secure access to land and water resources, particularly for women and young people;
- facilitate access to rural credit, by supporting responsible microfinance;
- develop inventory credit systems, which make it easier to manage marketing and therefore income;
- test out agricultural insurance systems.

FOCUS ON APPROACHES WHICH LOCAL PEOPLE CAN MAKE THEIR OWN

These approaches must be based on local cultures and dynamics in order to build the capacities of stakeholders on the ground. The social dimension is as important as the technical dimension, if not more so. Projects must be developed jointly and rural communities must take ownership of them if they are to be a success. Women, in particular, play a fundamental role in this change process. In this context, it is crucial to invest in capacity-building, accountability, and leadership.

The other stakeholders (NGOs, governments and the private sector) also play an important part. However, they must view their role, above all, as one of facilitation and support, rather than imposing top-down approaches, which have generally been shown to end in failure. Moreover, to avoid delays in project execution, and wastage, funds should be channelled directly into projects, with the number of intermediaries and administrative structures kept to a minimum and monitoring procedures established to ensure funds are used effectively.

ENCOURAGE THE APPLICATION OF NEW TECHNOLOGIES TO AGRICULTURE

The development of certain technologies is set to dramatically change the lives of African farmers, their families, and organizations on the ground. Developments observed include:

- Very rapid spread of mobile phone use and increase in the number of professional or family applications for transferring money, information on business opportunities, prices, weather, etc.
- Development of small-scale mechanization (motorbikes, motorized pumps, motor cultivators, small mills, etc.)
- Off-grid electrification (solar, wind and micro-hydro technology, etc.)

- Households are better equipped: improved cookstoves, water filter technologies (when there can be no access to the water grid), small-scale methanizers, etc.
- Use of satellite imagery: monitoring plantations and pastures for livestock grazing, in particular through the African Monitoring of the Environment for Sustainable Development (AMESD) project run by the AGRHYMET Regional Centre.¹⁵¹

PROPOSAL 3. IN THE CONTEXT OF 2014 BEING DECLARED THE INTERNATIONAL YEAR OF FAMILY FARMING BY THE UNITED NATIONS, MAKE CONSIDERABLE INVESTMENTS IN THIS SECTOR, VIA AN INITIATIVE FOR FAMILY FARMING IN AFRICA

R. 8 - Affirm the importance of family farming in ODA priority policies by doubling the funding allocated to it, through new schemes specifically designed to support it

The year 2014 has been declared the International Year of Family Farming by the United Nations. This is an opportunity for France to state loudly and clearly that supporting the various types of family farming in Africa is a priority under its development assistance policy, in both financial and organizational terms.

In this context, we recommend the following:

- Double the proportion of ODA funding allocated to family farming, to reach at least 15% of annual funding, i.e. an additional €500 million each year.
- Promote the development of agricultural policies to support family farming.
- Adapt financial intervention methods and tools more effectively to the realities of family farming. In organizational terms, this objective should be reflected in the strategic, budgetary and organizational priorities of AFD).
- Make sure that France is a driving force when it comes to proposing new, concrete initiatives alongside European and African partners (see recommendations below).

These initiatives are also in line with the aims of the 21st Conference of the Parties on Climate Change, which is to be held in Paris in 2015, as the suggested courses of action seek to significantly boost agricultural production and food security, while limiting the increase in emissions and promoting the adaptation of more resilient ecosystems.

R. 9 - Set up the Family Farming In Africa (*Agriculture Familiale Africaine* – AFA) initiative

Set up the Family Farming in Africa (AFA) programme, the aim of which will be to give momentum to integrated farming development projects at small regional level that bring about a significant increase in farm production and income using a combination of the methods described above. AFA will have three components:

¹⁵¹ See <http://www.agrhymet.ne/eng/projetcours.html>

- i) project funding;**
- ii) expertise and support network;**
- iii) substantial training programme.**

It should receive funding of €200 million per year. The programme will enable 80,000-120,000 family farms, representing a land area of around 200,000 hectares, to increase their income by 25%-50%. After five years, the AFA programme will have had a major impact on 400,000-600,000 family farms in 200 regions. The financing is to be organized in such a way as to ensure that stakeholders are coordinated and outcomes are achieved.

Establish governance that is adapted to the aims of the AFA programme, bringing together people with a range of high-level international expertise, including members of the public sector, agricultural leaders and representatives of companies and NGOs, to ensure that the programme is run well.

R. 10 - Introduce and enhance skills concerning technical and practical agricultural models for family farming at all levels (farmers, public initiatives, project leaders, advisers, etc.)

- Establish an AFA operational team responsible for developing methodological tools for implementing the AFA programme, formalizing agricultural techniques and practices adapted to the AFA programme, and creating interactive and participative tools which the farmers can take ownership of. In order to achieve this, it will be necessary to mobilize French, African and international experts as part of a multidisciplinary, operational AFA team.
- Set up a training programme for AFA programme staff, with the capacity to train at least 200 AFA project leaders and 2000 agricultural development advisors over five years. Use all the opportunities provided by new technologies to design decentralized training courses, alternating between practical experience in the field and group work. Give the AFA operational team responsibility for designing the teaching strategy and running the programme.
- Carry out a study on rural agricultural teaching in Africa, in order to put forward innovative methods of training young Africans in rural areas that will build their skills and prepare them for their future responsibilities as farmers. Try out the recommendations as part of AFA projects.

R. 11 - Increase family farmers' access to local, national and international markets

Under the AFA programme, mobilize French, African and international experts from the farming industry, private companies, cooperatives, NGOs, and the teaching and research sphere, in order to:

- Increase the various types of support provided to farmers' groups, helping them to market their products more effectively and raise their value (systems of information on markets and prices, prefinancing harvests, storage facilities, governance and management training for leaders, etc.).

- Support packaging, processing and marketing activities in various forms: small-scale industries, SMEs, large companies, whatever their legal structure (private, cooperative, EIG, etc.), in rural and urban areas.
- Promote the provision by local banks of a range of financial instruments, suited to the needs of the groups and businesses (loans, equity financing, guarantees, etc.).
- Set up the “AFA Skills” network, which will be responsible for identifying needs and skills in Africa and France. This network will, in particular, make use of the commercial, industrial and managerial skills of executives and technicians from French companies, especially newly-retired people who wish to dedicate time to supporting SMEs and farmers’ organizations;
- Help African producers to boost the value of their products on international markets through support for labelling initiatives based on standards regarding the social and environmental quality of the product. Projects supported under the AFA programme should receive particular encouragement, if this is justified by the products. Promote the simplification and grouping of these labels to increase their impact on international companies and consumers.

R. 12 - Increase use of new technologies for family farming

Establish a powerful support base for technologies that can be applied to family farming, by supporting projects such as the “Valorisation Sud” Consortium (CVT)¹⁵² set up by the French Agricultural Research Centre for International Development (CIRAD), the Institut Pasteur, the French Research Institute for Development (IRD), etc., which seeks to boost the transfer of technology and expertise adapted to developing countries and tropical and equatorial regions to the economic sphere. Focus in particular on action to enhance technology that can be applied to farming. Establish links with the AFA programme.

R. 13 - Establish innovative financing models to enable family farming support projects to be scaled up and achieve lasting results

Channel public funding for AFA towards projects that achieve the following: creation of results-based payment systems; definition of precise, measurable outcome objectives; coordination of the main stakeholders to design, organize and run projects (see section on mobilizing stakeholders for inclusive development, recommendations on development impact bonds and payment for ecosystem services).

Encourage the creation of investment funds or other facilities that make it possible to play the role of “aggregators” and carry out AFA projects in several regions or countries. These funds would make it possible to accelerate the process and capitalize more rapidly on achievements. They could consist of capital from private, public, French and international

¹⁵² Theme-based Technology Transfer Consortium, <http://www.cvt-sud.fr/index.php>

sources and be organized on the basis of the arrangements described in the section on mobilizing stakeholders for the inclusive economy (recommendation on DIB and PES), with results-based purchase commitments funded using the French development assistance budget allocated to the AFA programme.

1.4. Living better in cities

Fair development and environmental protection require a thorough overhaul of urban development methods in sub-Saharan Africa. An impossible situation seems to have arisen, due to explosive population growth coupled with limited resources and repeated delays in urban development.

A shared vision, providing momentum for an urban project, is a crucial starting point, given the extent to which social cohesion, economic development and environmental protection rely on the strategic planning of a city, and its structure and organization. But mobilizing funding and stakeholders plays an equally central role, through initiatives that bring together all of the city's stakeholders to work on credible projects that offer hope of lasting change.

1.4.1. Designing and governing the city with the residents

"In order to transform my city [...], I surrounded myself with creative individuals and artists. I listened to residents, and asked them to tell me about their dreams before I started a series of sometimes unexpected projects. I questioned philosophers, thinkers and poets [...]. Creative people allow you to open up new paths, and they can save you time and money... This is why I say that you can transform a city in three years, provided you combine social, environmental and economic measures, and add a sprinkling of creativity. And don't leave anything out!"¹⁵³ Jaime Lerner, Former Mayor of Curitiba¹⁵⁴

This quotation shows how leadership is crucial to successful urban governance. Jaime Lerner designs his city, plans it and manages it according to priorities that have been set collectively. And he goes further, creating, innovating, and firing people's imaginations... At a more modest level, mayors and city personnel cannot hope to succeed today without thorough knowledge of their city. They must listen to people's needs and desires, identify the main challenges, draw up medium-and long-term urban development strategies, restore

¹⁵³ *Guiding Urban Transformation in Developing and Emerging Countries, Key Players' Views No. 10, Agence française de développement.*

¹⁵⁴ He is an architect, who was elected as Mayor of Curitiba, Brazil, in 1979 and 1989, then as Governor of Paraná State in 1994 and 1998.

confidence in local government action, and gradually build up resources and flexibility in order to support an ambitious collective project.

DEMOCRATIC GOVERNANCE

Local democratic governance¹⁵⁵ is the formulation and execution of collective action at local level.¹⁵⁶ It is not limited to the provision of local services; it includes elements such as security, protection and freedom of residents, local democracy, effective management and accountability, etc.

Ideally, a municipality should know “where it is heading”, within a controlled financial framework. Urban planning is the first phase in a virtuous cycle where the municipality becomes more attractive over time, thanks to appropriate investments, resulting in an increase in its resources and therefore its borrowing capacity.

But urban plans only serve a purpose if the approach adopted enables people to accept, understand, and take ownership of them. The key is to work collectively to get to know an area, understand its strengths and weaknesses, risks and advantages, to draw up a shared vision of community living and a plan for the future. Urban planning is thus an opportunity to spark debate on urban policy, taking the concrete development of a city or neighbourhood as a starting point: “type of water supply, provision to individual plots of land, urban horticulture, density, public/private or collective/individual facilities. Every decision – for or against water fountains, for or against urban market gardens, etc. – contributes to the urban policy that is being drawn up, which is undeniably concrete in nature.”¹⁵⁷

This strategic urban planning,¹⁵⁸ which is supported by French local authorities and their urban development agencies via decentralized cooperation projects (see Chapter 2), enables all stakeholders in the region – not only residents, but also associations and economic stakeholders – to play a role in co-developing the city; this is crucial to creating a sense of urbanity and helps to drive long-term change.

In this regard, experiments in participative budgeting, where residents help to identify spending priorities, have often met with success (see experiment in participative budgeting

¹⁵⁵ Governance is defined by the World Bank as the traditions and institutions by which authority in a country is exercised. See <http://info.worldbank.org/governance/wgi/index.aspx#home>. See also: *French support for decentralisation and democratic local government processes*, French Ministry of Foreign Affairs, Directorate-General of Global Affairs, Development and Partnerships, 2012.

¹⁵⁶ Local Governance in Developing Countries. Anwar Shah, World Bank 2006.

¹⁵⁷ *Villes en développement: essai sur les politiques urbaines dans le Tiers-monde*, Gus Massiah and JF Tribillon, Paris, Éditions Le Découverte, 1988.

¹⁵⁸ “Strategic planning” is a means of anticipating and organizing long-term regional development. It is a tool with numerous advantages: overall vision created collectively by all stakeholders (State, local government, economic world, civil society, etc.); projects and impacts organized into a precise hierarchy; closely integrated sector-specific policies; and investment programmes carefully adjusted over time to achieve desired effects. For examples, see <http://www.fnau.org/file/news/FNAUfran%C3%A7aiscomplet.pdf> (in French)

in Annexes). First tested in Porto Alegre in 1988, this approach has spread worldwide, from northern Europe to South Kivu. In Porto Alegre, in spite of the difficulties and constraints, the widespread mobilization of poor neighbourhoods definitely caused a shift in the city's investment priorities. There was an equally important – and very noticeable – change in people's mindsets. This can be summed up in a few keywords: dignity, solidarity, exploring the city, acquiring knowledge, understanding how society works, and increased public awareness.

FINANCING URBAN DEVELOPMENT

Financing a collective project is a real challenge, since the resources that are transferred from national level are often very limited. How can residents be prompted to pay taxes? How can private investors be encouraged to support a collective project?

The solution to these two questions partly comes down to people's trust in local governance and the project; this is earned on the ground, through the commitment shown by decision-makers, and visible, effective action. This is the only way to persuade citizens to pay taxes or participate actively in projects. Participative budgeting, mentioned above, is a foundation on which trust can be built, like all methods that allow citizens to make a real contribution to the decisions that concern them.

But it takes more than trust. In order to establish an appropriate tax base and ensure that people are taxed correctly, it is essential to have good knowledge of the ownership and/or occupation of land. However, land tenure in most African cities, especially in poorer neighbourhoods, is irregular; that is to say, existing legal and institutional frameworks do not take residents' rights or duties into account.¹⁵⁹ In addition, resistance from landowners is another obstacle to increasing tax revenue. For almost three decades, significant development assistance resources have been channelled into establishing or updating land registers in sub-Saharan African cities. So far, none of these projects have been successful. "For a city with a population of 3 million growing at a rate of 2.5% a year and where 50% of people live on undocumented land, the government departments in charge of real estate would need to deliver 120 land titles on every working day for 10 years to regularise their occupancy."¹⁶⁰ In this situation, there are a number of simple and pragmatic solutions, which consist of taxing property on the basis of land occupation (when recognized) rather than ownership. In this way, 11 African countries have been able to increase their tax revenue by almost 50%, with a rate of tax recovery of 90%, by establishing a street address system in the main municipalities. In Burkina Faso, Mauritania and Togo, introducing a street address

¹⁵⁹ *Building Cities for All. Lessons from Four African Experiences*, Mansion A., Rachmuhl V, Gret, GLTN and UN-Habitat, 2012.

¹⁶⁰ ID4D, A. Durand Lasserre: <http://ideas4development.org/en/the-land-tenure-question-in-africa-perspectives-to-2050/>.

system enabled the authorities to record the local tax base and enforce taxation on residential property.¹⁶¹

Loans are another source of income. In theory, this solution is justified by the region's high population growth and basic investment needs. Yet, currently, sub-Saharan African cities are rarely able to meet the conditions for borrowing funds. And a city with sustained population growth that cannot borrow money is condemned to perpetual decline.

Increased borrowing is sometimes thought to have an educational effect, improving local government management.¹⁶² Authorities automatically adopt better management practices when faced with the obligation to repay borrowed funds.¹⁶³ Complementary measures to encourage good management can be introduced, such as a "city contracts" scheme or a results-based assistance facility.¹⁶⁴ Over time, local governments see an improvement in their implementation, management and repayment capacities. The proportion of funding from loans can be increased gradually.

Municipal Development Project in Tunisia

At the start of the millennium, the financial situation of some municipalities in Tunisia had become a cause for concern and was jeopardizing their ability to repay loans from the Municipal Development Fund (CPSCL). In the framework of a Municipal Development Project, financed by the World Bank and AFD, the Government introduced a set of measures to help these struggling municipalities turn their finances around. Following the model of the city contract, measures were introduced to provide support (technical assistance, training) and supervision (administrative monitoring of the budget for vulnerable municipalities), as well as a monitoring system based on reliable indicators. These were accompanied by incentive measures, linked to the improvement of management and performance indicator scores. In addition, the existence of a national training centre for municipal staff makes it easier to link this project to a targeted institutional support programme.

Sources: AFD 2001 and World Bank 2002.

Lastly, urban development financing also relies heavily on the total flow of private investment in cities. Investment increases in correlation with a city's attractiveness and ambitions for the future. Managing this investment to ensure that it is compatible with the urban vision promoted by city personnel is a further challenge.

USING NEW TECHNOLOGIES TO BOOST KNOWLEDGE AND PARTICIPATION

¹⁶¹ Farvacque-Vitkovic et al. 2007; Farvacque-Vitkovic, Glasser et al. 2008; Kessides 2006.

¹⁶² *Financing Africa's Cities: The Imperative of Local Investment*, Thierry Paulais, AFD & World Bank, 2012.

¹⁶³ Ibid.

¹⁶⁴ See, for example: "Strengthening Fiscal Transfers in Indonesia Using an Output-Based Approach", <http://www.gpoba.org/sites/gpoba/files/OBA%20No.40%20Indonesia%201-26-11web.pdf>

As in the case of South Kivu (see example of participative budgeting in Annexes), people worldwide are using NICTs¹⁶⁵ to invent a new way of living together in cities. A new form of citizenship is developing and changing the way that local democracy operates. Crowdsourcing (see part II), for example, is being used to trace new urban maps (such as insecurity maps), the digital debate culture is growing, and the citizen is becoming a partner of the government, initiating change within a framework defined in advance.

Cities are following the trend. The *Smart Cities*¹⁶⁶ concept, for example, brings with it a new vision of urban management. This involves using new technologies to improve urban public policies: internet, mobile telephones, networks, digital technology, etc. Cities are gradually taking ownership of these new technologies in order to enhance services provided to citizens.

One area in which new information technologies can make a particularly dramatic difference is that of data generation. It is not possible to design a city without information on population size and its evolution, or accurate up-to-date maps. Yet cities in sub-Saharan Africa are often faced with this situation.¹⁶⁷ Mobile telephone users leave a trace of their journeys, however, and this data can be used to geolocalize people and track population movement over time. Once the data has been collected, anonymized and processed, it can be made available to the city authorities.¹⁶⁸ This data is plentiful, up-to-date (analyzed in real time), reliable (generated automatically), precise (the network of antennae or sensors in cities is very dense) and continuous. Unlike specific counting equipment or full surveys, which are expensive, lengthy, and need to be regularly updated, and are therefore problematic for most developing cities, this data from mobile telephone users is easy to collect and free.

Mobilcity4abidjan: a partnership aiming to map movement in Abidjan (group 8/Orange/IRD/SCE)

This project is based on the observation that although many urban areas in developed or emerging countries are gradually becoming smart cities, African cities still benefit little from these technological advances.

In Abidjan, the last census dates back to 1998. There is a lack of data in all areas. Yet the mobile telephone network in Côte d'Ivoire is one of the densest in Africa. The main objective

¹⁶⁵ New Information and Communication Technologies.

¹⁶⁶ A "smart city" is defined by the operator Orange as a connected city that uses telecommunications and information system technologies to improve its residents' quality of life. This involves better management of energy use, smoother and faster public transport, or simplified access to various services and authorities.

¹⁶⁷ See part III. 6. Knowledge – innovation, statistics and development in Africa.

¹⁶⁸ *En Côte d'Ivoire, les nouvelles technologies au service du recensement*, RFI, November 2013.

of this pilot project, led by a team of complementary stakeholders (Groupe Huit, Orange¹⁶⁹, University of Paris 6 and the French Research Institute for Development) and the Ivorian Government, is to give the city authorities access to innovative technology enabling the collection and processing of mobile phone geolocalization data. This data can then be used to create a model in order to produce a real-time mobility management tool and thus plan city services.

Orange/Groupe Huit project note, December 2013

In this way, city stakeholders can now put forward innovative solutions for improving their knowledge of the city and the public services provided, and data providers are becoming stakeholders in these developments.

1.4.2. Living better in informal settlements

The chaotic growth of informal settlements¹⁷⁰ and the need to drastically improve living conditions in these areas represent a major social, economic and environmental challenge in sub-Saharan Africa. Given how many issues they raise, informal settlements¹⁷¹ should be an intervention priority for urban development policy in this part of the world. And indeed, for the past fifteen years or so, they have been an area of experimentation and mobilization throughout the world.

Authorities react in different ways to the challenges posed by informal settlements: (i) clearing land of irregular occupants by force (policy of eviction); (ii) a softer policy of moving people out definitively or provisionally; (iii) or, what is now the most common solution, regularizing the situation retrospectively by granting occupancy permits to the inhabitants and building stronger housing.

There is no miracle method. However, the third option has become widely accepted, although it is still criticized by those who see it as promoting unplanned occupation of land. The issues that have arisen in all areas mean that it is now essential to take action in these districts in order to integrate them more successfully into the city and improve residents' living conditions, which are often very tough¹⁷², in order to build an inclusive city. First, it is necessary to choose a mean of action. Thorough restructuring has proved ineffective on a large scale, so it is important to promote a flexible approach, which can be adapted to each individual neighbourhood. At the same time, investment must not fall short of what is

¹⁶⁹ Orange offers a "Smart Cities" programme with five areas of focus: transport, homes, water and energy metering, private cars and dematerialization of administrative data, see <http://www.orange-business.com/fr/smartcities>).

¹⁷⁰ Precarious neighbourhoods and informal settlements are areas that are particularly vulnerable for a number of reasons and are heavily stigmatized by society. They are slums, defined by UN Habitat as "a contiguous settlement where the inhabitants are characterised as having inadequate housing and basic services. A slum is often not recognised and addressed by the public authorities as an integral or equal part of the city." GLTN, UN-Habitat, Gret – Collected studies and publications – Online Series no. 34

¹⁷¹ Ibid.

¹⁷² [Améliorer les quartiers précaires : approches suivies au Burkina Faso, à Djibouti et en Haïti](#), Josse, G., et Pacaud, P-A., AFD

required, if the project is to make a real, lasting impact on residents' lives. Not everyone shares this view: some city planners advocate a "low-cost" option instead.¹⁷³ But urgent action should not be at the expense of long-term impact: in order to turn a neighbourhood around, it is necessary to take large-scale, symbolic action. The conference organized by UN Habitat in November 2012¹⁷⁴, which brought together 20 countries that had been particularly successful at "making slums history"¹⁷⁵, established the importance of combining pro-active policies. Among the successful experiments to improve neighbourhoods, the most convincing and thorough, but also the best "conceptualized"¹⁷⁶ is the transformation of Medellín through social urban planning. This case study is of great value to city planners, sociologists and politicians. It proves that it is still possible to reverse firmly established trends, by taking the land and its inhabitants as a starting point, by designing a collective project based on participation and restoring residents' dignity, and by obtaining the means to implement it. Lastly, in Medellín, action targeting the poorest neighbourhoods not only transformed people's lives in these areas (less violence, urban development mobility, dignity, culture, economic activity, children's education and health, environment), but also the image and attractiveness of the city as a whole (a detailed analysis is given in the Annexes).

This shows the importance of close collaboration between all local stakeholders, in order to reverse long-standing trends, and innovate. At different stages of the value chain, we see the mobilization of: local government, residents, local state-owned enterprises, private companies, social workers, the academic world, NGOs, donors, and decentralized cooperation agents.

Although previous experiences cannot simply be replicated, social urban planning could be used to bring about change in informal settlements in sub-Saharan Africa, if funding and support do not fall short of ambitions. Social urban planning tackles the same key challenges that are currently paralyzing the development of informal settlements in Africa, by focusing on: fairness and equal access to public services; combating territorial fragmentation; strengthening stakeholder capacities and participation; mobility as the key to accessing the city; the social, cultural, economic and environmental role of public spaces (shown to be a successful approach in Cape Town, South Africa); collaboration between complementary partners on a joint project, aiming for efficiency and optimal use of public resources; and lastly, a comprehensive, ambitious approach, which seems to us to be the only way for

¹⁷³ States with limited resources should invest at city level in small-scale water, sanitation and electricity infrastructure for poorly equipped informal settlements, rather than aiming to transform slums into perfect neighbourhoods. For approximately \$1,200 per inhabitant, it is possible to provide basic services to many African slum dwellers, compared with \$18,000 spent in more comprehensive and sophisticated projects in Latin America. See: Africa's urbanization for development: understanding Africa's urban challenges and opportunities, Farvacque-Vitkovic, C., Glasser, M., 2008.

¹⁷⁴ *Making Slums History: A Global Challenge for 2020*, UN Habitat, 2012.

¹⁷⁵ Argentina, Bangladesh, Brazil, China, Colombia, Dominican Republic, Egypt, Ghana, India, Indonesia, Mexico, Morocco, Nigeria, Peru, Rwanda, Senegal, South Africa, Turkey, Uganda, Vietnam.

¹⁷⁶ It has been the subject of "systematization", capitalization, and presentations worldwide, including an exhibition at the Pavillon de l'Arсенal museum in Paris, funded by AFD as part of a cooperation programme.

decision-makers to show that they are committed to bringing about change in the urban world, “to creating a city instead of an urban area”.¹⁷⁷

1.4.3. Reconciling urban development and the environment

“When people mention the sustainable city, I like to give the turtle as an example – because this animal, recognized for its longevity, brings together life, home, work and mobility all under one roof. Its shell resembles the layout of a city, with its different neighbourhoods. Everything is interconnected; everything works together in a way that is natural and sustainable.” Jaime Lerner

Cities are fragile ecosystems, currently threatened by rapid population growth and the anomic use of resources. In order to make cities more environmentally-friendly, it is necessary to focus as a priority on thoroughly overhauling their shape and layout, models of access to resources, means of transport, waste management, indoor air conditioning, and energy management (production, delivery, etc.).

Low-carbon urban development is driven by three key factors: urban planning, which is crucial; waste treatment and management; and biodiversity, which combines environmental protection and conviviality.

PLANNING A LOW-CARBON CITY

As we have already mentioned, mobility flows are determined by a city’s shape and the way in which its living spaces are used for different activities.

Research by Peter Newman and Jeffrey Kenworthy¹⁷⁸ over the past twenty years on the subject of automobile dependence and sustainable urban development confirms that there is a strong correlation between urban density and transport energy use. In particular, the researchers established a famous curve¹⁷⁹ linking transport energy use and density (see curve in Annexes).

These findings were extended and supplemented by research that took into account the spatial organization of cities, and especially the relative location of homes, jobs and amenities, which has a decisive impact on the number of journeys made and their

¹⁷⁷ *La ville à l’épreuve des crises : une opportunité pour refonder la fabrique urbaine*, Olivier Mongin, conference at the Institute for Sustainable Development and International Relations (IDDRI), June 2013.

¹⁷⁸ *Cities and Automobile Dependence: a sourcebook*, Gower, Newman P., Kenworthy J., Adelshot and Brookfields, Victoria, 1989.

¹⁷⁹ There is a strong inverse correlation between average urban density, measured in residents per hectare, and energy use per person: $R^2 = 0.86$.

duration.¹⁸⁰ Public transport is incompatible with low urban density and urban structures that are dominantly polycentric. Cities in developing countries should generally aim to become dense, mixed, monocentric (and therefore not too expansive, as vast agglomerations tend to become polycentric), clearly structured by an urban planning approach and transport system that prioritize public transport, supplemented by bikes and walking; in short, Barcelona or Hong Kong, rather than Atlanta.¹⁸¹ Barcelona houses a larger population than Atlanta, even though its surface area is 26 times smaller and its energy use for transport is 10 times lower.

This is clearly an argument in favour of a planning approach that explicitly takes into account the impact of transport infrastructure in terms of location and relocation, that is, the interaction between transport and land use.¹⁸² The two go hand in hand.

Aside from having a major impact on greenhouse gas emissions, densification also plays a decisive role in boosting productivity, promoting innovation, creating jobs (the green economy is largely based on services) and lowering the cost of infrastructure in terms of investment and management. Increased access to jobs, education, health services, clean energy, drinking water and sanitation is crucial to reducing urban inequalities. Dense cities offer an urban way of life with a high level of services. Urbanity is linked to density, even though density alone is not enough to create it. The example of the urban transformation of Curitiba (see Annexes) demonstrates the key role played by the transport system and the way in which its design took into account other complementary issues (biodiversity, housing, waste management, employment, etc.). Waste management, in particular, is a crucial component of any sustainable urban development project. According to a study published by the World Bank in June 2012¹⁸³, the total quantity of waste generated by cities will rise by 70% by 2025, and by even more in developing countries. In sub-Saharan Africa, it is very often the case that less than 40% of waste in capital cities is collected. The budget per resident allocated to this activity is very limited in comparison to the complexity of managing the industry. This has a number of consequences, including unplanned rubbish tips, local pollution, increased methane emissions, etc. Waste management involves organizing the industry by coordinating many public and private stakeholders in order to optimize waste collection routes, organize independent management of collection, delegate collection management to private stakeholders, promote recovery of materials or energy, etc.

¹⁸⁰ *The Spatial Organization of Cities: Deliberate Outcome or Unforeseen Consequence?* Bertaud, A., 2004 and *Les villes et les formes : sur l'urbanisme durable*, Serge Salat, Hermann&CSTB, 2011.

¹⁸¹ *Les défis énergétiques de la croissance urbaine au sud : le couple « transport-urbanisme » au cœur des dynamiques urbaines*, Giraud, P.N., et Lefèvre B., CERNA, 2006.

¹⁸² Ibid.em

¹⁸³ What a Waste: A Global Review of Solid Waste Management, The World Bank, 2012.

Waste management in Ouagadougou¹⁸⁴

Thanks to a combination of resourcefulness and investment, the capital of Burkina Faso now collects and processes 216,000 tons of waste per year. “Now, 72% of the city’s waste is collected, thanks to a system that has been set up which coordinates the Green Brigade, an association of women who clean the streets, city personnel, the operators responsible for delivering the waste, and our landfill site”, explains Fernand Somée, who is in charge of developing research and technological innovations at the site. Under the development plan for waste management, a collection process carried out by 12 national private operators (Economic Interest Groupings and SMEs, providing employment for 6,000 people) was organized and a waste processing and recovery centre was set up in 2005, with funding from the World Bank, at a cost of 3.5 billion CFA francs (€5.4 million). The centre has a landfill capacity of 6.1 million cubic metres and recycles 7% of the waste collected, converting plastic waste into granules and organic waste into compost.

The informal sector often plays an important role, particularly in waste recycling. According to a study published in 2006 by David Wilson et al.¹⁸⁵, the recycling rate in cities in developing countries is often between 20% and 50%, and the formal sector is generally only marginally responsible for this, if at all.

More and more local stakeholders are innovating to turn waste into new resources: making paving stones from recycled plastic, turning paper and cardboard into briquettes for fuel, recycling glass and abattoir waste, etc. These activities are often very localized and struggle to make an impact on a larger scale, as they lack means, political involvement, real capitalization or the ability to expand into new markets. The concept of the circular economy is, in this respect, a godsend: it resonates with the key social and environmental issues of today; it is simple to understand and share with others; it should be widely supported in countries where recycling, even at an informal level, is already very common.¹⁸⁶

In the same vein, composting is a worthwhile option, as it provides organic fertilizer to boost local peri-urban farming and reduces greenhouse gas emissions from waste decomposition.

¹⁸⁴ See <http://www.jeuneafrique.com/Articles/Dossier/ARTJAJA2551p086.xml0/environnement-pollution-ville-dechetgestion-des-dechets-budgetivore-mais-necessaire.html>.

¹⁸⁵ *Role of informal sector recycling in waste management in developing countries*, Wilson, D., et al., 2006 and *Integrating the informal sector for improved waste management*, Dr Gupta, K., S., Proparco, 2012.

¹⁸⁶ See diagram of the circular economy: http://www.institut-economie-circulaire.fr/Qu-est-ce-que-l-economie-circulaire_a361.html.

An example of a French stakeholder in this field is EtcTerra, which is working in collaboration with the foundation GoodPlanet, the association Gevalor and African civil society stakeholders to develop this type of project with several local partners.¹⁸⁷ The sale of products made from recycled materials is not enough to guarantee the economic viability of the projects in the long term, but they can sometimes be financed by other innovative sources of funding (such as carbon finance).

A final key element, linked to densification, that should be integrated into the projects as far as possible is action to promote energy efficiency (see part 1.5), such as developing energy-saving public lighting and building efficient buildings, as well as support for local clean energy production systems, such as solar panels and water heaters on roofs, electricity production from waste, etc.

TURNING THE CITY GREEN

Cities are built on natural areas and urban growth takes over large quantities of farmland and destroys city greenery, which leads not only to heat islands but also to the loss of urban biodiversity and pleasant public spaces.

It is necessary to orientate the city towards land that is suited to development, whilst trying as hard as possible to avoid sterilizing land with a high productive value, as part of a strategic planning approach that focuses on an area far larger than the city itself. The same goes for wetlands and aquatic resources, which should also be taken into careful consideration. Green belts and blue belts are therefore recommended as an approach that is likely to reduce the environmental impact of land development, such as the heat sink effect.

In the same vein, urban developments, particularly critical infrastructure, and their reconversion, should focus on green investments to protect and improve the operation of the urban environment, such as coastal protection in the form of lagoons rather than dykes, and landscaped public spaces rather than large storm drains. It is time to embrace innovative urban engineering, based on foresight and protection, rather than gigantic structures that are inefficient and expensive, consuming large amounts of energy and generating carbon dioxide.

In addition, initiatives seeking to introduce, reintroduce or improve urban food production can bring significant benefits, in terms of the economy (short food supply chains), society (local employment) and the environment (biodiversity and landscape). Market gardens, family farming, livestock farming and fish farming help to promote social balance and cohesion, as well as improving public health.

¹⁸⁷ See <http://www.etcterra.org/fr/projets/africompost>.

Vegetable gardens in Kibera¹⁸⁸

In Kibera, small vegetable gardens are being grown in strong sacks, rather than in the ground. The poorest families are using them to grow cabbage or spinach, which are high in nutrients, particularly iron. These sack gardens, invented by the charity Solidarités International, save water because they contain a mix of stones and earth. Since 2007, they have provided food for 225,000 people in four slums in the Kenyan capital. Urban density in Kibera is so great that every patch of land is covered by little shacks measuring 9m². Nurseries set up in the slum are managed by the residents and used to produce seedlings to plant in the sacks. The market gardeners must get hold of earth and stones themselves though. 80% of the food produced is used to feed the family, while the rest is sold in order to buy other products.

Urban and peri-urban farming and horticulture, that is, farming and horticulture in areas within 30 km of the city centre, help to generate jobs (sack gardening created an opportunity for people to sell earth, for example) and social bonds, as these gardens become public spaces, providing city-dwellers with a landscaped area that promotes social cohesion. Former gangs have gone into sack making, and mothers have managed to cultivate as many as 50 sack gardens, creating a real source of income for themselves.

Lastly, horticulture has environmental benefits. In Cairo, for example, the temperature of roofs with vegetable patches and gardens is 7°C lower than that of roofs without vegetation. Elsewhere, farming has prevented soil erosion and mudslides. Finally, these farming activities offer a natural destination for the waste produced in the city.

MAKING CITIES MORE RESILIENT

As a result of the globalization of trade, urbanization is concentrated around coastal areas, which face major challenges linked to natural hazards and the effects of environmental degradation. Developed and developing countries are both affected by this trend, but cities in developing countries find it much more difficult to protect themselves from disasters of all kinds and gain access to sufficient resources. Urban density can exacerbate the problem in developing countries, in as far as it is difficult for building and infrastructure quality and expenditure to match up to what is required in view of the risks. Resilience is becoming a crucial issue as natural hazards become more frequent. It is based on shrewd governance¹⁸⁹ which focuses on warning (knowledge) and prevention, and prepares the response. Lastly, it is also based on successful integration of the city into its surrounding area.

¹⁸⁸ See <http://www.solidarites.org/fr/nos-missions/kenya/actualites/382-kenya-reportage-les-fleurs-de-kibera>.

¹⁸⁹ *Risque, résilience et reconstruction : le tremblement de terre haïtien du 12 janvier 2010*, Comfort, L. K., Siciliano, M., D., et A. Okada. *Télescope*, vol. 16, n° 2, p. 37-58., 2010.

PROPOSAL 4. SET UP A SOCIAL URBAN PLANNING LABORATORY IN SUB-SAHARAN AFRICA, AT THE WORLD URBAN FORUM IN MEDELLÍN IN 2014, WITH THE AIM OF DEVELOPING SUCCESSFUL EXPERIMENTS FOR URBAN SOCIAL INTEGRATION WITHIN FIVE YEARS

R. 14 - Ensure “fair urban development” is taken into account in the new sustainable development goals (SDGs).

At the United Nations, negotiations are underway to set Sustainable Development Goals (SDGs), which will shape international assistance in the coming years. France must exercise its influence in order to ensure that urban development forms an integral part of this agenda.

R. 15 - Launch a social urban planning laboratory in sub-Saharan Africa, with the aim of developing successful experiments for urban social integration within five years.

Tackling poor neighbourhoods is a crucial step in the quest to live better together. The example of Medellín taught us that by heavily targeting marginalized neighbourhoods and channelling resources into them, it was possible not only to dramatically change the lives of hundreds of thousands of people, but also to transform the city’s image and promote a sustainable urban development, because equitable and environment-friendly.

In view of the challenges facing sub-Saharan Africa, it is necessary to move into a higher gear. And a real difference can be made through social urban planning, which is based on the dual concept of strong democratic urban governance and the channelling of resources into priority neighbourhoods to support ambitious comprehensive urban projects, led by a team of public and private stakeholders. Intervention in neighbourhoods and in the city in general is only useful and effective if it is planned and conducted jointly, in a coordinated manner, linking people at all different levels. There are two reasons for this: firstly, an integrated approach means that different initiatives complement and strengthen one another (improving public spaces helps to combat violence and boost the creation of new businesses, for example); secondly, the effect of these actions increases when a critical mass is reached, that is, below a certain threshold, daily life is barely affected, whereas above that threshold, daily life changes dramatically.

The concepts of “integrated” action and complementarity of stakeholders in a territory go hand in hand with collaboration, co-creation and co-construction, which we would like to promote at a local level, to support urban change.

BACKGROUND AND OPPORTUNITIES

In November 2012, under the aegis of UN Habitat, forty countries and a number of NGOs undertook to “support [...] the definition of a global goal of halving the proportion of people living in slums between 2015 and 2030”. They also expressed their commitment to increasing allocation of financial and human resources for slum upgrading and prevention.

In parallel, UN Habitat launched the World Urban Campaign, which offers a platform coordinated by UN Habitat and driven by a long list of partners committed to tackling urban issues. It raises the question: what kind of city do we want?¹⁹⁰ Its answers tally with the key issues identified here: a compact, densely populated and well-planned city produces less carbon dioxide and uses less energy per resident than a sprawling, uncontrolled urban expanse. The quality of the urban fabric is closely linked to the quality of community life, in public spaces that promote social cohesion and sustainable development, as buildings are responsible for around 30% of all greenhouse gas emissions.

Our proposed social urban planning laboratory in sub-Saharan Africa, which would aim to transform neighbourhoods through social urban planning, under democratic urban governance, with the support of numerous stakeholders committed to bringing about change, could be launched during the World Urban Forum in Medellín, in April 2014. The launch would thus be an opportunity to bring together donors and civil society representatives (such as NGOs, researchers, and representatives of decentralized cooperation) who endorse this approach, in support of this initiative.

AIM

The aim is to be able to demonstrate, in two stages, after five and ten years, that this approach has proved successful in around ten sub-Saharan African cities and contributed to the SDGs.

Municipalities are the gateway to this initiative, and a major target will be to strengthen municipal governance and the ability of municipalities to fulfil their role as the contracting authority. Another goal will be to improve the coordination of all stakeholders involved in the urban development process, starting, of course, with the residents themselves.

IMPLEMENTATION PROCEDURE

1. Gather together donors, regional development banks, foundations, local governments, NGOs and companies in support of the project, under a public/private partnership: the concept being promoted is that of the integrated approach.
2. This programme takes the form of a laboratory bringing together cities that have already implemented this type of policy, candidate cities, and stakeholders involved in one or several aspects of social urban planning.
3. A management and support team runs the project and connects up the partners.

¹⁹⁰ See <http://www.unhabitat.org/pmss/listItemDetails.aspx?PublicationID=3305>

4. This laboratory is intended as a forum for discussion on transferring tested methods, familiarization, learning, sharing experiences, establishing indicators, capitalization, training, identifying conditions for replicating experiences, etc.
5. It will be given funding to launch a call for applications, and a fund to finance two or three innovative social urban planning projects each year. It will test out ground-breaking methods of financing (support to enable access to loans, results-based payment, etc.).
6. Since leadership is crucial to the success of urban projects, the three cities chosen each year will be selected on the basis of their applications, which must show that city personnel are motivated by the initiative. These experiences could catalyze widespread recognition that it is possible to make a real difference, even in African cities. An international jury of leading figures involved in urban development in the countries of the South, will be responsible for identifying the most “motivated” cities.
7. Each city’s proposal must present an overall aim, which will be reworked within the laboratory, and a group of partners committed to the municipal development project. This movement should be supported by a number of companies, already involved in preparing the Habitat III Conference.
8. It is not a question of blankly reproducing the model developed in Medellín, but rather of importing the philosophy (bringing about local change by channelling resources into the poorest neighbourhoods, focusing in particular on participation, culture, mobility and public space) and adapting the methodology to the strengths and weaknesses of the selected cities.
9. Links may be set up with the association Les Ateliers¹⁹¹, which organizes international workshops, bringing together urban planning professionals to work on urban projects in developing countries.

R. 16 - Support stakeholder partnerships centred around decentralized cooperation projects, on the themes of mobility, cohesion and the environment, drawing on the model of local operational platforms envisaged in the framework of the French Alliance for Cities and Territorial Development.

Local governments in developed countries, and those in developing countries that have implemented successful social urban planning projects, must provide crucial support to municipalities in sub-Saharan African as they work to achieve long-term, sustainable land management. They are in a strong position to promote institutional capacity-building. African cities taking part in the project must be supported by local governments in

¹⁹¹ See <http://www.ateliers.org/>.

developed, and possibly developing, countries. Local governments in developed countries could use the project as an opportunity to focus their efforts on priority decentralized cooperation projects, since a lack of focus lessens their impact. They could also help to coordinate the various partners working on the urban area that they are supporting, drawing on the model of local operational platforms envisaged in the framework of the French Alliance for Cities and Territorial Development¹⁹²).

R. 17 - Build cities' capacity to raise resources and secure loans by supporting the training of city personnel in administrative methods

Infrastructure financing for Southern cities to serve the essential needs of their populations, structured urban development and increasingly to meet adaptation issues, is a bottleneck. Faced with chronic under-investment and in need of growth, Southern cities are confronted with a major funding problem which neither donors, decentralized cooperation partners or private banks can fix, which is why it is necessary for the municipality to be placed into a virtuous circle of good management, with the development of tax, borrowing and repayments.

The training of specific municipal teams for tax income is a key lever. Decentralized cooperation is a useful support for certain Southern cities in this area, providing tailored software, training teams for its use, welcoming executives from the city into French local authorities to train them in the management of tax revenue. Covering the costs of revenue-producing services such as markets and buses, which can account for 70% of a mid-sized city's revenue, is an area which should be particularly tapped into.

The AFD was a pioneer in supporting the management of local authorities and developed innovative methodologies to support the cities in a virtuous circle of loans and good management. But it lacks the financial knowledge to continue developing this activity at the rate which the issues require.

Initiatives such as a Bank of Cities or guarantees to provide cities with easier access to loans will have to be explored.

R. 18 - Support online architecture and town planning schools (smart classes) to fuel discussions on the future of African cities.

Since the closure in 1991 of the Dakar School of Architecture and Town Planning, only three schools of architecture remain in French-speaking Africa. The first, the inter-state African School for the Professions of Architecture and Urban Planning (EAMAU), based in Togo, only trains about 30 architects per year; the second, ESIAU in Bamako has trained very few town planners in the past 20 years; the third, the Higher School of Architecture of Cameroon, has

¹⁹² See <http://www.diplomatie.gouv.fr/en/photos-and-publications/publications/article/french-alliance-for-cities-and>

greater ambitions. But their needs are greater than they can handle. The result is that most African architects are trained in Europe or the United States and that French-speaking Africa has only half the architects that Morocco has.

For town planning, there is slightly more supply, but it remains weak given the huge needs in the area. The continent lacks city managers. With the growth of towns and small and medium-sized cities, the needs will grow while capacities remain too scarce.

Faced with these low local capacities, an African urbanity must be invented, rooted in the local culture of city professionals.

It has been proposed to support the training of architects and town planners in Africa, within the framework of e-learning and as part of partnerships to be built between existing schools and teams in the South and North.

1.5. Encourage development with decreasing carbon intensity

In Sub-Saharan Africa, the demographic change of the past 50 years, which has generated energy needs throughout the territory, has resulted in a major energy deficit.

Almost 530 million Africans have no access to electricity¹⁹³ and this figure could reach 600 million by 2030. The most vulnerable are those hardest hit by this shortage. They must make do with fuels made from biomass (60% to 90% of energy balances in Sub-Saharan Africa), liquefied petroleum gas (LPG) and oil for lighting and batteries for small electrical devices. Poor electricity access hinders sustainable economic and social development: Irrigation for agriculture, refrigeration, driving forces, power cuts in companies: 25 days per year in Senegal, 63 in Tanzania and 144 in Burundi, etc.; the development of basic health services (health centres) across the territory, without counting the direct effects of the use of firewood on the health of women and girls.

The challenges linked to the very poor access to energy, combined with the highly-pollutant nature of the energies currently in use and at the same time, the need to put in place a clean and moderate development path, are akin to attempting to square the circle.

¹⁹³ [L'énergie en Afrique à l'horizon 2050](#) (*Energy in Africa in 2050*), 2009, Favennec, J., P., Agence française de développement (AFD) and the African Development Bank, 2009

1.5.1. Redirecting resources to fulfil the potential of renewable energies in Africa

HUGE RENEWABLE ENERGY RESOURCES IN AFRICA

In Sub-Saharan Africa, the renewable energy resources provide real prospects for low-carbon electrical development.

The continent has vast potential in terms of so-far greatly under-exploited renewable energies, in particular hydroelectricity, of which barely 5% of the 280 GW has been exploited, as well as solar, wind and geothermal energy.¹⁹⁴

- Hydraulic: Total installed capacity of 20.3 GW and production of 77,000 GWh for a potential of 4,000,000 GWh per year - less than 2% of the hydroelectric potential is exploited, particularly in the DRC, Egypt, Ethiopia, Madagascar, Niger, Zambia, Mozambique and Guinea;
- Geothermal: potential of 9,000 MW, 115 MW installed, or 13% of potential exploited. In particular in the rift valley: Djibouti, Ethiopia, Eritrea, Uganda, Kenya, Tanzania;
- Wind: 29% of worldwide resources are located in Africa. Almost 10 GW to be installed by 2020 (particularly in Algeria, Cape Verde, Chad, Djibouti, Egypt, Eritrea, Lesotho, Madagascar, Mauritania, Morocco, Somalia, South Africa and Tunisia);
- Solar thermal or photovoltaic: 47 % of the continent receives over 2,100 kWh/m² of sunshine, with levels in the rest between 1,500 and 1,900 kWh/m²¹⁹⁵ ;
- Agro-fuels or biomass: Africa has the means to produce first-generation agro-fuels extracted from sugar cane or oleaginous plants and to move towards second-generation plants from cellulose or algae. Naturally, however, in regions suffering from malnutrition the aim of food security must be the priority.

... BUT NOW IS THE TIME TO INVEST IN INFRASTRUCTURE

Historically, economies of scale associated with major projects and their interconnections legitimized the organization of public monopolies, funded by the State via loans, or with its guarantees. And yet since the 1990s, the technologies and the financial compensations have changed. Most African countries are hugely lacking in investment in major projects and highly-capitalistic interconnected networks. As a result, there is today a major lack of infrastructures in Africa: the investment needs in the energy sector were assessed by the

¹⁹⁴ Ibid.

¹⁹⁵ Ibid.

AICD¹⁹⁶ study at \$27 billion annually. Many countries, while rich in natural resources, are thus obliged to carry out thermal investments (heavy-fuel or gas turbines), which have low capital costs and are quick to build. And yet since the 1990s, the technologies and the financial compensations have changed. However, the production of small and medium-power electricity, based on old and renewable technologies is becoming competitive (this is the case for small hydropower, gas generators or cogeneration); the industrialization of new sectors, following decades of research, is undergoing a new boom, making such technologies more reliable and lowering investment costs (this is the case for photovoltaic energy and industrial biogas); and recent developments in electrical engineering allows the management of production distributed on the networks, in symbiosis with close monitoring of demand leading to "smart grids"¹⁹⁷). Hybrid solutions enabling the flexibility of production of a diesel group, which are already widely in place, with the low long-term production costs of renewable energies, provide a solution for the problem of intermittent renewable resources.

Thus, in Sub-Saharan Africa, given the two current trends: difficulties in raising large sums for significant production projects, and the development of electrical engineering enabling a major electricity network powered by multiple medium-sized power stations, we are moving towards a new production model, characterized by more medium-sized projects, broken down and included in "smart" networks in a context where economies of scale do not have the same role as they once did.

How can we provide these complex issues with innovative solutions, which can improve the access to electricity to millions of Africans without placing a burden on the future of the planet¹⁹⁸?

¹⁹⁶ The Africa Infrastructure Country Diagnostic (AICD) is the fruit of an unprecedented effort to gather detailed economic and technical data on African infrastructure sectors. The project produced a series of original reports on public expenditure, the spending and performance requirements of each of the main infrastructure sectors, i.e. energy, information and communications technology, irrigation, transport and water and sanitation. In November 2009, the World Bank and the Agence française de développement (AFD) published the report Africa's Infrastructure: A Time for Transformation, which highlights the most significant results of the AICD study.

¹⁹⁷ Knowing that large quantities of electricity cannot be easily, quickly or economically stored, "smart grid" technologies seek to adjust electricity production and distribution (supply and demand) in real time by prioritizing the consumption requirements (quantity and location) in order of urgency so as to: (i) optimize power plant output; (ii) avoid having to regularly build new lines; (iii) minimize line losses; (iv) optimize the (random) integration of decentralized production, in particular from renewable sources; (v) distribute electricity at the best possible price.

¹⁹⁸ Although energy access was not part of the MDGs defined in 2000, in 2012 the United Nations Secretariat launched the "Sustainable Energy For All" initiative (SE4ALL) which sets out three objectives for 2030: (i) Ensure universal access to modern energy services; (ii) Double the global rate of improvement in energy efficiency; (iii) Double the share of renewable energy in the global energy mix. The initiative's ambition is to coordinate the various stakeholders from the sectors concerned and to reach all countries, be they developed, developing or emerging. The European Union has pledged to contribute by providing particular support for Sub-Saharan Africa, and at the Rio+20 Summit, France confirmed that it "supported the initiative to extend access to sustainable energy and to gradually make it universal". The AFD's Sectoral Intervention Framework on Energy is thus focusing on the following three objectives: (i) prioritize renewable energies and energy efficiency; (ii) bridge the energy divide and develop access to energy in rural and suburban areas; (iii) secure energy systems.

The aim of improving access to energy and preparing for decreasing carbon intensity (DCI) leads to a double movement:

- (i) to support African countries in implementing the necessary infrastructures to lay the foundations for rural and urban development, for the construction of roads, railways, airports, with concrete, cement, steel, etc. (phase 1);
- (ii) at the same time, to prepare the conditions for technological and organizational choices which emit less carbon, and to deploy them when they come together, in order to prevent the per person carbon intensity increasing proportionally with growth (phase 2).

We understand that the sometimes delicate political situation does not encourage such long-term choices which, in particular for hydroelectricity, also require external policies to be in line as regards regional agreements on infrastructure financing and the use of energy produced. In a pre-electoral phase, or during political fragility, it is clearly easier to offer quick, low-cost solutions to the problem of daily electrical power cuts in cities, using traditional technologies, and in a few months at the most, buying from the major world market of second-hand capital goods in the area of energy. However, it is by systematically including in phase 1 projects a component on the transition towards phase 2 (both from a political, organizational and financial perspective) that the carbon intensity of growth can be gradually curbed.

AND TO DO THAT, WE MUST REDIRECT ENERGY SUBSIDIES

Delays in increasing the potential for exploiting renewable energies are not so much due to financing issues as highly complex political and institutional ones. Among them, the role of national electricians in innovative or large-scale projects, which are not in line with their organization, governance or financial health. The implementation of heavy infrastructure has also hit regulated energy pricing policies, which is an important subject for local governments.

Many governments provide structural subsidies to energy access (oil, petrol) for their citizens, as access to this energy is essential for their basic daily needs such as cooking, lighting in the evenings and travel. This is the case for over half of Africans, and the average cost of these subsidies in 2010 was 1.5% of GNP, including 70% for electricity¹⁹⁹. Among the countries granting the highest subsidies are the oil exporters: almost 5% of GNP for Angola, 4% for Nigeria, 2.5% for Cameroon, 2% for the DRC, followed by Sierra Leone, Togo and Chad.

But these subsidies mainly benefit the wealthiest classes as it is they who use the most energy (electricity and petrol). In Ghana, the wealthiest quintile of the population accounts

¹⁹⁹ IMF, 2013: Energy Subsidy Reform: Lessons and Implications, <http://www.imf.org/external/np/pp/eng/2013/012813.pdf>

for 70% of petrol subsidies (60% in Sierra Leone, 53% in Côte d'Ivoire, 30% in Mozambique²⁰⁰). Kerosene itself makes up between 50 and 90% of energy consumption among the poorest people (bottom quintile of the population). However, differences in consumption between the quintiles are so great that the richest take up between 20% and 40% of total kerosene subsidies. In fact, this system is a burden on the State, and thus on the tax payer, which in absolute terms redistributes the wealth to the richest.

Furthermore, the above figures show that even beyond the averages, the carbon footprint of the population, which is heavily linked to energy consumption, is very unequally distributed in each country. In France, the gap between the lowest and highest quintile of the carbon footprint is only from 1 to 3 (3.8 tonnes of CO₂/person/year compared to 9.6)²⁰¹. In the poorest countries the ratio is very different.

The [R/P] 20%²⁰² is indeed much more than 10 times greater between the richest and poorest African countries. And yet, the correlation between GDP/person and the ecological footprint is largely proven. Most global curves show correlation coefficients greater than 80%, as well as intra-country analyses (as stated above in France, between the 1st and 5th quintile the revenue relationship is 5 and the carbon intensity relationship is 3).

There is thus no doubt that the richest quintile on the African continent has a carbon footprint 10 times greater than the poorest. To prepare phase 2 of the African growth model without burdening the equity and development chances of the majority, the consumption methods and energy behaviours of the richest must be gradually changed, whose carbon footprint, estimated based on the Gini revenue coefficients, at least matches half of the footprint of the total population.

With regard to this 20% of 'middle' classes, who live in urban areas, probably largely in a few major cities in each country, preparing a DCI development path would require, instead of subsidizing petrol and fuel oil, subsidizing alternative energies in order to facilitate their adoption and thus the construction of an on-site base which would reduce long-term costs. We can understand that there is very little political room for manoeuvre for such measures, as the elite of the 1st quintile also contains the governments and administrations which succeed each other, amicably or otherwise, following elections, and this elite receives financial backing, direct or indirect, from its political parties.

²⁰⁰ World Bank and GIZ.

²⁰¹ *Lifestyles and carbon footprints*, IDDRI, *Cahiers du CLIP*, 2012.

²⁰² Ratio between the highest and lowest income quintiles.

1.5.2. Three priorities: hydroelectricity, smart grid, improved cookstoves

This combination of access and clean development issues leads us to highlight three issues, to which this support movement for phase 1 and preparation movement for phase 2 can be applied:

- The deployment of highly capital intensive infrastructure, whose technologies will gradually allow lower-carbon energy to be produced. Most of the energy produced by these infrastructures will be used by the middle classes in cities and by small and large industry. It is there that the environmental pressure will be the strongest as between now and 2050, demand for electricity in Africa will increase sixfold, and 80% of it will be (peri-)urban;
- The development of electrification in poorly-served urban and rural areas, through combinations of clean and appropriate technologies, which will enable the production of energy to be decentralized while limiting CO₂ emissions, and in huge semi-rural areas, will provide access to energy to the poorest households, family agriculture and the informal economy. Today, in countries such as Malawi, Ethiopia, Niger and Chad, only 2% (2013) of the rural population has access to electricity. And yet rural populations, which by definition are far outside the networks, on average account for 80% (2011) of the population in those four countries. Issues of equity in accessing electricity, and thus political issues are huge as the rural population of Sub-Saharan Africa will continue to increase in the next thirty years;
- Action on biomass so that it remains accessible in the long term, mainly via the use of improved cookstoves: this is one of the most complete energy levers in terms of its equity and sustainable development.

FOCUSING ON HYDROELECTRICITY, OF WHICH ONLY 2% OF ITS POTENTIAL IS BEING USED

There is considerable hydroelectric potential in Africa. Given the very low levels of equipment, the interviews conducted as part of this report on the construction of dams show that financing is rarely an obstacle (unlike, as we will see, the case of small off-grid projects). Major development agencies, the World Bank and development banks have many programmes to finance such infrastructures.

The greatest financing needs are in the area of project appraisal. For the institutions which fund these projects, and for technical partners, appraisal is a very long and risky process, from initiation to structuring and assembly, which effectively leads attention to focus on a few large-scale flagship projects, which have major political issues at stake; and which, furthermore, means that there is no support for smaller projects.

The case of the Congo River is one such example. At 4,700 km long, it is the second longest in Africa and the Inga Falls in Bas-Congo province are the largest in the world in terms of discharge. An initial phase, Inga 1, was commissioned in 1972, and a second 10 years later. Today, the two dams are operating at only 20-25% of their capacity, due to a lack of maintenance in their turbines, some of which have simply ceased to work or are undergoing long-term repairs. The construction of Inga 3 phase, to generate 4,800MW, is now planned for 2016. South Africa will buy half of the energy produced by that phase. The world of development has taken an interest in the birthplace of this project: World Bank, European Investment Bank, African Development Bank, etc. with total investment of 12 billion dollars. Furthermore, in the latest version of the Grand Inga project, the site's total capacity would be increased to 40,000MW, almost double that of the Three Gorges Dam in China. This has been planned for the past 40 years (costing 80 billion dollars) and would make it by far the world's largest hydroelectric complex. With these facilities, it could provide the energy needs for half a billion people, and export electricity to Europe. This project, however, will not solve the problem of the people of the DRC, of whom barely more than 10% are connected to the electricity²⁰³ grid. Neither were phases Inga 1 and 2 of use to them, as most of the electricity production is for extractive industries in the south of the country. There is intense debate on whether the 12 billion dollars required for the third phase would not be better spent connecting the people of Congo to the electricity grid, instead of providing electricity to South Africa, which would have far from direct benefits for the Congolese.

Most of these three major infrastructure projects have been organized with extremely long timescales. In the construction phase alone, the Three Gorges Dam in China, currently the biggest in the world (1,000 km² in area, and initially intended to provide 10% of Chinese electrical capacity - in reality, about 3-4%) required huge and unique worksite equipment to be designed and operated, which could pour concrete continuously for 6 years from 1994 to 2000, between the foundations and the finishing of the roadway. Studies on this project continued non-stop since 1955 and the decision to build was taken in 1992. It was finally gradually put into operation in 2006.

While financing is not the main obstacle to carrying out large-scale projects, in particular in the area of hydro-electricity, we nevertheless believe it is coherent with the aim of equitable development that beyond "global" positive externalities (on a planetary level) linked to their implementation (reduction of the carbon footprint), the local consequences on human and natural ecosystems be taken into account. Otherwise, such projects would be reduced to the status of an extractive activity (yet another), which at least in Africa, struggle to play a part in equitable development in their link with local populations. In the case of the Three Gorges Dam in China, negative externalities have been largely debated: 2 million people have been displaced, natural ecosystems and the river delta have been modified (the downstream alluvial transport has already dropped by a third in 5 years of operations) as has the

²⁰³ World Bank, 2012.

microclimate, hundreds of square kilometres of arable land have been lost, thousands of sites of archaeological heritage have been flooded, etc.)²⁰⁴. In the case of the Inga Dam, there is talk of an increased debt burden for taxpayers, despite the fact that in return there is no plan for accessing the electricity (over 90% of the population has no access); given the flooding of 20,000 hectares in the Bundi Valley, the changes in the operation of the river bed, which contains one of the world's most diverse ecosystems, and the fact that with the power of discharge at its mouth, there are still signs of its activity 800 km from the coast of the Atlantic Ocean, what will happen when the course of the river and its flow have been modified in such close proximity to its mouth?

As stated above, the issue of financing and support for major infrastructure projects is not within the remit of this report²⁰⁵, but their impact on local and global ecosystems is such that issues of equity are raised which must be addressed within the framework of the proposals stated below.

WHAT SOLUTIONS FOR POORLY-SERVED RURAL AND URBAN AREAS?

Electrification²⁰⁶ involves making available to users an electricity production/distribution system, along with terms of access and operating rules suitable for the three types of areas involved:

- Urban and peri-urban areas, generally connected to the network;
- Suburban areas, grouping together secondary centres and unconnected villages, some of which have diesel-powered generators and a local network;
- Rural areas with dispersed populations, grouping together a majority of the population.

Three types of electrification are used today:

- The extension of the interconnected network, which allows electricity to be distributed from the power plants and which receives equalization in most countries;
- Distribution via a local network, powered by an isolated power plant. The service can be aligned to that of the interconnected network (and thus loss-making) or the differentiated network (higher rate and more limited service level);
- Individual electrification, in particular individual solar kits whose photovoltaic modules are connected to batteries. There are two possible distribution methods:

²⁰⁴ After 50 years in gestation, the Three Gorges Dam was still highly controversial, as demonstrated by the vote at the 1992 People's Assembly in China, which saw an unprecedented number of votes against the project and abstentions. Furthermore, it was largely preserved from the diplomatic and commercial interference which typifies projects spanning transnational rivers or energy markets involving several countries.

²⁰⁵ For further information on this issue, see the report, [A partnership for the future: 15 proposals for building a new economic relationship between Africa and France](#), French Ministry of the Economy and Finance, 2013.

²⁰⁶ *L'accès à l'énergie pour tous ("Energy access for all")*, De Gromard, C., Agence française de développement (AFD), 2013.

distribution of an electric service (the services is billed at regular intervals based on the level of equipment, with an after-sales service with varying levels of organization); or distribution of a durable capital good (the equipment is paid for in cash or on credit).

The distance from the site to be electrified in relation to the network (actual or planned) and the level of demand are critical factors when choosing the type of electrification. Extending the network is the first option to improve access. But major works with low kWh and network costs would be required. And yet, often the backbone of electrical energy transport does not yet exist or is defective. As a result, small local production with an associated distribution network or individual electrification provide increasing prospects. The problem of 'off-grid' financing remains, as financing becomes increasingly rare in relation to distance from town centres. This is illustrated by President Obama's "Power for Africa" initiative, which although broad, only provides 2 million dollars, or 0.03% of the initiative, to the financing of off-grid projects (and barely a few % to renewable energies).

Distribution via a local network, powered by an isolated power plant

The local network, or "mini-grid", covers the needs of a community or village and in this way is an interim solution between centralized and decentralized solutions. A generator is installed and supplies electricity through a low-voltage electrical mini-network. In general, these mini-networks are powered by diesel or fuel oil generators. Even in countries rich in natural resources such as Cameroon, Uganda, CAR and the Democratic Republic of the Congo (DRC), national political and economic contexts did not enable major biomass cultivation projects or small-scale hydroelectric ones to be carried out. To date, there are very few small operational hydroelectric and cogeneration power plants in Africa, and when they are in operation, they mainly (if not totally) meet the needs of industrial self-production. However, solutions must concentrate on reducing diesel consumption, including the efficiency of equipment in use and must take any opportunity for hybridization.

The aim is to develop hybrid solutions with renewable features (wind, sun energy) or, in certain areas, which cultivate biomass or small-scale hydroelectricity which are now competitive.

Photovoltaic hybridization - Diesel

PV could be an option for hybridization: there is constant sun on the territory and it is a resource which is easier to mobilize than biomass or hydraulic energy²⁰⁷. The drawback of PV is that it can only be produced during daylight hours, yet in rural areas the demand for electricity is often at night. Storing electricity in batteries remains very expensive, although by transferring it directly into the (mini) grid during the day (thus inevitably on a 24-hour grid), it is competitive in comparison to diesel. Furthermore, once less than 20% of solar

²⁰⁷ [Access to Electricity in Sub-Saharan Africa: Lessons Learned and Innovative Approaches](#). AFD, working paper, April 2012

electricity is transferred, managing the intermittent production is not a problem. With its Total Access to Energy²⁰⁸ project, Total has already opened up access to solar energy in 11 countries²⁰⁹ via its new “Awango by Total” brand which markets photovoltaic products. Over one million people who had no access to energy can now turn on the lights, charge their mobile phone, etc. by purchasing these products, which are sold at a reasonable price and guaranteed for one to two years (more information on the programme, Total Access to Energy in the annexe).

Individual electrification

Individual electrification systems (IES), such as photovoltaic installations, individual generators or gasification of biomass can only be considered in the long term when it is impossible to install a local electricity grid, particularly when the settlement is highly dispersed.

These IES are put in place by:

- Individual initiatives, which are reflected in the purchase of energy equipment or batteries to be charged: the financial methods are cash, credit and leasing, but the final beneficiary always buys the equipment from a trader, has it installed in his home and is responsible for its upkeep, repairs and replacing parts. The technology used includes generators, photovoltaic installations, wind-energy battery charging systems and individual use of pico-hydro plants;
- Collective enterprises to provide electricity or electrical services at the village level: the supplier invests in and remains the owner of the equipment. It bills the customers periodically, either the value of the energy used or a fixed amount based on the scale of the service provided (number of lamps, sockets, duration of use, etc.). Families using this service therefore avoid getting into debt and do not have to worry about maintenance, nor the management of equipment. They can monitor their consumption or regularly spend a pre-arranged amount.

GRAMEEN SHAKTI - Solar Home System – SHS Bangladesh

At present, about 38% of the population of Bangladesh has access to electricity and per-person electricity consumption is about 133kWh/year, one of the lowest in the world. Almost 75% of the population is rural and only 30% of rural households have access to the electricity grid. The current rate of expansion of electric coverage is about 400,000 new households per year, at which rate it would take 40 years to provide electricity to all households. The government has thus encouraged implementing renewable energies as

²⁰⁸ See Total's [website](#) for further information

²⁰⁹ Including: Cameroon, Kenya, Indonesia, Republic of the Congo, Senegal, Haiti, Cambodia, Burkina Faso, Uganda.

independent electrification solutions, with, for example, solar home systems (SHS), micro wind turbines in coastal areas and plans for mini hydraulic power stations in mountainous regions.

Grameen Shakti (www.gshakti.org) is an NGO founded by M. Yunus in 1996, with one of the strongest growth rates in the sector. Its complementarity with Grameen Bank enabled it to develop a vast distribution network at minimum cost. By November 2012, the NGO had installed one million individual solar systems, enabling lighting, TV and radio to be powered, made up of a solar panel, an installation kit, connector cables, a battery and a lamp, with a total value of between €90 and €600. This innovative model links together the components of:

- Technological adaptation: partnerships with international manufacturers for the development of simple, efficient and low-cost solar systems
- Micro-financing: loans between 75% and 90% of the cost of the system, repayable between 24 and 42 months, offered by Grameen Bank
- Community links: training of young technicians, involvement from women, a technology centre, education for children in homes with SHS, buyback of installed systems, development of enterprise
- Environmental protection: collection of used batteries
- Possible supply of additional services: LEDs, inverters, stoves, pico-biogas plants.

Source: Grameen Shakti website

Key operators: companies in solvable areas, NGOs and communities beyond

In order to reach the populations which have not been served, from those living furthest from the production site to those most dispersed on the territories, the decentralized electrification models mobilize different actors according to the solvability of the households and the size of the market:

- In mini grids, an economic model providing a paying service can be economically profitable: The study²¹⁰ carried out by Hystra on 138 BOP projects on energy access shows that it is possible to design financially viable models which meet a "social" objective to improve access to energy. But most often, these viable systems do not reach the poorest people. The issue for companies is to innovate, to enter into value chains which allow them to gradually reach BOP customers;
- In mini grids or "individual" grids, based on a social model in non-solvable areas (subsidized): the role of communities, NGOs, local governments. Private

²¹⁰ Assessment grid to evaluate the projects based on (i) their response to the problem of energy access; (ii) their economic viability; (iii) their ability to be scaled up.

operators do not have much incentive to provide energy in dispersed rural areas, as this market generates few profits and is complex to manage, unless there is a strong rate of State co-financing, which would enable the distributors to attain a certain level of profitability. In order to develop market-based solutions, which would also reach dispersed consumers in the region, who are often at the bottom of the pyramid, it is thus necessary to support and subsidize these operations.

Increasingly in rural areas, civil society and local NGOs are taking charge of customer management, and even distribution. They can be potential operators in low-income areas and with low energy consumption, in close collaboration with local users' organizations and municipalities. We can currently observe a profusion of contractual innovations in the area. Innovation thus may not be technical, but based on social systems which will help to facilitate access. Furthermore, some tools and methods (smart meters which can be used for prepayment, or collectively) help to increase management efficiency and the level of customer coverage.

Investment in staff training and skills transfers by NGOs or business foundations is very useful in order to locally support such programmes, in a context of a major lack of human resources. While such needs affect most national companies, they concern first and foremost the new professions linked to rural electrification programmes for which a lot remains to be done (although programmes have recently been launched, such as²¹¹ EDF-2iR-ESF-AMADER or programmes financed by Schneider).

Subsidizing rural electrification programmes

Large-scale rural electrification programmes have always been subsidized, including in countries which are now industrialized:

- It is only through subsidies that commercial electrification operations can generate a profit in rural areas. Subsidies have a three-fold role: they facilitate the creation of financial plans for initial investments; in countries where capital markets do not exist, they compensate for the lack of capital and long-term loans. They also reduce these operators' exposure to financial risks. Subsidies have achieved their first objective: to expand and accelerate rural electrification, while involving private capital (lever effect);
- In so doing, investment subsidies reduce the equity capital invested as well as the debt burden for the company. By lowering its financial charges, subsidies help to

²¹¹ In October 2011, the French electric company EDF, alongside 2iE, the Electrification Development Fund (FDE), the Malian Agency for the Development of Household Energy and Rural Electrification (AMADER) and *Electriciens sans frontières* (ESF), launched the first professional-sector development programme for rural electrification in Africa, as part of the European Union's ACP-EU Energy Facility:
http://strategie.edf.com/fichiers/fckeditor/Commun/Presse/Communiqués/EDF/2013/cp_20130418_vf.pdf

more easily balance the financial profitability of a rural electrification operation. But they also help to reduce the rates of electricity services offered to customers; the rate is based on all operating charges, including financial charges. Subsidies thus enable a second objective to be reached, to reduce rates and make them accessible to the greatest number of potential clients;

- Finally, granting a subsidy means that high quality standards can be required of operators and clients (respect for technical standards, approval of energy equipment, continuity of service, speed of repairs, etc.) as well as the provision of a public service at specific rates (public lighting, community centres, etc.) and assurances (operators' savings accounts frozen to fund major repairs and the renewal and automatic deduction of charges from customers' savings accounts, etc.).

Successful “electrification for all” experiences are those which have received constant and large-scale State investment / with or without the support of donors. It is essential to integrate decentralized electrification operations into overall electrification plans, whose development they financially support, by seeking complementarities and equalizations between the centralized and decentralized types of electrification. From this point of view, Morocco's electrification policy is considered to be a success:

Success stories

Morocco, with a population of 32 million, managed to provide electrification almost throughout its territory (over 90% of 30,000 localities) in the space of 15 years. The budget used by the end of 2008 was in the order of €1,770 million euros, 53% of which was by mobilizing national funds (equity capital, EC) and the remainder by medium/long-term concessionary loans (47%). As regards the national share, 55% was mobilized by ONE (from its equity capital), 20% by town budgets and 25% from user contributions. These amounts - €230 per connection for households and €190 per connection for towns - can be paid by instalments through an option provided by Morocco's Office National de l'Electricité (ONE).

In Ghana, which has a population of 22 million, continued major financial assistance from the World Bank (International Development Association - IDA), supplemented by support from bilateral²⁴ partners, allowed the country to climb from 15% electrification in 1989 to 60% in 2009. The budget allocated to rural electrification during the last decade was in the order of US\$2 billion, with participation from national and local financing of about 15%. Within the framework of the Self-Help Electrification Programme, SHEP, managed by the Ministry of Energy (with the technical support of the Electricity Company of Ghana), the aim was to reach a level of electrification of 80% by 2010 and to guarantee an electricity supply for all communities (4,220 villages with populations of over 500) by 2015. The average cost per household is about €250 (with the possibility of paying in instalments).

FIREWOOD, A MAJOR PROBLEM WITH ACCESSIBLE SOLUTIONS

For the vast majority of poor populations, whether rural or urban, most of the energy used for cooking is provided by firewood. Three billion people throughout the world privately use different types of traditional low-energy efficiency cookstoves, as well as various collective and professional uses, which also heavily rely on wood. On average, over 75% of African families use wood as a fuel. In many countries it account for 90% or even 95%, particularly in rural areas.

Biomass, a mainly informal sector on the interface between forest, agricultural and energy policies, receives little attention from governments. In rural areas, it is automatically collected and is not part of the market circuit. In urban areas, it is at the heart of unregulated supply flows which threaten the sustainable management of forests.

Without ignoring the importance of the sector's political regulation component for the sustainable management of biomass, here we are mainly focusing on the local use of biomass, mainly within the framework of household culinary practices.

Major human and ecological issues

The use by households of traditional cookstoves has ecological, social and economic consequences. Firstly, 2 billion tonnes of wood are burnt each year. It is then removed by local populations for their own use or supplies marketing chains for wood or charcoal which are booming in order to meet the demand of expanding towns. The charcoal market in Sub-Saharan Africa is estimated at US\$10 billion.

While farming systems are the main cause of deforestation, woodcutting also strongly impacts it and has an impact on the loss of biodiversity and, much more broadly, on the erosion of soils, their fertility and their ability to retain and infiltrate water. They thus contribute to the impoverishment of ecosystems and the populations which depend on them to live. From this point of view, the growth of the urban and rural African population, and thus fuel needs, will sharply increase the pressure on these natural African resources.

Then, the greenhouse gases linked to traditional low-efficiency cookstoves contribute to atmospheric pollution and climate change, as highlighted in a recent UNEP report²¹². Thus, emissions linked to 100 million inefficient stoves can be assessed at 400 million tonnes of CO₂eq per year.

Finally, the use of traditional cookstoves with very low energy efficiency also has serious socio-economic and health effects:

²¹² *Towards an Action Plan for Near-term Climate Protection and Clean Air Benefits*, UNEP, Nairobi, 2011.

The impact on the health of women and children, who are exposed to the smoke from traditional cookstoves several hours per day

This household pollution is estimated to be 100 times greater than the World Health Organization's standard. It is thought to be the second-largest cause of death in poor countries, just behind HIV/AIDS. In 2008, 1.5 million deaths were attributed to the smoke, which can be compared with the number of deaths linked to the three major infectious diseases (respectively 2.1 million deaths from HIV/AIDS, 1.1 million from tuberculosis and 700,000 from malaria). This exposure also results in high morbidity rates. Based on WHO studies, a range of illnesses can be caused by prolonged exposure to the smoke: respiratory illnesses, pregnancy complications, headaches, etc. Over half of pneumonia deaths among children under five are caused by exposure to the smoke²¹³.

Time spent collecting firewood and the ensuing fatigue

One of the most widely-distributed images illustrating the harsh living conditions in Sub-Saharan Africa is that of women of all ages, including the very youngest, walking for miles on rural roads carrying a bundle of firewood on their heads. Indeed, women and girls can spend over 20 hours per week on this task, in addition to the time spent cooking. Along with the chore of fetching water, millions of young girls²¹⁴ spend their days carrying out such tasks, to the detriment of their education. This also reduces the amount of time which women can spend on activities which are more profitable for their family.

The cost of wood, particularly in cities

The cost of wood is a strain on the budgets of poor households (up to 40% of household costs), and hampers their ability to purchase food or other basic necessities.

Firewood is thus at the heart of major energy, ecological, economic, social and health issues, particularly in Sub-Saharan Africa, where it impacts the daily life and health of millions of women and children. However, unlike other “major global causes”, it has not attracted international attention. In 2011, however, the *Global Alliance for Clean Cookstoves* was created, with the support of the American government, with the aim of providing stoves to 100 million families by 2020. The Alliance estimates that eliminating the problem of firewood smoke would cost US\$4.5 billion per year, which it compares to the amounts spent on HIV-AIDS (US\$17 billion per year) and malaria (US\$5 billion per year).

Effective and easily-workable solutions exist

²¹³ *The Global Burden of Disease from Household Use of Solid Fuels*, WHO, 2004.

²¹⁴ See the testimonial of Wangari Maathai in the report *Unbowed*, FACTS Reports Special Issue 7, 2013.

Ready-made technical solutions

In Africa, most women use traditional “three-stone” cookstoves, which use huge amounts of wood and produce very little energy, which has two outcomes: very long cooking times and large quantities of toxic smoke and gas.

Many so-called “improved” cookstove models have been developed in recent years. Today, there is a wide range of cookstoves which enable wood consumption to be reduced by 30% to 70%, with excellent, low fuel-emission combustion. These woodstoves, made from metal, ceramic, or a combination of materials, come with varying levels of durability and efficiency and in a range of prices, but their performance is always an improvement on that of traditional cookstoves.

Gas solutions are also being developed. These models are generally more expensive to buy but are of particular benefit in urban areas. Other “solar oven”-type technologies are also available but adopting them depends on how easy they are to use. Many models of improved wood-fuelled cookstoves are produced locally by craftspeople or small and medium enterprises.

Widely tested distribution models

When efficient cookstoves are available for distribution near users’ homes at a price in line with their purchasing power, they are adopted relatively quickly by the women as they notice immediate benefits in terms of time (collecting and cooking times) and/or money saved, without having to make any major changes to their cooking methods.

Numerous studies have been carried out on the efficiency of the different distribution models of these improved cookstoves tested by private actors (manufacturers, distributors, etc.), NGOs or micro-finance organizations. They are unanimous that there are number of key factors in order to reach significant penetration rates: efficiency/practicality of the model, price accessibility, proximity distribution and awareness- and education- campaigns for women based on community intermediaries.

Known measurement methods

Unlike other development projects whose results are more difficult to measure, distributing improved cookstoves is relatively simple. For a few years, as a result of the growth in carbon methodologies recognized by the UNFCCC, it has been possible to measure and monitor the impacts of these projects on greenhouse gas production over time. Methods to record these projects and their carbon footprint are now in place.

Clean Development Mechanism (CDM) standards (as part of the compliance carbon market) or Gold Standard (as part of the voluntary carbon market) enable the use of cookstoves to be reliably monitored over 10 years, and as a result, their social and environmental impact can be examined.

Verification methods by independent third-parties have also been developed.

What are the barriers to large-scale production?

Local production of improved cookstoves remains highly insufficient both in terms of volume and quality. Programmes to train craftspeople were put in place several years ago, in particular by the German agency GIZ. Much, however, remains to be done in order to create a sector of craftspeople from SMEs or even larger companies who would be able to meet the needs of the market with mass-produced products compliant with quality standards and sold at a price making them affordable to as many people as possible.

Production can be encouraged by providing entrepreneurs with:

- A guaranteed market via firm orders at a predetermined purchasing price;
- Technical and management training for entrepreneurs and their staff;
- Financing for necessary investments and working capital via low-interest loans;

The need to raise awareness

In most cases, women are unaware of the effects that the smoke has on their own health and that of their children. More often than not, they have never heard of the improved cookstove and its benefits. It is thus hugely important to raise awareness by all possible means. Many examples show that awareness campaigns are effective when they are closely linked to the distribution of cookstoves. These campaigns are generally carried out by NGOs or social enterprises and must be funded through programmes linking production, awareness and distribution.

The cost of the "last mile"

Distributing cookstoves in rural areas is by definition a costly and complicated task. Past experience has shown that to quickly reach high penetration levels, cookstoves must be physically distributed in close proximity to users, meaning that order and delivery systems must be put in place to bring the cookstoves to the villages. The transport costs for this localized distribution must be at least partly covered so as not to make the stoves more expensive.

PROPOSAL 5. FOR SUSTAINABLE AND EQUITABLE DEVELOPMENT IN AFRICA, WE MUST PREPARE A LOW-CARBON PATH

R. 19 - To overcome the African continent's chronic lack of hydroelectricity, we must facilitate the commitment of the private sector by sharing the political and financial risk and using ODA as a catalyst to encourage social and environmental equity when realizing programmes

It is important to support the efforts of the African States in a structuring project with an ambitious approach for the continent's hydroelectric equipment, a key advantage for moving from phase 1 to phase 2 in the DCI trajectory, given the current very low level of equipment. France has a proven track record in the area of hydroelectricity. We concur with the Védrine report's recommendations on reducing the cost of mobilizing private capital and

the risk bonuses which apply to Africa, and on the coverage of political risk. These factors are not directly within the remit of the report on aid, but we believe that they are essential. But France should also create guarantees for coverage of specific political risks (on the OPIC model) on renewable energy equipment sites, prefinancing of feasibility studies, and if necessary in the form of DIB, which could mobilize the best technical expertise from the private and public sector on hydroelectricity in Africa, be it large, medium or low-powered.

As regards heavy-duty hydroelectric equipment, it is essential that these major projects, which are large enough to map out the DCI trajectory, have their roots in the local reality, failing which they are operating “off ground” like extractive industries for fossil energy. These roots involve including positive and negative externalities in the system from the human and environmental point of view. Financing of local policies to adapt, reduce or optimize the consequences of such projects should be provided by the global funds aimed at fighting climate change and should be coordinated with the ODA mechanisms.

R. 20 - Combine within ODA support for the development of phase 1 growth and the preparation for phase 2 (weaker carbon intensity) through specific mechanisms

We propose systematically combining, within ODA, support for phase 1 and the preparation for phase 2, by including in the energy equipment projects the study of alternative energy solutions and by financing studies on planning this transition.

Within this framework, the global and multilateral funds aimed at combatting climate change must focus on facilitating and supporting national and local governments, both by structuring the study and technical audit process, but also by financing feasibility studies on alternative renewable energy solutions.

We recommend implementing a specific French initiative on renewable energies aimed at helping companies from this sector to provide their expertise to ensure African energy transition, based on the model of the Africa Clean Energy Finance Initiative by the Overseas Private Investment Corporation (OPIC).

R. 21 - Encourage the development of the “smart grid” by better combining the work of the ODA, national electrification funds and local operators and by redirecting funds intended to subsidize fossil energy.

As regards rural electrification, the emergence of local operators should be supported, who are able to install, train, and manage decentralized facilities to reach significant levels (several hundred or several thousand villages or sectors fitted out). These companies, whether for-profit or social enterprises, must receive strong support from a suitable regulatory framework, priority access to financing (equity capital, subsidized loans, subsidies) and links with major suppliers of technical solutions. In particular, the subsidies must be used in a targeted manner for the funding of non-profitable actions of these projects in order to enable equalization and economic balance to be reconciled.

In this context, the role of rural electrification funds must be re-examined, as well as their means of action and their operation: while they often prioritize extending major networks,

they must give priority support to technical solutions which have shown themselves to be efficient at a low cost and which can be rolled out on a large scale. These funds must play the role of genuine financial go-betweens to contribute to the growth of efficient operators. In many cases, their governance must be thoroughly re-examined and re-organized to encourage transparency and fund monitoring. Consumer (rural communities, local NGOs) and professional representatives must have a say in governing these funds.

The social ineffectiveness of subsidies for fossil energy must be documented by accurate and convincing studies. On this basis, the funds attributed to it, which very often are of greatest benefit to rich urban dwellers, could be reassigned to finance energy access for the majority.

PROPOSAL 6. FACED WITH THE ESSENTIAL ISSUE OF WOMEN'S HEALTH, THEIR WORK PRODUCTIVITY AND DEFORESTATION, LAUNCH A HEALTHY COOKSTOVES FOR AFRICA INITIATIVE WITH A RESULTS-BASED PAYMENT SYSTEM (DEVELOPMENT IMPACT BONDS) TO SUPPLY 50 MILLION FAMILIES BETWEEN 2015 AND 2025.

AIMS

This programme, which would undeniably benefit the various aspects of sustainable development, could be added to the future Sustainable Development Goals (SDGs) currently being discussed by the international community. Its aim would be to provide 50 million African families with improved cookstoves between 2015 and 2025, with the following impacts at full capacity:

- Environmental – Reduction in the use of wood by 100 million tonnes per year, enabling about 40,000 hectares of forest to be saved and reducing emissions by about 75 million tonnes of CO₂eq per year;
- Health and social – Impact on the health of 50 million women and at least 200 million children;
- Economic – Given that on average, rural African women and girls spend 20 hours per week collecting wood while their urban counterparts spend up to 40% of family revenue on purchasing wood and charcoal, a huge amount of free time would be created for education and other activities (about 500 hours per family and per year).

Furthermore, the local production of 50 million cookstoves will have a significant impact economically and in terms of employment (10 direct and indirect jobs are created for every 1,000 cookstoves which are manufactured and distributed).

TERMS

Eventually, normal market operation should be capable of meeting the need. This is not the case today due to the barriers mentioned above. Without a strong incentives system, household take-up will continue to increase at the current rate, which does not allow

significant progress to be made across the continent and the positive effects of which are partly undermined due to increased needs.

A clear message must be sent to all actors in the sector (cookstove producers, NGOs, distributors, investment funds, carbon operators, governments, etc.) by providing them with transparency and sufficient guarantees to encourage forecasts and investment. The aim would be to use public finances as a lever to mobilize actors to ensure that the project will be scaled up.

The proposed initiative is based on the principles set out in Part 2:

- Results-based payment measured with reliable methods;
- Alignment of private and public stakeholders;
- Priority given to actors;
- Long-term investment.

PROGRAMME COSTS & FUNDING

The cost of the programme can be assessed at €400 million, or €4 billion over 10 years. This works out at an average price of €5 per tonne of CO₂ emissions avoided and an average cost of €8 per household and per year.

The proposal involves guaranteeing the pre-purchase of carbon credits at a fixed price over 10 years for all projects which have been carried out and measured by certified independent third-parties, in line with recognized carbon methodologies (CDM, VCS, Gold Standard). We must recall that the verification of carbon credits enables the effective use of cookstoves to be measured within families.

Once economic actors, investors and operators have assurances that the credits generated by the projects will be bought at a set price, meaning that their work will be fairly compensated, they will be encouraged to invest and to put forward many initiatives.

The public donors will play their role in providing incentives and regulating, with the assurance that public funding will be properly used, and only when the results have been achieved.

Looking ahead to the COP on Climate Change in Paris in 2015, we recommend that France become involved and play a leading political role to bring together governments and international institutions in support of this initiative by creating a Special Fund, the main purpose of which will be to purchase carbon credits. This Fund could be financed by the Green Fund and multi-year commitments from national governments and major international public donors (World Bank, African Development Bank, etc.).

PROPOSAL 7. RELAUNCH THE EUROPEAN VOLUNTARY CARBON MARKET TO MAKE IT A UNIQUE TOOL IN DEVELOPMENT ASSISTANCE WHICH WOULD FINANCE, THROUGH THE PURCHASE OF CO₂ EXTERNALITIES, THE AFRICAN ENERGY TRANSITION TOWARDS A LESS CARBON INTENSIVE MODEL.

R. 22 - Remobilize the carbon finance lever to promote development and create an “African Clean Development Mechanism (CDM)”

Europe was the pioneer, creating the ETS's European carbon market and the Clean Development Mechanism (CDM) which link efforts to reduce emissions by the major emitting companies and the financing of investments with positive climate impacts in Southern countries. Today, the ETS is facing difficulties, particularly lower prices due to quota allowances by the European and national authorities and the economic slowdown. Furthermore, since their creation, the CDMs have mainly benefitted the industrial modernization of new economic powers, mainly China, and to a lesser extent India and Brazil, and have been of little benefit to Africa (4%) as they were principally designed for large-scale industrial or energy projects which remain uncommon in Africa. These difficulties, which can be remedied, must not lead us to call into question a system which today inspires countries such as China to put in place their own carbon markets. Europe and European governments should show strong political will, take the necessary measures to support the ETS and raise carbon prices, make reforms where necessary and better regulate and simplify the ETS market. We must build on the efforts made by Europe in the last ten years to go even further.

We propose:

- creating an “African CDM” specifically focused on financing projects to produce and distribute low carbon-intensity energy. We also propose that this CDM be receptive to projects to protect or restore major forest ecosystems and to develop agro-forestry, which are key climate, social and economic issues for the continent.
- announcing the French government’s support for the ETS market and for all measures at a European level which will allow it to be reformed to: (i) restore a per-tonne carbon price which will act as an incentive to generate interest from investors and private and public developers (ii) as a priority, direct these investments towards projects with a strong climate impact and inclusive development projects.

II. MOBILIZING INCLUSIVE ECONOMY STAKEHOLDERS TO WORK FOR DEVELOPMENT

2.1. Emergence of inclusive economy stakeholders

Today new concepts are abundant, pairing words that have traditionally opposed each other, which means fields are associated that have long been considered contradictory: “social entrepreneurship”, “social business”, “hybrid value chain”, “inclusive business”, and “impact investing”. This increasing number of oxymora reflects the developing balance of these new paradigms, but also their creativeness to go beyond existing models, which have shown their limitations.

The concepts of inclusive economy and social entrepreneurship refer to original initiatives, promoted by small local entrepreneurs, big international groups, NGOs and communities alike, who share a common aim: the pursuit of a dual economic and social objective, and the ambition to show that this reconciliation is possible using economic effectiveness to solve a problem of public interest. Developed by Muhammad Yunus, the social business concept for an enterprise consists in solving societal problems while being based on market models. According to the synthetic definition provided by the inventor of microfinance, a social business is “cause-driven rather than profit-driven. Yet it isn’t a charity. Shareholders are entitled to recoup their investment, and a social business must recover its full costs, or more, even as it concentrates on creating products or services that benefit the poor²¹⁵”. This business also has the distinctive feature of not paying dividends since the profits are entirely reinvested in its social business activity. However, investors, having enabled the launch of the project, can recoup their initial capital when the project so allows.

Close yet different, the inclusive economy concept²¹⁶ that we will develop in this section concerns businesses combining a business approach²¹⁷, a voluntary contribution²¹⁸ and high risk on account of the innovative nature of the projects, their social and environmental impact possibilities and/or local circumstances of their implementation. Also the people living at the base of the pyramid are stakeholders of the value chain of companies²¹⁹ and

²¹⁵ See <http://www.danonecommunities.com/en/node/565>

²¹⁶ Definition provided by the G20 / www.g20challenge.com/what-is-inclusive-business

²¹⁷ Projects seek impact through a business approach, an objective of viability and sustainability, and when they are attained, fair remuneration of their promoters (shareholder/financier and/or entrepreneur/project owner)

²¹⁸ Solving environmental and/or social problems that are clearly identified, explicitly defined and difficult to solve in usual business in the private sector

²¹⁹ Either customers, and not beneficiaries, by providing them low-cost products and services they need, or as salaried workers or partners (retailers, suppliers, distributors)

projects created are able to be replicated at large scale. Lastly, sustainable development and tackling environmental issues are key²²⁰ in an inclusive vision of the economy.

Our proposals are based on the belief that the mobilization and cooperation of all the possible stakeholders taking part in inclusive development could help meet international objectives. This is because the context is marked by a growing number of challenges, increasing mobilization of stakeholders from every background and decreasing public resources.

Official development assistance, as it has been defined and implemented over the past 50 years²²¹, is undergoing a crisis. It is not expected to exceed 1% of Africa's GDP in 20 years even though alternative private funds are rising sharply²²². The new stakeholders in these new inclusive models are many: women, civil society (foundations, NGOs, associations), big companies, local government and public donors.

2.1.1. Women in charge of their own development

The role of women in society is expressed in common language in the development world. Amid the purely appropriate discourse, affirmations of “right of” and “right to”, political promises, the precatory nature of press releases at the end of conferences, forums, and summits of all sorts, dogmatic positions and the underlying ideological debates, the level of genuine motivation to improve the situation of women is difficult to evaluate. That being said, beyond any more or less appropriate discourse on this topic, we believe it is essential to underpin the role of women in African development, and particularly their role in the emergence of different sorts of inclusive economy according to the specific meaning that this report gives to the term.

This report does not have the ambition or the means to provide a complete overview of the situation of women in Africa, but two facts are sufficient to provide an idea of the scope of the problem:

- With 11% of the world's population, Africa accounts for more than 50% of birth-related deaths. The probability is 1 in 31 in sub-Saharan Africa, versus 1 in 4,000 in developed countries (source WHO 2010);
- Women represent 70% of agricultural workers in Africa, but only 15% of landholders, and only own 2% of land.

²²⁰ Economic activity, instead of imposing its practices in the region in which it is established or is being developed, is seen as one of the components of the ecosystem in which it is evolving.

²²¹ See <http://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/aide-au-developpement-1060/>

²²² Worldwide, ODA ranks very low in terms of financing compared to philanthropy (\$56 billion in 2010), diaspora funds (\$406 billion 2012) and private investors (\$700 billion in 2012).

Yet many studies have confirmed that women’s involvement has leverage in development. At the UN’s International Day of Rural Women in October 2013, Sue Carlson, from Farming First, mentioned that according to a study by John Hoddinott and Lawrence Haddad, a \$10 increase to a woman’s income had the same health and nutrition benefit to her children as a \$110 increase to a man’s income– which testimonies from the field and specifically our own experiences have confirmed. For example, in Andhra Pradesh, India, family assets tripled from 2000 to 2006 mainly as a result of an increase in women-run enterprises²²³.

However it is important to note that conversely, a number of impact studies on gender and development issues have not reported significantly positive results (as mentioned above, we are referring to Esther Duflo’s work for an overview), and that others testify to the fact that the socio-economic trade-offs women make (including within their own families, between education and health, boys and girls, etc.) cannot be without negative consequences. That being said, we did not find any cases in which a greater participation of women in the economy, politics or civil society proved to negatively affect social cohesion and fairer development.

The African Union declared 2010-2020, African Women’s Decade. This is further recognition of the importance of the role of women in Africa’s development, but also of the urgent need to help them strengthen this role.

Women produce more than half of the food that is grown in the world, up to 60% in Asia and 80% in Africa²²⁴. Yet they only receive about 10% of total aid for agriculture²²⁵ and only own 2% of all titled land worldwide²²⁶. In Uganda for example, women provide about 75% of agricultural labour and only own a fraction of the land²²⁷. In India, Nepal and Thailand²²⁸, less than 10% of women farmers own land, while they perform 90% of labour for rice cultivation²²⁹. And – see above – in sub-Saharan Africa, 15% of landholders are women, while they represent 70% of agricultural labour and 80% of Africa’s food production²³⁰. Usual interaction between men and women, illiteracy, women’s use of time and their household duties, and the lack of recognition of their specific needs—in terms of tools, for example—have structural consequences on land allocation to crops. But they also result from a low number of female students in agricultural sectors (62% are male) and, more generally, low access for female farmers to training (they only receive 5% of agricultural extensive

²²³ IFAP and Women Farmers

²²⁴ Ibid.

²²⁵ *Agriculture Extension Services*, IFAP, and mentioned by Ritu Sharma, of MFAN, 2010, and by Sue Carlson, October 2013, in www.farmingfirst.org/2013/10

²²⁶ Steinzor, Nadia 2003, *Women’s Property and Inheritance Rights: Improving Lives in a Changing Time* – Women in Development Technical Assistance

²²⁷ *Women’s Movements, Customary Law, and Land Rights in Africa: The Case of Uganda*, Tripp, A., African Studies, Quarterly 22, March 2004

²²⁸ | FAO – Gender and Food Security: Agriculture

²²⁹ Ibid.

²³⁰ Sue Carlson, October 2013, www.farmingfirst.org/2013/10 and the “Female Face of Farming” infographic on the Farming First website

services²³¹). Likewise, women only receive 1% of credit in the agricultural sector in sub-Saharan Africa²³².

Yet a number of studies have shown the extremely strong potential impact of aid measures for a better participation of women in agriculture. In Kenya, if female farm workers received the same level of education and aid as men, their yield would increase by more than 20%²³³. Some studies state that the overall agricultural productivity of emerging countries would increase 2.5 to 4% if the yield gap of 20 to 30% between men and women were reduced, which would in turn reduce world malnutrition by 12 to 17%²³⁴. In Burkina Faso, shifting existing men's and women's plots within the same household could increase output by 20%²³⁵. In Tanzania, reducing the time women spend on certain household duties could increase capital productivity by nearly 50% for coffee and banana growers²³⁶.

The examples above are what is happening in agriculture. But the most recent business sectors are also marked by the number of women working in them with fewer economic opportunities. In Nigeria, about 60% of vendors of mobiles and related products and services are women. And in Uganda, about 70% are. But men hold all the higher positions (dealers for example) since they have better access to the necessary credit and accreditation. In Tanzania, according to the same study, and for the same reasons, only one out of 17 Airtel Tanzania dealers is a woman and only 12 out of 118 distributors of e-vouchers are women, while the percentage of women vendors is close to 65%²³⁷.

Faced with these realities, women did not wait for international assistance to get organized and to take action. In India, but also in Africa and Latin America, for decades women have established groups to exercise social and economic rights and have formed associations or cooperatives. There is a good deal of information available in this regard and rather than going into great detail, we have chosen three examples that best illustrate the situation:

GRAMEEN BANK

After an initial pilot micro-credit experience in the village of Jobra in Bangladesh in 1976 with some 50 women, Muhammad Yunus created the Grameen Bank in 1983, which now services more than eight million women (Yunus also created other organizations mainly

²³¹ See <http://womenthrive.org/images/womenandagriculture.pdf>

²³² WomenThrive website quoting Mehra, Rekha et Mary Hill Rojas 2008

²³³ Sue Carlson, October 2013, www.farmingfirst.org/2013/10 and the "Female Face of Farming" infographic on the Farming First website

²³⁴ See <http://siteresources.worldbank.org/EXTRAFRREGTOPGENDER/Resources/genderFindings197.pdf>

²³⁵ See <http://siteresources.worldbank.org/EXTRAFRREGTOPGENDER/Resources/genderFindings197.pdf>

²³⁶ World Bank 2005, *Gender and Shared Growth in Sub-Saharan Africa*. Briefing Notes on Critical Gender Issues in <http://siteresources.worldbank.org/EXTABOUTUS/Resources/gendergrowth.pdf>

²³⁷ GSMA study conducted with TNS: Women Entrepreneurs in Mobile Retail Chains: Empowering Women, Driving Growth

supported by women: for example, Grameen Phone, which became the leading mobile phone operator in the country, whose presence in rural areas is ensured by 300,000 phone ladies who rent mobile telephone time). The direct involvement of women in the Grameen Bank programmes was challenged at every level of the society for decades. Problems included local threats to members, often within their own family and even household, death threats to a number of managers and administrative difficulties. Today, these women own 97% of the bank, and its Board of Directors, responsible for choosing the Managing Director among other duties, is made up of 12 members: three government officials, and nine women elected in a concentric consultation process by all of the eight million members. Despite the threats, including physical ones, these women suffered for three years, they are publicly opposing the current government, which is seeking to gain control of the bank, in order to protect the unique governance of their organization. The example of Grameen Bank and that of BRAC, another Bangladesh development organization created in 1972 by Fazle Hasan Abed, who also developed a very important microfinance business helping millions of women, have inspired hundreds of organizations around the world. Muhammad Yunus and the Grameen Bank were awarded the Nobel Peace Prize in 2006.

SEWA

The Self Employed Women Association (SEWA) is a trade union created in 1972 in Ahmedabad by Ela Bhatt and Arvind Buch to ensure social rights for millions of women who work in the informal sector in India and to develop their independence and skills. Today SEWA counts more than one million women among its members and has not only contributed to their empowerment but also, through its political role, to improving the institutional and regulatory framework of their living conditions. SEWA has inspired dozens of other organizations in India and other countries, based on the principle of Self Help Groups (SHGs), that many NGOS, foundations, social entrepreneurs and, and increasingly, governmental agencies are seeking to promote. Often backed by microfinance programmes and supported by an NGO, association or agency, these groups of women help each other save and access credit, but they also serve as platforms from which women can influence the public life of their village communities, whether it be at a political level²³⁸, or at the level of the lives of individual citizens (violence against women, alcohol, dowry system, education, access to water, etc.). In just a few decades, SHGs have become important stakeholders in the rural development in many countries. The World Bank (but also the WHO) has supported this movement, and for more than 15 years, has promoted the principle and has sought to encourage its replication. It has disbursed some \$50 billion since 1999 in loans for projects conducted by communities based on these principles²³⁹. Ela Bhatt was awarded the “Alternative Nobel Prize” in 2004.

²³⁸ In 20% of the 214 SHGs studied, a female member is a local elected official, *Self Help Groups in India, A Study of the Lights and Shades*, study on behalf of USAID, Care, GTZ, 2006 Mansuri, G., and Rao, V., 2012

²⁵ Mansuri, G., et Rao, V., 2012

THE GREEN BELT MOVEMENT

The Green Belt Movement is an NGO based in Nairobi, founded by Wangari Maathai in 1977 and today headed by her daughter Wanjira. It brings together more than 30,000 women in rural Kenya who are fighting deforestation and soil erosion, restoring natural ecosystems, and revitalizing the rural economy. With at times extremely politically engaged protests, the movement has also played a decisive political role in the emergence of the environmental conscience of their country's leaders. In the 1980s, the movement spread to Tanzania, Uganda, Malawi and more countries. Wangari Maathai was awarded the Nobel Peace Prize in 2004.

These three examples show how much women have been able to transform their living space and become drivers of their own development, and how they have taken action to do so. Nevertheless, various forms of de facto discrimination of which they have been victims are still so far reaching that ODA needs to systematically prioritize support for this involvement if it is to have a much more qualitative, catalytic and sustainable effect.

See our recommendations in Section 1 of this report (Proposal No. 1).

2.1.2. Civil society: traditional stakeholders and new procedures

CIVIL SOCIETY: MAIN FEATURES AND BACKGROUND

Historically built in opposition to family and the government, "civil society includes the following: trade unions and employers' organizations ("social partners"); non- governmental organizations; professional associations; charities; grass-roots organizations; organizations that involve citizens in local and municipal life with a particular contribution from churches and religious communities²⁴⁰ .

The rise in new technologies has given civil society more influence by developing tools that facilitate dialogue and bring together stakeholders around political, social, environmental or humanitarian causes. The members of this innovative civil society are often referred to as a "crowd". Over the past 20 years, the role played by civil society has grown on the international stage. It has gradually been organized worldwide to share practices and to band together in order to increase its impact, thereby forcing governments to take account of the major movements affecting it.

Civil society organizations (CSOs) now play a leading role in development due to such important features as:

²⁴⁰ White Paper on European Governance, EU, 2001.

- **Ownership:** Through their local action and their knowledge of the field, they have become the interface of choice for stakeholders of a project;
- **Mobilization of non-public financing:** According to OECD figures, CSOs raised close to \$22 billion on their own in 2006, while ODA raised \$104 billion, including debt relief²⁴¹ ;
- **Innovation:** They provide support to experimentation in financing, hybrid models or even social innovation;
- **Transparency**²⁴²: The monitoring by certain CSOs and through them, by citizens, contributes to transparency. The international coalition of NGOs, Publish What You Pay, for example, asks companies that purchase natural resources to publish the payments they make to governments in each country where they work in order to curb risks of corruption;
- **Advocacy:** They contribute to dialogue, reflection and political action. In sub-Saharan Africa, forums for discussion, coordination and advocacy are not very developed²⁴³. Initiatives have however emerged that are often led or supported by NGOs in northern countries, by growing action of southern trade unions (see below), and by donors. In France, the national coordination of NGOs “Coordination SUD” promotes the building of common positions within French NGOs, supports them in public debates and coordinates with the French government, the European Union and international organizations in order to influence public policies on humanitarian assistance and development²⁴⁴.

It is important however to highlight that in sub-Saharan Africa, the emergence and strengthening of civil society are not always obvious. The USAID 2011 CSO Sustainability Index for Sub-Saharan Africa points to the worsening of their situations in certain countries. In 2011, for example, Angolan, Ethiopian and Gambian governments have adopted laws to increase their control over CSOs. The dialogue tradition remains in reality limited in a number of countries and, too often, the realm of the civil society remains narrow and is decreasing, as serious restrictions are being applied.

Against this backdrop, the increase in relations between CSOs in northern and southern countries is a major step forward in strengthening civil society.

²⁴¹ *Better Aid Civil Society and Aid Effectiveness: Findings, Recommendations and Good Practice*, OECD, 2009.

²⁴² With regard to CSO’s own transparency, the issue of their accountability is often raised, accountability is not limited to financial reporting, but “should strengthen both institutional integrity and mutual public reckoning among development actors, particularly focusing on accountability with affected populations”. Also, most CSOs are financially dependent on their members, their donors and public authorities. As a result, their independence and their legitimacy as defenders of peoples can sometimes be challenged. It is therefore paramount for CSOs to work on decreasing their dependence on public authorities or market forces. From this standpoint, hybrid models based on social entrepreneurship or an inclusive economy could be an interesting solution.

²⁴³ An issue that the German NGO [Transparency International](http://www.transparency-international.org) and the Mo Ibrahim Foundation are also addressing.

²⁴⁴ See <http://www.usaid.gov/africa-civil-society/2011>

CIVIL SOCIETY ORGANIZATIONS (CSOS), INCREASINGLY ENGAGED IN THE INCLUSIVE ECONOMY

Increasing needs and increasingly complex challenges bring the various civil society stakeholders closer together: NGOs, foundations, trade unions and more or less organized communities are developing, each in its own way, “mixed” activities, pursuing economic aims and public interest objectives (social or environmental). They therefore show that this reconciliation is possible by using economic effectiveness to help solve a problem of public interest.

Role of NGOs

A growing number of NGOs are seeking business models that enable them to reduce their dependence on donors, scale up, but also develop fresh relations with their beneficiaries, who have become customers, and therefore able to choose and demand quality products and services.

- [BRAC](#), is one of the largest NGOs in the world based in Bangladesh. It finances 80% of its annual budget, or €500 million, with income from a network of social enterprises (local artisan craft stores, production of dairy products, sale of medicines in a network of 95,000 health workers, etc.);
- [Nutri'zaza](#) is a Malagasy public limited liability company created in 2012 by the French development NGO, GRET, and four other shareholders. It works to reduce early childhood malnutrition by distributing meals in “restaurants for babies” that GRET has been developing in Antananarivo since 1998. It coordinates the network of restaurants, educates families by organizing neighbourhood events and produces the complementary food sold in restaurants and door-to-door;
- In India, the [Naandi Foundation](#) has developed a network of more than 400 mini water treatment plants in villages proposing monthly water service contracts. As a result, it ensures access to safe drinking water to 600,000 Indian consumers;
- For more examples see the [Annex](#) - Examples and case studies of the role of NGOs.

Role of private foundations

Currently, foundations are directly or indirectly among the main sources of development assistance financing. Seeking to push the limits of purely philanthropic approaches, many of them have become interested in inclusive economic models. Some have chosen to invest in future social businesses, others have opted for a model that combines business and charity.

- The [Shell](#) Foundation has developed the principle of [Business](#) DNA, which consists in the development sector taking the best practices from the private

sector to drive growth and create jobs with a view to alleviating poverty and protecting the environment²⁴⁵ ;

- In Kenya and Rwanda, the [Sustainable Healthcare Foundation](#) has created drugstores and clinics to improve access to medicines for people living in slums. They operate as franchises, offering affordable health care while generating enough revenue to pay their nurse-owners and staff competitive salaries²⁴⁶;
- In Africa, the emergence of large private fortunes has created a new generation of philanthropic organizations such as the [Tony Elumelu Foundation](#)²⁴⁷ whose mission is to support entrepreneurship in Africa by investing in innovative enterprises;
- For more examples see the Annex – Examples and case studies of the role of private foundations.

Role of Trade Unions

With the emergence of the social issue in discussions and initiatives of civil society and the private sector, social partners and professional associations have an important role to play in supporting the inclusive economy. They have been backed by advocates from the International Labour Organization (ILO) promoting the principle of decent work since 1999, which is applied to the formal and informal sectors alike. Trade unions work on a wide range of topics including social protection, corporate social responsibility, sustainable development, vocational training, unionization, job equality, immigration, and fighting discrimination, all of which have given them a role in the co-creation process.

The [Belleville](#) Institute, the agency in charge of international trade union projects of the French Democratic Confederation of Labour (CFDT), included sustainable development for the first time in 2011 in its solidarity efforts to help trade unions in developing and emerging countries. For example, the Belleville Institute has introduced, as part of a partnership with the Indian NGO, [Fedina](#), a seminar in which participants can share experiences and practices for Indian agricultural workers aiming at promoting the unionization of workers in the informal sector.

²⁴⁵ See http://shellfoundation.org/pages/core_lines.php?p=our_approach_content&page=businessdna

²⁴⁶ *Realizing Africa's Wealth: Building Inclusive Businesses for Shared Prosperity*, A UNDP African Facility for Inclusive Markets Report, 2013.

²⁴⁷ Founded by Tony Elumelu, a Nigerian businessman, the foundation promotes catalytic philanthropy - financing sustainable development that focuses on beneficiaries and gives them responsibility and Africapitalism (getting the private sector involved in economic development).

In 2013, the Institute spearheaded the project “Supporting trade union action in economic matters to make decent work a reality in Africa”, chosen by the Africa Forum-100 Innovations for Sustainable Development on 5 December 2013. This trade union cooperation project was conducted in partnership with the ITUC Africa and France’s General Confederation of Labour (CGT).

See the [government website](#)

THE OTHER FACE OF CIVIL SOCIETY: INDIVIDUALS AS DEVELOPMENT STAKEHOLDER

“People cared about the progress of an entrepreneur half-way across the planet. There was, to some degree, a sustained mental and emotional connection. Whether the connection had a positive feel was secondary. These tiny, interpersonal loans were creating a consciousness that didn’t exist before.”

Matt Flannery, co-founder CEO of Kiva²⁴⁸

New forms of peer-to-peer contact, largely digital, are developing massively, based on a genuine social connection. They provide new consistency to civil society, that is powerful, volatile and evasive, and are heavily dependent on constant technological progress of humanity when it comes to communication.

The development of social networks, has, for example, made it possible to showcase the willingness of individuals to take part in solidarity action. That is why for the past ten years or so, we have seen projects based on communities rallying around a social cause. On the one hand, individuals (donors, lenders, investors) driven by a new vision of the economic and social world and, on the other hand “beneficiaries” who have become customers, and above all, drivers of their own development.

Crowdsourcing

Crowdsourcing is a current innovative and mobilizing trend that involves taking advantage of collective knowledge and know-how. Some additional examples to the ones mentioned in other sections of the report include:

- The **Jana project** launched in 2009, established partnerships with 237 mobile phone operators in more than 80 countries to be able to reach 3.5 billion people instantaneously and ask them to carry out simple tasks such as collecting local

²⁴⁸ Kiva is a non-profit organization that lets Internet users make a loan to microfinance institutions to support entrepreneurs in developing countries.

information on their mobile phone. They are then rewarded with mobile cash or airtime credit²⁴⁹;

- The [Community Knowledge Worker](#) (CKW), launched by the Grameen Foundation in 2009 to improve the standard of living of smallholder farmers in Uganda by providing timely agricultural information via local advisers²⁵⁰;
- The French platform, [MakeSense](#), launched in 2010, has created a community of more than 5,000 members from 30 different countries. They conducted more than 300 workshops to help 200 social entrepreneurs meet development challenges;
- For more examples see the [Annex](#) – Examples of crowdsourcing.

Crowdfunding

Another model, crowdfunding²⁵¹, mobilizes individuals of civil society to support their peers financially. It puts project leaders who are seeking financing in contact via Internet platforms with people who would like to give meaning to their money with donations, a loan or an investment. Crowdfunding has raised more than €55 million in France since 2007 and more than €1 billion in the United States in the past two years²⁵². The average contribution per Internet user and per project is €45. Some examples include:

- The microfinance platform, [Kiva Microfunds](#), founded in 2005, is a non-profit organization. It lets Internet users make a loan to microfinance institutions (MFIs), called field partners, who in turn lend the money they receive to people living in the countries where they operate. Since its inception, it has enabled loans of more than \$490 million via 227 local partners in 73 countries, with a loan repayment rate of 99%;
- In France, Arnaud Poissonnier launched [Babyloan](#) using the same concept, in 2008. It is now the leading European platform of its kind, with €2.75 million of solidarity-based loans collected for 8,000 micro-entrepreneurs located in 12 different countries (mainly France);
- In Africa as well, the number of initiatives is increasing: for example, [Safaricom](#) (Kenya) raised \$6 million in one month to finance an agricultural pump project, by

²⁴⁹ In two years, txeagle (now renamed Jana) managed to establish a robust technological platform with the potential to reach the “next billion consumers” and get them involved in the global economy. Today Jana counts several million new subscriptions a month of consumers from emerging countries on its mCent interface.

²⁵⁰ The infomediaries who have emerged from the community also collect valuable data in the field and in turn share them with governance institutions such as the UN’s World Food Programme.

²⁵¹ See <http://acpr.banque-france.fr/agreements-et-autorisations/le-financement-participatif-crowdfunding.html>.

²⁵² See <http://commentfinancermonprojetresponsable.fr/Crowdfunding.html>.

proposing simply to its subscribers to reply to a text message asking them for donations, automatically generating 10 cents of additional charge.

- For more examples see the [Annex](#) – Examples of crowdfunding.

Crowdfunding platforms

Lastly, crowdfunding platforms let Internet users support the project of an enterprise in exchange for financial remuneration. Some offer to invest capital in start-ups ([Anaxago](#)) or in the careers of young artists ([MyMajorCompany](#)). Funders then become the shareholders of the projects they support.

The emergence of this so-called social web is so recent that it is difficult to imagine what will happen with these initiatives. These new models are still being perfected in terms of their value proposition. With few exceptions, the sector is currently in its embryonic stages and a number of developments are necessary when it comes to securing financial transactions, adjusting legal and regulatory frameworks and measuring the impact to be able to consider them safe channels of inclusive development.

2.1.3. Private sector: value splitting

By “private sector” we mean all stakeholders engaged in economic and financial market activities. These stakeholders are wide ranging in terms of the nature of their activities, their size, their motivation and their profitability objectives. Therefore the private sector has a broad meaning in this context (big companies, SMEs, investment funds, financial institutions, etc.) in France and abroad.

This section of the report intends to present the private sector’s contribution to inclusive development problems and to identify levers to help strengthen it. Discussions and proposals do not cover all “usual” initiatives and activities of the private sector in the countries concerned.

THE REASON TO MOBILIZE THE PRIVATE SECTOR FOR DEVELOPMENT

The private sector is an essential channel of development for developing countries. It creates jobs, generates revenue, provides goods and services and encourages innovation.

Private capital flows²⁵³ to sub-Saharan Africa reached €40 billion in 2011, exceeding those of development assistance, which stood at €32 billion, or migrant remittances, accounting for €27 billion²⁵⁴.

²⁵³ Foreign direct investments, portfolio investments, bank and bond debt.

However, private sector involvement also has limits since its activity generates economic growth but not necessarily inclusive development (demeaning or precarious jobs, negative effects on the environment, etc.). That is why the international community and leaders are exerting more and more pressure on big companies to adopt CSR standards, which are clearly a form of soft law but are beginning to take root through certain principles adopted in different international forums.

In addition to CSR, some private sector initiatives are contributing to development going further than philanthropy alone. Building on core business, these initiatives generate innovative tools with strong potential for development.

The new models being created by these initiatives are all different in terms of their social aims, the pace set to achieve economic balance and the means to attain financing and return on investment. For example, some of the projects are financed in a hybrid way with impact investment and donations. The features of the expected financial profitability also vary from no return on investment at all to even remunerating investors.

However, these different models all take an entrepreneurial approach with a social objective using an economic model that ensures sustainability. As with their core business, they use:

- Organizational skills (for example to establish or strengthen a value chain) or operational skills (particularly for marketing products and services that make a social impact);
- Initiatives helping to meet objectives that may be of public interest;
- Capacity for innovation and achieving results in order to implement financially self-sufficient and even profitable development projects.

Inclusive economy enterprises are therefore organized both to fulfil their social mission and to ensure their viability. The social-economic combination is the focus of the approach of these new models and enables them to produce significant scales and impacts.

INITIATIVES OF BIG COMPANIES FOCUSING ON THE INCLUSIVE ECONOMY AND SUSTAINABLE DEVELOPMENT

A number of big companies are now experimenting with new models to solve environmental and social problems. With these initiatives, their traditional models are evolving into riskier, but more inclusive, and consequently, more sustainable models. The companies concerned are driven by multiple motives, including:

- Awareness that current growth models are not sustainable (this factor forcibly impacting their own business models);
- Sustainable management of ecosystems in which they work;

²⁵⁴ See DFID and <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8322.pdf>

- Discovery and approach of new current or future markets;
- Search for innovation;
- Rooting in countries where these groups operate;
- Internal motivation and reputation issues.

Certain companies market goods and services to the poorest populations – Bottom-of-the-Pyramid approach²⁵⁵

- Cemex, a Mexican cement company, developed with its [Patrimonio Hoy](#) programme an integrated service offering for Mexican households wishing to enlarge their housing. The project has enabled more than 400,000 families to improve their housing conditions. It is moreover one of Cemex's most profitable sales area, generating more than €30 million in revenue;
- Danone Milkuat had developed a dairy product fortified with vitamins and minerals and sold to children in school cafeterias and through conventional distribution networks with the aim of replacing snacks with healthier food. Nearly two billion bottles were sold in 2012 to tens of millions of customers.
- For more examples see the [Annex](#) – Examples and case studies of companies creating income-generating activities for the poorest populations.

Other companies creating activities that generate revenue for the poorest populations

- The [Project Shakti](#) of Hindustan Unilever developed a network of 50,000 female entrepreneurs (assisted by their husbands or their sons in the case of 30,000 of them) ensuring the distribution of Hindustan Unilever personal care products in Indian villages where the brand is not present. The project has undergone several changes, which have at times been difficult, but Unilever is thinking about implementing this project in Nigeria;
- [GDF SUEZ](#), with the [Rassembleurs d'Énergie](#) fund, invests in projects providing access to energy in developing countries and supports them with technical assistance services and philanthropic funds from the GDF SUEZ Foundation;
- [danone.communities](#) supports social businesses with an impact on reducing poverty and malnutrition through both investment via a SICAV open to the general public, but also technical support provided by Danone exports. In addition, the €100 million Danone Ecosystem Fund ([Danone Ecosystème](#)) assists tens of thousands of small producers in the value chain of the group to structure

²⁵⁵ Expression taken from a book by professor Prahalad, *The Fortune of the Bottom of the Pyramid: Eradicating Poverty Through Profits (2004)*, to urge companies to develop products for the four billion people living on less than \$2 a day.

their business mainly in Africa, Asia and Latin America. The Danone Ecosystem Fund has already invested in 40 job-generating programmes with small farmers in distribution activities and recycling.

- For more examples see the [Annex](#) – Examples and case studies of the roles of corporate impact investing funds providing entrepreneurs with financial and technical support.

Certain private funds are working in the area of the environment and poverty alleviation, particularly certain carbon funds

- Nine French and European companies (Danone, Schneider Electric, Crédit Agricole, Hermès, SAP, Firmenich, Voyageurs du Monde, La Poste, Caisse des Dépôts) have created a the Livelihoods Fund that invests in major agricultural, reforestation and energy programmes with poor rural communities and provides investors with carbon credits as a return on their investments. This fund has already enabled 120,000 trees on 30,000 hectares to be planted. It has also had a positive impact on three million people living in rural areas.
- For more examples see the Annex – Private funds working in the areas of the environment and poverty alleviation, particularly carbon funds.

These initiatives are still in the early stages and in many cases, small in size, but most of them are developing rapidly. They have already mobilized significant amounts of private capital.

In addition to the financial commitment, it is important to note that business expertise is provided (innovation, technologies, skills, etc.). It is also important to remain cautious with regard to the effective impact that these initiatives could have on inclusive development. They however warrant consideration, and above all encouragement, since they help renew traditional development assistance conceptions and practices. Moreover, these initiatives are very often conducted in partnerships between business and private investors, NGOs and public stakeholders. Through discussions and cooperative practices that they generate and/or encourage, they help take forward and enrich the vision of action and skills of each of these stakeholders.

2.1.4. Local governments: longstanding commitment

Local governments, as leaders and managers of regions, who are in contact with populations, addressing their needs and divisions, in connection with economic stakeholders and civil society, are the best level with which to establish inclusive sustainable local and regional development²⁵⁶.

However, in sub-Saharan Africa, where the decentralization process is still recent and often not completed, local governments need to be supported and assisted.

That is where the rise in decentralized cooperation in northern-southern public policies comes in²⁵⁷. Addressing the aspirations of their citizens (desire of populations to forge close ties with populations in other places; cohesion around a collective project; political, economic or cultural exchanges; recognition), it is useful in helping southern regions develop more independent and efficient management, the first step towards sustainable local and regional development.

To date, close to 5,000 French local governments have engaged in partnerships with more than 10,000 foreign local governments in 147 countries²⁵⁸. More than 13,000 cooperation projects have been conducted in liaison with diplomatic and consular posts, Cooperation and Cultural Action Sections (SCACs), and more recently, the French Institute or *Agence française de développement* (French Development Agency, AFD)²⁵⁹.

In the case of sub-Saharan Africa, 733 French local governments are working with 1,319 partner local governments in 36 countries, in a total of 2,188 decentralized cooperation projects.

The ODA of French local governments, declared to the OECD, as is the case with central government ODA, stood at €60.5 million in 2011²⁶⁰ and was expected to reach €70 million in 2013²⁶¹. These many cooperation projects between local governments in France and in developing countries are relatively unique. They create a wide range of experiences and relations between elected officials and leaders of developed and developing worlds and between their inhabitants.

²⁵⁶ For an overview of decentralized cooperation, see <http://www.cites-unies-france.org/spip.php?rubrique18> (in French).

²⁵⁷ Ibid.

²⁵⁸ See the [atlas of French decentralized cooperation](#), (in French) on the website of the French Delegation of External Action of Local Governments.

²⁵⁹ Although local governments finance their external action with nearly 90% of their own funds, they also use co-financing, this reciprocity being increasingly sought in decentralized cooperation, especially with local governments in emerging countries. The AFD is developing a financing tool for northern local governments who support southern local governments. *Study on the Declaration of Official Development Assistance by French Local governments*, Agence COOP DEC Conseil, 2011.

²⁶⁰ *Study on the Declaration of Official Development Assistance by French Local governments*, Agence COOP DEC Conseil, 2011.

²⁶¹ [Report](#) issued by the French Senate on the financing of Official Development Assistance

DECENTRALIZED COOPERATION & SUSTAINABLE INCLUSIVE DEVELOPMENT

At the 2002 World Summit on Sustainable Development in Johannesburg, French local governments undertook to take on a leading role in promoting sustainable development²⁶². They reaffirmed their commitment in to decentralized cooperation and promotion of exchanges and partnerships between local governments, a channel for solidarity and innovation, and their will to establish twinning programmes as part of sustainable development and strengthen their content to improve assistance to southern and eastern populations:

- Local governments have an extensive “tool box” to implement local and regional development policies that are equitable and sustainable, directly or indirectly by entrusting public services to local public enterprises, private limited companies that combine capital from local authorities, major shareholders and financial partners, or the private sector;
- They also in their region have a variety of skills at their disposal both in city management teams and agencies (particularly urbanism agencies), in big companies, often global in size, present in networks, waste treatment, energy, construction, transport, etc. of other economic stakeholders or in civil society. Their involvement in the sustainable development of local governments in southern countries, with the support of this wide range of solid skills which they have gained, are translated into efficient support in such areas as urban governance and local governments’ capacity for project management²⁶³, waste and water resource management²⁶⁴, market management²⁶⁵, slum clearance²⁶⁶ and heritage protection²⁶⁷.

To address the decisive issue of tackling climate change and the need to collectively establish a positive credible agenda, local governments are working on advocacy and in the field²⁶⁸:

In France, Cités Unies France (CUF)²⁶⁹ provides a strong voice to French local governments in pushing for a greater role of local governance and urbanization in the sustainable development objectives, and relays the message of the United Cities and Local Governments

²⁶² Declaration of the French local governments at the World Summit on Sustainable Development, Johannesburg, 2002: <http://a211.ac.ca/wp-content/uploads/2013/07/declaration-francaise.pdf>

²⁶³ See the CUF leaflet “Assisting local governments in southern countries in their governance: http://www.cites-unies-france.org/IMG/pdf/F3E-CUF-PAD_Plaquette_Elus_KMO_avr09.pdf

²⁶⁴ See [leaflet](#) of decentralized cooperation in Palestine

²⁶⁵ See [website](#) on the cooperation in market management, from the city of Mulhouse to Mahajanga

²⁶⁶ See [example](#) of longstanding cooperation between Rennes and Diyarbakir

²⁶⁷ See [example](#) of very successful cooperation between Luang Prabang and the city of Chinon

²⁶⁸ See http://www.pascalcanfin.fr/wp-content/uploads/2013/11/Rapport_Dantec_Delebarre_2013_VF.pdf

²⁶⁹ [CUF](#): Founded more than 30 years ago by Bernard Stasi, the CUF brings together French local governments engaged in international cooperation. It is headed by Michel Delebarre.

(UCLG), which urges its members to contribute to the campaign to work towards developing “sustainable cities”.

Also, the UCLG Climate Negotiation Group²⁷⁰, led by the city of Nantes, is following international negotiations and advocating the interests of local governments in the different fields concerned by climate change²⁷¹.

The C40 CITIES network is also a credible and documented voice in tackling climate change. Launched in 2005, this group of major global cities, aims to draw lessons from policies implemented in these cities to curb greenhouse gas emissions, and disseminates models that have worked. A partnership was concluded in 2006 with the Clinton Foundation, and more recently with the World Bank and ICLEI²⁷². The group is currently chaired by the Mayor of Rio de Janeiro, Eduardo Paes. His role of advocating and producing information and knowledge is growing²⁷³.

These actions are supplemented by actions in the field, which are growing in number in the area of tackling climate change, especially since local governments in northern countries have assets that can be used in this area, particularly when it comes to improving mobility and its connection with urban quality²⁷⁴. Transferrable lessons can be learned from recent experience of tramways in major French cities, and their impact on the urban landscape and the emergence of sustainable regions²⁷⁵. More generally, local governments in northern countries and their urbanism agencies have a role to play in assisting in the planning of southern regions, as could be seen in the support provided by the *Atelier Parisien d'Urbanisme* in Rio, Rabat, Medellin or Amman, that provided by Lyon to Addis Ababa or Ho Chi Minh City, or that of AURIF to Phnom Penh or Dunkirk to Vitoria²⁷⁶.

A LINK IN THE CHAIN

Decentralized cooperation, although with a number of advantages, has its limits due to the piecemeal nature of projects and its insufficient incorporation into a more global support system:

- The mandate of elected officials in local governments does not include the financing of programmes outside of their region. French local governments therefore do not often have the means to initiate large-scale projects on their own and bring them to fruition;

²⁷⁰ See <http://www.uclg.org/>

²⁷¹ See <http://www.uclg.org/en/issues/climate-change>

²⁷² See <http://www.iclei.org/>

²⁷³ See <http://www.c40.org/eight-solutions-to-address-climate-change>.

²⁷⁴ See http://www.afd.fr/webdav/site/afd/shared/PORTAILS/SECTEURS/COOPERATION/Transport_MobiliteUrbaine_VF.pdf.

²⁷⁵ *Les territoires du tramway moderne : de la ligne à la ville durable*, J.Stambouli, sustainable cities and regions, 2005.

²⁷⁶ See <http://www.fnau.org/file/news/FNAUfran%C3%A7aiscomplet.pdf>.

- Dissipated efforts and problems organizing a French “influential force” rallying together local governments, the central government, consultancy firms, enterprises and financial institutions throughout the value chain limit the scope of responses provided to the southern local governments;
- The need to capitalize on local experiences and best practices, as recommended in the Dantec-Delebarre report.

A way forward is to better incorporate decentralized cooperation into the value chain of multi-stakeholder development projects. The development of partnerships with local development actors could then strengthen the impact and raise the profile of these decentralized cooperation actions. Since 2002, this path was announced: “sustainable development strategies will only be effective if they involve all private and public stakeholders in concerted and coordinated actions: international and European institutions, central governments, local governments, enterprises, trade unions, associations, etc.”²⁷⁷

2.1.5. The changing face of public development stakeholders

At the Mo Ibrahim Foundation Forum in Addis Ababa in November 2013, Koen Vervaeke, EU Special Representative to the African Union, stated: “The difference between assistance and the market is becoming smaller, the dividing line is blurred, it moves all the time, and in the assistance offering, the new mantra is the word “blending”, a blend is becoming the norm”.

MOST INTERNATIONAL PUBLIC STAKEHOLDERS HAVE ADJUSTED OR ARE ADJUSTING THEIR SYSTEMS

A large number of countries have firmly decided to support this trend, and even to establish it. In this blending of official assistance systems, there are initiatives such as Power for Africa launched by the United States in 2013, in which US economic outreach support agencies are directly associated with the private sector. In line with economic diplomacy doctrine in France, the Védrine report²⁷⁸, which was submitted to the French Minister of Economy and Finance in December 2013 at the Elysée Summit for Peace and Security in Africa, deals with how the French economy should take the commercial offensive in Africa, and advocates a modern approach to assistance for a sustainable development of the continent. French President François Hollande announced the initial steps to be taken to establish a foundation with this purpose in which the public and private sectors will participate. This is another closer example of blending at another scale.

²⁷⁷ Ibid.

²⁷⁸ See report submitted to the French Ministry of the Economy and Finance, December 2013.

This blending can have both negative and positive outcomes. But it is a reality, and innovations are emerging that seek to make the most of the trend, by combining the approaches, without however confusing them. Here are some examples.

The US development assistance system is largely based on the private sector and civil society. Such is definitely the case of the [Millennium Challenge Corporation](#) (MCC). But USAID has also long practiced cooperation with the private sector and does not earmark more than 10% of its funds to government-to-government (sovereign) projects²⁷⁹. For example, USAID has introduced the [Development Innovation Ventures](#) programme, which provides financial support to innovative projects with a social purpose and strong potential impact for developing countries. Individuals or any type of legal structure (private or NGO) can put forward projects and apply at any stage in their development, and then again as they grow, the idea being to accelerate growth of the most promising models.

The private American Cordes Foundation created a \$250 million investment fund in 2013 to support the development of SMEs in Africa and Latin America “because of the social leverage that the micro-economic development of these continents represents”. The American OPIC²⁸⁰ invested \$85 million in this project in matching funds (in the form of debt with an equity kicker) with a 1:2 ratio, to help raise \$170 million from private investors. The Canadian government provided a \$15 million first-loss guarantee to this fund of US jurisdiction. The objective behind work of US and Canadian agencies in the creation of this fund is catalytic. It aims to attract private capital to generate the significant social leverage that the development of SMEs represents.

GIZ has established Responsible and Inclusive Business Hubs in several of the countries where it operates in order to support local social businesses. GIZ holds sector-based dialogues every six months on development-related topics (agriculture, energy, etc.). GIZ is thinking about creating a public-private platform to raise awareness about the inclusive business models and to support their growth and increase their numbers.

In December 2012, the British Department for International Development (DFID) launched a €90 million Impact Fund, managed by CDC (the UK’s Development Finance Institution). It aims to invest in intermediaries financing social businesses in sub-Saharan Africa and in Southern Asia and provide them with technical assistance. The fund will offer early stage capital, to then attract other investors with return on investment objectives (either in a second phase or as co-investors).

Based on the mixed experiences of the first generation of its Challenge Funds²⁸¹, DFID now recommends that private sector support be approached as an ecosystem. Accordingly, DFID

²⁷⁹ Interview with Christopher Jurgens, Global Partnership Director, Office of Innovation and Development Alliances (IDEA) at USAID.

²⁸⁰ See <http://www.opic.gov/>.

²⁸¹ Only two or three projects in the current portfolio of the Africa Enterprise Challenge Fund (AECF) out of 180 investments, which were chosen after a selection process with more than 8,000 proposals, seems to have a disruptive potential for the

is currently launching second-generation Challenge Funds that are much more targeted. These funds will support businesses with promising innovations (and thus far untested) faced with proven market failures. Innovation will therefore be a focus of these systems, with the risk it involves. This will require DFID to radically change the way it operates.

EuropeAid has created funds to support private sector development—particularly micro-businesses and SMEs—in developing countries through co-financing mechanisms with other European donors. EuropeAid is also rethinking its 2014-2021 strategy so that it includes more support to private sector businesses working in development.

2.2. Co-creation as an approach to action

As seen in previous chapters, the number of initiatives conducted by stakeholders from different backgrounds to develop the inclusive economy is on the rise. The number of new hybrid models is likewise increasing since, given the complexity of fair development issues, stakeholders have to address their different shortcomings.

Indeed, national and international donors sometimes need to address their lack of proximity with the field, CSOs need to address their inexperience in economic sustainability in the context of decreasing public resources, and private sector businesses need to address the fact that they are not familiar with the needs of distant populations. Therefore a number of stakeholders have already decided, after having long ignored each other, to work together in jointly creating new models that could generate social, technical and structural innovation.

We are now entering a new phase of creativity, experimentation and learning based on cooperation of many different stakeholders to produce measured and evaluated results. Against this backdrop, the ability of private, public and community stakeholders to work together will be decisive. We therefore must devise new ways for the private, public and community sectors to collaborate, and even come up with new forms of businesses to operate in the inclusive economy. We should be aware of what each of us can lose and gain in this multi-stakeholder collaboration.

2.2.1. Mutually beneficial contributions of the private and public sectors

When the initial innovative experiences in the inclusive economy were launched, companies were not spontaneously working with public authorities. It was not a question of distrusting

sector concerned. And in view of their development conditions, these successes remain at times difficult to transfer. Such is the case for M-Pesa (interviews with Private Sector Development teams of the DFID in September 2013).

the public sector but rather an entrepreneurial reflex, which was similar to the usual way companies operate, confident in their abilities to resolve, without public support, problems they come up against.

French examples include Total, which launched the [Total Access to Energy programme](#) and finances social entrepreneurial endeavours in developing countries in order to enable as many people as possible to access energy. The group markets an energy offering that is adapted to the needs and means of low-income populations. [Schneider Electric](#) created the [BipBop](#) programme to develop new models to provide energy to populations without access. Danone created the [danone.communities fund](#) with the purpose of reducing poverty and malnutrition by developing social business projects.

After a few years of experimentation, companies have become aware of how hard it is to overcome a number of obstacles inherent in these types of innovative activities and understood the essential role that public authorities must play. They have noted that including the project in public policy facilitates cooperation of project leaders with other private, public and community stakeholders. It also facilitates objective measurement of the impact of projects. In addition, public authorities are the only ones with the power to change the regulatory framework, which should help make the projects economically viable (for example, in the case of electrical micro-power stations in rural areas, which are only viable if a single tariff is not established countrywide). They lastly have a role to play in achieving an economic model of inclusive projects, which are more difficult and longer to implement than classic projects and generate uncertain profitability, which is often lower than classic investments or differed.

It is important to underpin that questions continue to be raised in every business involved in inclusive activities, which reflects their new and significant nature, as well as the related importance of public support in clearing up any misunderstandings and overcoming reticence: How can they justify the risks taken, time spent and amounts invested to shareholders? How can they avoid being accused of making money off poor people? From this viewpoint, cooperation with the public sector provides reassurance about the governance of projects and their impact. But the delicate question of exploitation still remains: How can we avoid being used by politicians for electoral purposes?

Conversely, against a backdrop of public resource cutbacks, seeking leverage and the need for special skills and innovative models that can be scaled up are reasons that motivate donors to support private sector initiatives when it comes to the inclusive economy. However, like private actors, donors are still raising many questions.

Is encouraging private sector initiatives, which are theoretically private, a good (the best?) way to use public resources, originally intended to finance public goods or services? Moreover, does not the use of money for philanthropy raise the same issues? And at a time of cutbacks in funding, what existing programmes should be reduced, even eliminated, to raise the resources needed for this approach? When it comes to a development sector that declares the aim of comparing the effectiveness of different types of action (reliable

measure of results, particularly with sophisticated impact studies²⁸², although the use of such studies remains rare on account of their costs), how can the effectiveness of business approaches, which by nature are moving and changing, be evaluated?

It is too soon to be able to measure in a factual and indisputable way that support for business initiatives is a more efficient and relevant way to take action than donors' classic approaches. Development specialists know better than anyone that objective measurement of the effectiveness of an action is often unrealistic. Development efforts involve both taking risk and conviction.

However, in sub-Saharan Africa, several excellent examples show not only that a deep conceptual change is possible, but that it could be beneficial to a wide range of stakeholders. In Kenya, M-PESA mobile phone money transfer services are used by 25 million people, and similar models have helped several million Africans access financial services on every continent, especially in rural areas. Equity Bank provides, for example, banking and credit services to eight million clients in Kenya, Uganda, Tanzania, Rwanda and South Sudan while the South African brewer SABMiller purchases its raw materials under special conditions from some 50,000 small farmers in Zambia, Zimbabwe, South Sudan, Uganda, Mozambique and Tanzania (UNDP, 2013).

2.2.2. What mutually beneficial contributions can SCOs and the private sector make?

The relationship between SCOs and the private sector has been considerably developed and enriched for the past two decades. It depends, of course, on the local contexts and particularly the respective roles of public policies and SCOs. In the United States, the very strong philanthropy tradition, which finances and supports most SCOs, is linked to the relative absence of federal policy in a number of important areas. In this country, the private sector has, directly or indirectly, been the main source of SCO financing for a very long time, which has considerably influenced the relationships between these two stakeholders. Many other models exist. In France, some SCOs are supported financially by the public sector. For a long time, companies have only had sponsorship relations with small and large NGOs via their company foundation, for example. For the past ten years or so, SCOs and companies have moved beyond this division and have both learned to work together, to understand and respect their main respective operating approaches, and to manage risks and opportunities that close collaborations could bring. It is difficult to generalize, without being stereotypical, what SCOs and the private sector can provide each other. Contributions can include field knowledge and experience, cultural know-how, management of stakeholders, consensus management, often on the part of NGOs; and managerial effectiveness, organisational capacity, management of talents, decision-making and risk-taking on the part

²⁸² Such as the Randomized Control Trial: A type of scientific study used to measure impact, with which beneficiaries of the treatment evaluated and the control groups are chosen randomly.

of companies. Concretely represented in projects, a common playing field is much larger, but not without risks, where stakeholders discover the very complementary skills of their partners. The mutually beneficial choice of the “right” partners is one of the most delicate and important things to learn in this collaboration between SCOs and the private sector.

2.2.3. What mutually beneficial contributions can SCOs and the public sector make?

The considerable field expertise of SCOs on social, environment and development issues is an infinite source of wealth for conducting public policies. Both providing field information to understand the weak signs and root trends, but also the obstacles, brakes and difficulties, SCOs are also very often the ones working closest to the field to implement the solutions proposed, and public policies, with all their intimate knowledge of the real conditions of application, and culture and social organization, which are the basic parameters for successful projects (see Section III of this report). Lastly, in many cases they fill the gap in public policy and public resources, even in the sizeable OECD countries.

Conversely, the public sector provides essential support to SCO activity, both in defining the framework for their action, sometimes even in getting them involved in governance of public policies. That is the case in France, where SCOs are largely represented in the National Council for Development and International Solidarity, or in the role the WHO has given NGOs worldwide in monitoring the implementation of the International Code of Marketing Breast-milk Substitutes or even in global climate governance in which NGOs are very much involved. Moreover, the public sector is, of course, directly or indirectly, a source of financing or co-financing of SCO action, and can also be an important guarantee for their action.

2.2.4. The growing role of social entrepreneurship

All these relations were significantly impacted by the arrival of social entrepreneurship. Throughout the OECD countries—the United States, Japan, Germany, the United Kingdom, and in France of course—, a new generation of CSOs emerged as such some ten years ago. Applying certain principles of functioning in the business sector or the inclusive economy, these SCOs have shaken up the traditional social and solidarity economy (in which they do not think they have a role) and have also invaded working territory of NGOs (both their fields of financing and action). However social entrepreneurs have also started questioning the lack of an explicit social aim of private businesses, since for many of them, they opted for an economic model, or at least a hybrid one, and have put a social objective at the core of their action. Social entrepreneurs are now important stakeholders in the co-creation process.

2.2.5. Building trust, and cooperating to co-create

In a world that is increasingly complex and difficult to understand, only the confrontation of ideas can generate innovative and efficient solutions, bringing together a wide range of stakeholders. Co-creation is based on the idea that it is not about juxtaposing diverse contributions but combining them to invent original activities and approaches to action. This co-creation process is based on a climate of trust and goodwill between stakeholders and requires special attention to methods for listening, dialogue and exchange.

How can trust be generated?

- By fostering more cooperation between stakeholders who mutually choose and regulate one another;
- Also, by allowing for public authorities to establish the necessary guarantees with regard to these actions and their impacts in order to ensure additionality of public sector assistance, the only guarantee for legitimate financing of private activity via public resources.

Co-creation is then possible and helps garner diverse means and skills (financial resources, operational skills, field knowledge, regulatory adaptations, etc.). This wide range of contributions facilitates the implementation of complex solutions, which take into account multiple dimensions of situations they come up against.

A number of projects have already proved the interest and effectiveness of this approach. The three inclusive development funds created by Danone ([danone.communities](#), [Danone Ecosystem](#) and [Livelihoods](#)) have for example helped jointly develop solutions and conduct, in six years and with 62 organizations, inclusive economy programmes (NGOs, social entrepreneurs, cooperatives) in 39 countries, with tangible and measured results.

Public authorities have systematically been involved in these projects. In certain cases, local governments offered public financial assistance and technical support. With regard to the Ecosystem Fund alone, €60 million which has already been earmarked has helped to raise €30 million of additional public and philanthropic assistance in the countries concerned.

These new approaches are more difficult to implement than traditional approaches since they require stakeholders who usually have different aims, experience, skills and working methods, to work together. To do so successfully, they must therefore be carefully organized and structured. A genuine expertise in this area is starting to develop (see the *Guide to Co-creation* published by Danone in 2012). They also require precisely defined objectives, methods, outcome measurements, etc. Although these approaches take longer to emerge and define, they are probably much more relevant, catalytic and sustainable than development programmes designed and implemented by only one of the possible stakeholders.

We consider these co-creation approaches to be the key in mobilizing stakeholders. They can establish a new paradigm for development assistance.

PROPOSAL 8.

SET UP A FACILITY FOR THE INCLUSIVE ECONOMY FOR DEVELOPMENT IN ORDER TO ORGANIZE PUBLIC SUPPORT FOR TEAMS OF STAKEHOLDERS

R. 23 - Set up a facility for the inclusive economy for development (FEID) to promote new models of inclusive development, including results-based payment schemes, modelled on development impact bonds.

PROJECTS STRUCTURED AROUND AN ALIGNMENT OF STAKEHOLDERS

Although it recognizes the essential role of government, the approach proposed in this report is above all based on an alignment of the main stakeholders taking part in a project (NGOs, civil society, private sector). In the models presented herein, the government, representatives of “beneficiaries”, project developers, investors and “purchasers” of externalities produced, are obliged to agree on objectives, responsibilities in the implementation and measurement of results from the time a project is designed to the time it is completed.

This structuring and implementation of projects through the alignment of mutual interests often leads to an overhaul of development assistance since they involve a wide range of civil society members to a much greater extent. They also require transparency and results, which are often lacking in the current system.

A CENTRAL OBJECTIVE: THE SUSTAINABILITY OF PROJECTS

Without prejudice to the results of other development stakeholders, the attention focused on the economic sustainability of projects is built into the DNA of businesses (the social and solidarity economy or classic private sector). The construction of self-sufficient models, which should eventually become self-financed to ensure their own growth, is a major contribution of the private sector to development projects. NGOs do more to focus efforts on the social and environmental sustainability of projects to ensure their sustainability. Models proposed in connection to the FEID will therefore be situated at the crossroads of these two requirements.

PROJECTS ON A MANAGEABLE SCALE

Facility-related projects to promote will be ambitious in terms of social, environmental and economic impacts but designed with the appropriate geographic and temporal scales so that project managers are able to monitor them properly. Therefore, they will concern small homogeneous regions, urban neighbourhoods, 5,000 to 10,000 hectares for agricultural projects, a few hundred villages, etc.

The operational capacity of stakeholders to achieve the targeted results will determine the optimal size of the project. The dynamic will be based on the replication of “human-scale” projects as opposed to macro-planning approaches that are currently used or micro-projects with a limited impact.

The attention given to the quality of aggregators (social entrepreneurs, NGOs, SMEs, cooperatives, producer organizations, etc.) able to rally micro-stakeholders (small family farms, dispersed villages in a region, etc.) to organize and steer the project will therefore be crucial.

REPLICABLE MODELS

The development world is characterized by a plethora of initiatives and completed projects, which are often interesting but small in size and difficult to replicate. One of the objectives proposed by the FEID will be to prioritize projects whose models could be replicated in other geographic areas or with certain features that could serve as a basis for other projects. That is why our FEID project plans to establish a network of skills with developers, financiers and researchers to capitalize and innovate.

A NEED: MEASURED RESULTS-BASED PAYMENT

The models proposed for this FEID will be based on seeking impact. Projects will therefore be structured around the measurement of results on which investors, project developers and “purchasers” of the externalities produced will reach agreement from the beginning.

This mechanism will help draw attention to effectiveness of the action conducted. It will require methods and measurement tools that are sufficiently robust and simple to implement. In recent years, measurements used for the effectiveness of development programmes have been the subject of a number of national and international studies so that they can become scientifically robust and reliable, and be applied without excessive costs. It is proposed that the FEID play a driving role in the development of these methods.

Private-public financial leverage

The approach proposed aims to develop different types of public-private partnership that revitalize the traditional approach of PPPs, often limited to different ways of delegating public service. Against a backdrop of cutbacks in public funding, this means establishing favourable conditions and financial tools that help mobilize private sector resources in different forms: impact investing funds, businesses interested in markets at the Bottom of the Pyramid, by providing sustainable resources, carbon markets, and payments for environmental services.

Public financing should be mobilized to lower the risk slowing private investment in projects and inclusive development funds. Public financing can also help purchase social and environmental externalities produced by the projects (see the Annex – Innovative financing models).

Promoting innovative financing at the service of development

New financial tools were developed in recent years in order to address the following development issues:

- Search for increased effectiveness and impact by seeking synergy between public donors, private investors and project developers (NGOs, social entrepreneurs, etc.);
- Better accountability vis-à-vis constituents with regard to public donors through a results-based payment system and measuring results;
- Search for additional financing sources from the private sector in order to fill the gap created by stagnating official development assistance (ODA);
- Efforts to address the root causes of the problems and implement approaches over the long term.

Inspired by the Social Impact Bonds developed in the United Kingdom, new financing models, now called Development Impact Bonds (DIBs), are emerging based on the following principles:

- Private investors (who can benefit from a public guarantee for a portion of their risk) finance projects with a strong social and environmental impact but with a considerable difference in the time between financial intervention and results;
- Public or private “purchasers” commit to paying for results achieved;
- Investors and purchasers agree beforehand on project objectives, the measurement of results, the results-based payment schedule and the choice of developer who is responsible for the project (see the Annex – Innovative financing models).

These new tools can be used in different development areas (see the case studies in the Annex on innovative financial tools at the service of sustainable development) if they meet the following criteria:

- Results must be measurable, which means that it must be possible to establish a cause-effect link between action and social/environmental impact;
- The scope of the project must be sufficiently important to justify the costs to set up the project which are relatively high;
- The project must enable donors to reduce their expenses by paying according to results observed.

We propose to encourage experimentation and development of these new DIB financing tools. Support of the French government but also local governments could exist on several levels:

- Support in setting up the project and structuring the first DIBs;
- Partial reduction of the risk for private investors (guarantee, investment in funds by share class, etc.);
- Commitment to being the purchaser of all or a portion of results in pre-determined conditions with investors and the project developer.

Encourage models based on measurement of results with a strong environmental and development impact

The new results-based financing models can act as levers for the implementation of large-scale projects with a strong impact on climate change ahead of COP 21 in Paris in 2015. Two models are to be presented: Payments for Environmental Services (PES) and carbon finance.

Payments for Environmental Services (PES)

PES are mechanisms aiming to channel payments of investments of “purchasers” towards “suppliers” of environmental goods and services. They exist because the exploitation of environmental resources (different natural resources, water, hydropower, food, biomass), with a purely market-based approach, is often not able to ensure both production of the good or service and sustainability of the environment from which it is extracted.

A number of environmental services also have a “systemic” value, in other words, in preserving them, other goods and services are automatically preserved. This is true for water, for example: preserving a watershed implies a more sustainable use of lands, preserving forest cover and therefore biodiversity and fertile soil, among other things. Yet such projects have a long return, often high risks, and a wide range of expected benefits. Also the list of beneficiaries includes more than the project promoter, which means sharing the burden.

The public sector must therefore get involved alongside the private sector to support the best projects, which generate the greatest impact. PES offer fields of application to results-based financing models. They are particularly appropriate for projects with a strong impact on climate change, and the restoration or adaptation of ecosystems.

Among the proposals developed in this report, **public financing could co-finance a portion of externalities generated by the projects providing access to energy** (see Chapter I “Firewood”), family farming (see Chapter I, “AFA Programme”) **and more particularly integrated watershed management projects**. Public financing that is national (AFD, FFEM)

and international (GEF, Green Climate Fund, etc.) should be mobilized to a greater extent for these projects and these financing models.

CARBON MARKETS

Carbon markets are mainly made up of a very important European market, but also a smaller market of voluntary carbon offsetting. Every year, private investors spend several hundred million euros on carbon projects and certain categories (agriculture, afforestation, reforestation, decreased deforestation and biomass) have a proven social and environmental impact.

These projects and the expertise that makes them possible are currently being threatened by a lack of global interest in carbon markets and a drop in prices. **The public sector could revitalize the sector** by taking the following measures:

- **Enable a partial exemption of the French Climate-Energy Contribution** for companies that invest in carbon projects qualified as having a strong verifiable and measurable impact on the climate and development.

Unlike mandatory markets (Clean Development Mechanism-CDM), voluntary markets are maintained and supported by the purchase of voluntary carbon credits by private businesses and public institutions that offset a portion of their emissions via the purchase of carbon credits of considerable social and environmental value.

The implementation of the Climate Energy Contribution for all businesses that are not subject to the European Trading System (ETS) will be translated into a dual taxation for businesses that are working in voluntary markets and finance projects with a strong climate-development impact with their purchase of voluntary carbon credits. If an exemption is not implemented swiftly, businesses will stop investing in voluntary carbon. Public authorities will therefore have helped to “kill” a very promising activity in terms of climate and development impact and financed by the private sector.

- **Establish an envelope** (financed with the budget of AFD, FFEM, Green Climate Fund, GEF, etc.) **for the purchase of carbon credits** (i.e. results-based payment) from projects that are eligible for their climate and development impact and certified by standards that have been recognized internationally (VCS, Gold Standard, etc.).

HOW THE FEID WORKS

Role

This structure devoted to inclusive economy projects will enable all stakeholders (enterprises, private investors, NGOs, foundations, etc.) to benefit from a **single point of entry**. It will have a role that is threefold:

- **Project validation**—The FEID will approve projects, decide on what public financing to allocate to them, act as an arbitration body in DIB cases (see Section III, Encouraging Private Investment);
- **Project financing**—It will have **its own financial resources** and enable access to existing public financing, which will take action in addition to resources provided by the private sector, their role being to encourage private investment by reducing the risk level and increasing their impact;
- **Support for inclusive economy stakeholders**—Lastly, the FEID will develop knowledge, disseminate evaluation methods, capitalize on best practices, and network stakeholders, etc.

Governance

The FEID **will rely on the skills and services of AFD and PROPARCO** to process the applications that will be proposed to its governance and to ensure their follow-up. Its governance will also be established consistent with the targeted objectives and by building on the experience of the French Global Environment Facility (FFEM). The FEID will therefore bring together skills from different private and public stakeholders in a **Joint Steering Committee** made up of recognized experts and prominent figures from the private sector and the civil society and representatives from the administrations concerned.

The Committee will be responsible for:

- Approving projects and public financing they are granted;
- Defining guidelines and steering and evaluating its actions to support inclusive economy stakeholders (see above: developing knowledge, disseminating evaluation methods, capitalizing on best practices, networking stakeholders, etc.)

Approval

The FEID will approve projects for investment funds, programmes or investments in specific projects in the area of the inclusive economy. It will open access to different types of financing:

- Public financial instruments established in connection to the FEID (see Section III, Encouraging Private Investment);
- Solidarity savings;
- The solidarity tax on wealth with a view to promoting investment in SMEs;
- Research tax credit (opening up to include “non-technological” innovation, particularly social innovation, which plays a key role in the inclusive economy).

The FEID will establish a doctrine to help determine **specific eligibility criteria for the inclusive economy projects** to be approved. To benefit from them, stakeholders submitting projects to the FEID need to **justify the coherence of their Environment, Social, Governance (ESG) or Corporate Social Responsibility (CSR) practices** with regard to the projects proposed. In its assessment, the FEID could rely on existing standards and rating systems, for example, the Global Reporting Initiative, Global Compact, Carbon Disclosure Project or Dow Jones Sustainability Index for companies and the Committee of the Charter for French NGOs.

Allocation

We recommend that the FEID be allocated financial resources and tools that are adapted to needs. Our proposals in this connection are as follows:

- **Reserve 10% of AFD commitments for projects with risk profiles that are higher than those that are allowed in the current rules of the institution**, with guidelines taking into account the specific features of these projects, positive externalities that they generate in terms of development, their contribution in priority fields of French ODA, and leverage in terms of mobilizing national and international private investments. In an extremely complex realm, where the need to innovate is omnipresent, it is no longer possible to work without bold projects that could revolutionize living conditions in southern countries, or in any case, significantly contribute to fairness and preservation of the environment.
- **Adapt the financial tools and eligibility criteria** currently used by AFD and PROPARCO to the financing of the inclusive economy projects referred to in this report. These projects are currently rarely eligible (see Chapter II, Public Donors Section).

In order to encourage private investment in the development projects with a high social and/or environmental impact, **provide the FEID with a specific financial envelope** so that it can intervene directly in various forms possibly using existing financial tools whose criteria should be adapted to this type of project:

- **Provide a guarantee** based on the experience of ARIZ and opening the possibility of guaranteeing private investments in equity (working further on requirements);

- **Participate in capital of inclusive economy investment funds or companies.** Investment funds by share class to bring together different categories of national and international private and public investors with different expectations in terms of profitability and risk taking (see Annex: Examples of structuring funds by share class). Public participation could be made in the form of convertible subsidies or any other system encouraging private investment and reducing the cost to constituents;
- **Subsidies**, particularly to financially assist in structuring and implementing DIB-type results-based payment models and other systems (see below), invest as public purchasers in the positive externalities produced with regard to measured results;
- **Reducing initial costs**, with financing of a portion of feasibility, due-diligence and project-structuring costs;
- **Support for actions to reinforce inclusive economy projects:** support the reinforcement and simplification of impact measuring, encourage the emergence of operational measurement techniques with a methodological and financial support in order to come up with reliable streamlined methods to implement; support replication and scaling up by investing in research-action programmes to identify levers, best practices and replicable models.

To have a catalytic impact, the FEID's budget should include the following main components:

- Subsidies: €50m per year for 3 years
- Guarantee: €50 - 100m
- Equity: €50 – 100m
- Loans: €200 – 300m

R. 24 - Create and organize dialogue and action processes around the inclusive economy and adapt the functioning of the National Council for Development and International Solidarity (CNDSI) to promote them.

Create a “France pack”, a multi-stakeholder grouping **organized around a theme**, to present an integrated offering in the numerous fields in which France works. This flexible and operational structure of an “Operational Committee” type would include public and private stakeholders: local governments, businesses, ministries (foreign affairs, treasury, etc.), engineering firms, experts and financial institutions (French Deposits and Loans Fund-CDC, AFD, PROPARCO, etc.).

- The objective would be to establish dialogue and access information that is essential but difficult to collect (projects and priorities of the European Union, calls for projects, etc.);
- Another objective: enable stakeholders to coordinate their action on projects that need it due to their size, means and skills to be mobilized. It

would work in project mode by mobilizing skills and key stakeholders on each major project that it selects. Its role would be to:

- Collect skills and means
 - Finance feasibility studies
 - Coordinate the project
- **Clarify and set out the articulation of objectives** of official development projects with action of stakeholders of the inclusive economy;
 - **Organize cooperation** on these objectives with stakeholders of the inclusive economy;
 - **Ensure that the composition and organization** of the newly created National Council for Development and International Solidarity (CNDSI) fully address existing problems and accomplishments when it comes to the inclusive economy.

R. 25 - Reinforce individual and collective skills of stakeholders of the inclusive economy for development (public, private, civil society, academic world)

French businesses working on inclusive economy initiatives are jointly developing new skills with NGOs and social entrepreneurs. They hope that the sharing, codification and dissemination of these new practices will be facilitated and encouraged. They also consider that academic and research resources should be mobilized more effectively and to a greater extent. The following proposals meet these demands.

COMPILE AND DISSEMINATE THE BEST PRACTICES FOR DEVELOPMENT

We recommend that a network be established with the following stakeholders:

- Private sector (businesses, investment funds, etc.);
- Civil society (NGOs, foundations, etc.);
- Public sector (ODA, PROPARCO, ministries, etc.);
- Academic world (public research, universities, business schools).

This network, supported by the FEID, would constitute a **forum for exchanges and learning** about genuine project experiences, the best local contacts (project developers, financial, legal, impact measurement, etc.), economic models that have been proved to work, the most effective financing modes, conditions for replication and scaling up, etc.

RAISE AWARENESS OF PUBLIC STAKEHOLDERS

This would mean **raising awareness of France's services abroad about inclusive economy projects** so that they can effectively provide advice to businesses—regardless of their size—,

help them identify local partners and better understand the needs of the populations, facilitate contacts with local administrations, etc.

ENCOURAGE HYBRID PROFESSIONAL PATHS (BUSINESS, PUBLIC, COMMUNITY)

- **Organize exchanges** of managers in businesses, AFD, NGOs;
- **Draw inspiration from examples** of DFID, USAID and GIZ to implement effective collaborative forms between the private sector and development assistance agencies;
- **Mobilize skills of staff** working in businesses, and especially of available seniors at the end of their career, for local partner support missions. With this in mind, create a **VIE (Volunteer for International Experience) Senior** enabling experts at the end of their careers to share their expertise with regard to development projects.

ENCOURAGE THE TOP GRADUATE SCHOOLS AND UNIVERSITIES TO CONDUCT RESEARCH AND TRAINING PROGRAMMES IN THE INCLUSIVE ECONOMY

- **Craft university programmes** in partnership with businesses, NGOs, public institutions;
- **Support and coordinate** these initiatives in connection with the FEID.

2.3. Reforming the French ODA system to mobilize stakeholders for development

The rash of cross-cutting development problems and the emergence of global policies on key topics, illustrated by the concept of global public goods and future sustainable development objectives, have led to an overhaul of ODA areas of action. These approaches are largely separate from the way global ODA is defined, evaluated and measured by the OECD DAC. ODA is a decaying conceptual field, inundated by all the stakeholders presented in the previous chapter, and restructured willingly or unwillingly by governance bodies that are gradually being shaped to manage global policies. This report does not have the objective or the means to define what the future of ODA is. However, we believe that its role must and can be more qualitative, catalytic and sustainable and for that to happen, it must build upon initiatives of stakeholders, their alliances and their coalitions to promote a more inclusive and sustainable development. Yet only a few tens of millions of the €10 billion in French ODA is directly available for this type of financing.

All the major bilateral and multilateral stakeholders of global ODA experiment (with their own culture, organizations and constraints) support mechanisms for these initiatives. Some of the ones we asked consider that it is genuinely a new paradigm, radically changing the approach to assistance. Since it is a major innovation in terms of objectives and means, we have decided to look into the conditions that are required to make this innovation work. Since it can only grow in a concentric ecosystem of skills, organization, mission prioritization and governance of institutions that develop it.

2.3.1. France has a unique system vis-à-vis Africa with AFD in a pivotal role

France's involvement in ODA is strong and longstanding. France is the fourth leading contributor to global assistance (10%) and the second leading contributor to the EU's assistance budget (20%).

France has gained extremely long and rich experience, immense know-how, and an extraordinary relational fabric for years in Africa through the wide range of French activities: embassies, ODA, local governments, research institutions, universities, but also NGOs, companies and unions. This wealth of experience constitutes valuable capital on which new approaches can be developed.

ODA plays a central role in the deployment of these means. Yet the context has made this task difficult, yet more crucial than ever in its current definition: "AFD finances and supports development projects and programmes that support more sustainable and shared economic growth, improve living conditions of the poorest people, contribute to the preservation of the planet and help stabilize fragile or post-crisis countries." We believe in the relevance of this mission. But in a very restrictive budgetary context, the question of priorities granted to these different areas poses the question of the ability of ODA to accompany these far-reaching changes required to implement massively the new paradigm of mobilizing stakeholders.

2.3.2. What should France's agenda be for innovation in ODA?

PROPOSAL 9. REFORM THE FRENCH ODA SYSTEM IN ORDER TO MOBILIZE STAKEHOLDERS IN SUPPORT OF DEVELOPMENT

R. 26 - Break free of the predominance of assistance to States and multilateral assistance, opening the ODA system to funding of the inclusive economy in support of development.

To do so, we need to continue to redirect allocated means. "65% of French development assistance is directed via bilateral assistance towards France's partner countries, [...] 20% is

entrusted to the European Union [...], 15% is entrusted to multilateral organizations²⁸³. That was the distribution presented in official documents at the Africa Forum held on the sidelines of the Africa-France Summit in December 2013. This presentation shows to what extent new approaches to support mobilizing stakeholders are marginal. Financial tools and eligibility criteria currently implemented by the AFD group are not adapted to them: these projects are too risky with regard to profitability expected in non-concessional activities (PROPARCO, among others) or generate a margin that is too low, and are too hybrid to ensure the principle of an additionality for non-concessional activities (subsidies, among others); lastly, they require a certain duration of action and AFD tools (private equity, particularly) are no longer appropriate. The implementation of the Sectoral Innovation Facility for NGOs (FISONG), with very limited means, and extremely innovative FFEM are initial steps in developing new tools. FFEM, although created 20 years ago, is a remarkable exception in its functioning, which can be used as a model for the deployment of the FEID and more generally mechanisms to support the inclusive economy for development.

The resources needed to launch a catalytic aid platform such as the FEID were presented in the previous chapter. Possibilities announced for the short term were few. But they do seem to exist provided that clear determination is noted to launch the movement towards a more catalytic use of the funds.

Over the short term, we consider that guarantee instruments should be a priority, not being considered a “cost for the State”, and given their very strong leverage (a first-loss guarantee can raise up to 100 times its annual cost).

In addition to the FEID, it would be a good idea to adapt the functioning of FISONG—at least partially—to the principles of the functioning of the FEID (or that a portion of FISONG resources be allocated to the FEID), NGOs being, as we have seen, emerging stakeholders in the inclusive economy.

A systematic review of the use of the €200 million from the subsidy programme (209) of the French Ministry of Foreign Affairs would undoubtedly reveal the possibilities for the catalytic use of these funds, using more systematic co-financing schemes in a structuring that would promote all the externalities of the projects concerned.

Moreover, we need to study streamlining in ministries of funds allocated to technical cooperation in the broad sense (annual €1.6 billion) and transfer the responsibility of those who are among these new types of stakeholders to AFD.

Lastly, supporting the mobilization of stakeholders requires long-term investment to scale it up and this means alliances should also be considered between international public donors to provide it with the necessary resources.

²⁸³ Global Fund to Fight AIDS, Tuberculosis and Malaria, UNITAID, Global Environment Facility, African Development Bank, World Food Programme, UNICEF.

R. 27 - Redirect objectives to move from a volume (disbursement) strategy to one that targets a catalytic, qualitative and sustainable effect of assistance.

French ODA should eventually redeploy a large portion of its human and financial resources on new forms of “cooperation projects”. They should be inclusive economy projects conducted by the stakeholders themselves using extremely new methods whereas the current volume and productivity approach, dictated by the OECD DAC, encourages an annual “business plan” and therefore seeks the lowest possible number of issues that are as sizeable and as simple as possible²⁸⁴.

Particularly, we consider that AFD, which has thus far positioned itself as a development bank and this was the basis for its successful redeployment over the past decade, now needs to take on a more comprehensive “agency” role, supporting the incubation of new models, through skills, organizations and financing from radically innovative tools.

It is important to recognize that the focus on the declared ODA numbers (which are calculated with heterogeneous indicators, some of which are totally disconnected from reality—for example a reference rate, and not updated for decades) is not relevant or sustainable. It would be a good idea to manage ODA with assessment indicators focusing more on performance than means.

R. 28 - Clarify the missions and organization of AFD to give it clear strategic positions in the competition between international development stakeholders.

Breaking with schemes that were no longer effective, the resurrection of AFD and its development since 2001 modernized its tools and globalized its area of action. Its commitments had increased fivefold, from €1.5 billion to €8 billion, at the price of a strong decrease in their concessional nature. The extremely rapid development of PROPARCO, which works in private sector financing, is an example of this. Overall, in 2012, subsidies represented less than 6% of AFD commitments (not including overseas departments and territories). AFD is evolving towards a model of a financial institution from which the State benefits every year through dividends, which both aims to protect it, to a certain extent, from the vagaries of budgetary discussions, but also risks drawing it away from its fundamental mission of public interest. In 2013, loans on market terms became more important in the AFD portfolio than concessional loans.

While at the same time, several ODA operators have explained that the difficulty in providing a competitive “subsidy” dimension in the loan offering (technical assistance, feasibility study) is becoming a disadvantage for AFD. We need to ask the question of whether we have gone too far in blending, especially since AFD, serving de facto as a bank to

²⁸⁴ Many believe that AFD is not able to oversee small projects. That is very likely. However it does not prevent at times, for other reasons, their proliferation: according to the 2011 General Public Policy Review, commitments in Kenya totalled €514,000 for 28 projects (Mali: €250,000 for 44 projects, Vietnam: €918,000 for 63 projects, China: €820,000 for 19 projects).

exert France's influence, is also asked to support the deployment of an "economic diplomacy". With its supply approach, it can take it even further from the core of its mission, unless it is strongly reaffirmed, in which case these influence roles could find synergy with AFD's fundamental mission. And the inclusive economy for an inclusive and sustainable development is their point of convergence.

At the very core of its development mission, AFD's geographical area of action must respond to requirements of priority actions and human and financial resources consistent with the International Committee for International Cooperation and Development's decision of July 2013 to concentrate the "cost for the State" on Africa and the Mediterranean. Although it is essential that AFD remain open to other geographic areas and grow from innovations that are developing on other continents, with other stakeholders and partners, or the same ones (some being global), the choice of these actions that are not in priority areas must be guided by specific criteria: resource allocation (including time and management, which must not negatively impact the means of action in priority areas), support of stakeholders in inclusive economy approaches, and learning and innovation potential (particularly on problems linking climate and development, with Latin American countries and Southeast Asia).

At the same time, AFD's mission states that it "supports" development projects and programmes. In reality, this component seems to be implemented mainly as a basis for funding, giving it a meaning (when there is concessionality), but not exceeding it, or very rarely (internal expertise on which AFD is based is that of any development bank including the African Development Bank, World Bank, etc., using it as a tool for analyzing and monitoring cases).

The fragmentation of French expertise capabilities within institutions, including in supervision and research, undermines optimization and efficiency and France is not able to genuinely ensure the "support" mission assigned to AFD. This point is important because massive mobilization of stakeholders will require development (and will promote the acquiring and sharing) of technical and sectoral expertise—which is far from being optimally deployed—that will however help the public sector have a catalytic and qualitative impact by mobilizing its resources.

Germany, with very different budgetary resources (GIZ, the German expertise agency directly mobilizes more than 15,000 contractual workers), clearly separates financing functions from expertise functions (also allowing partial financing of the expertise with multilateral funds). Establishing a hub of expertise with an appropriate legal status, preferably attached to AFD, that could ensure neutral coordination with regard to its different users, could create a strong and visible "French brand" in a certain number of areas, likely to attract better skills, and to make French expertise available to assistance policies in other EU countries and development stakeholders. Determining areas of expertise will help France entrust international stakeholders with support missions in the areas in which they are most legitimate. Openness and competition are levers for significant results in official assistance actions, particularly when we hope to give innovation a bigger role to play.

AFD's focusing on its development mission to increase innovation also leads us to question the distribution of roles between the CDC and AFD particularly because AFD continues to provide considerable support to French overseas departments and territories (about €1 billion in commitments in 2013), where their schemes are in competition. Moreover, synergies can be found between CDC and AFD in sub-Saharan Africa by combining their financial resources.

Lastly, it is necessary to indicate more specifically the roles on research when it comes to development, coordinate them to build collaborations and synergies and simplify the system²⁸⁵.

R. 29 - Simplify the ODA supervision system, and strengthen AFD governance by giving it more autonomy in implementing assistance to take risks and innovate.

The French Court of Auditors pointed to the complexity of the tripartite organisation between the supervision of the Ministries of the Economy and Foreign Affairs and AFD's role of "hybrid and powerful" operator, but also the weakness of impact assessment and measurement systems²⁸⁶.

It is of course important for public authorities to monitor AFD's proper management of funds it has been entrusted. Nevertheless, we can note that supervisory ministries have very different, and even conflictive, budgetary and political agendas, each operating with very little flexibility in their own approach.

It is essential that AFD be granted much greater autonomy in fulfilling its road map. For example, appropriation delegated to the Chief Executive Officer which is limited to €1.5 million in subsidies and €10 million in loans leads the Board of Directors to decide on issues that are incompatible with its main job of setting guidelines and monitoring results. We understand the protection that this low level of delegation represents for AFD, exposed to sensitive political pressures. However the more it supports stakeholders in the field, "project aggregators", and not only a relationship with governments, the less this protection will be necessary, especially if a transparency process is implemented in project assessment and monitoring.

The Board of Directors is managing de facto, which conversely does not generate any serious accountability of the management team with regard to objectives that are set in their regard, since it approves all the significant management decisions on an almost monthly basis. To support the emergence of new assistance procedures, it would be a good idea to completely reconsider how the Board works: its role, composition, frequency and delegated powers.

²⁸⁵ Coordination of the Inter-institutional Research Development Agency (AIRD) today ensured by the French Research Institute for Development (IRD), French Agricultural Research Centre for International Development (CIRAD), French National Institute of Health and Medical Research (INSERM), French Institute for Agronomic Research (INRA), French National Scientific Research Centre (CNRS) and universities.

²⁸⁶ Latest report of the Court of Auditors on development assistance policy.

Moreover, reiterating a number of comments made by internal and external observers, testifying to the time and energy mobilized on a daily basis for supervision management by AFD's management team, a very senior French official in an international post stated: "We need to remove AFD from under the multi-ministerial supervision. It is a genuine straightjacket and theatre of ongoing struggles that are paralysing decision-making. This results in an incredible loss of energy and therefore money and performance."

The way public authorities supervise AFD does not encourage risk-taking or the long-term strategic visions needed for groundbreaking innovation. On the contrary, it develops a very strong aversion to risk internally, which is the opposite of what AFD needs to transform its work. The political support for this risk-taking, promoting development, will be a determining factor as well, since public opinion is concerned about aid effectiveness and transparency, and since risk-taking receives few rewards in the civil service subjected to democratic pressure. "The private sector can lose money, but not the public sector," an AFD manager told us. The definition of the bandwidth of this risk and its organizational billet must imperatively be part of the road map for AFD as part of greater management autonomy.

R. 30 - Open up career possibilities and evaluation and remuneration systems for AFD managers, promote innovation and support the evolution of its professions towards new catalytic assistance procedures

AFD must be able to develop an HR policy that promotes risk-taking, innovation and effectiveness, which takes into account the wide range of talents and profiles (including international), and that of careers, by enhancing exchange programmes, within the supervising ministries, at CDC, with international partners, for example, the German state-owned development bank KfW, in the private sector, etc. This is the only way to make it a genuine engine of innovation for development.

This opening up will help develop innovation, and should also produce incentive to take risks. In this regard, the 2008 General Public Policy Review recommended to "set annual objectives for the CEO with a variable remuneration portion and mission letter." This recommendation on remuneration should focus more broadly on the management of AFD senior officials. The remuneration system plays a role of very powerful artefact in the culture of organizations.

Several managers in the French administration who we met while preparing this report mentioned the difficulty in managing human resources, talents and potential at AFD, in a system where the progression of salaries is greatly linked to age in different categories of staff until they retire. Yet consideration of performance in career management and remuneration of managers is an essential factor in the international way of working in the development world, another element of blending, in China as well as the United States, in the United Kingdom as well as in Nordic countries and many others, and in the public sector and private sector and foundations alike, even in NGOs. AFD needs to advance in this area in order to promote risk-taking and innovation.

III. ESTABLISHING THE CONDITIONS FOR SUCCESSFUL INNOVATION IN DEVELOPMENT ASSISTANCE

3.1. Reforming and modernizing the legal framework of the inclusive economy for development

A number of legal and tax limitations of the French system constitute clear stumbling blocks for the inclusive economy for development. For innovation to be successful, it is important to remove them.

3.1.1. No longer making a distinction between North and South in the definition of the inclusive economy

Development is no longer a matter of North and South, as the report has already noted. “Northern” countries, under pressure due to their demographics, have reached an impasse when it comes to their social, economic and environmental models and need to invent new ways to adjust them. Certain social and systemic innovations that appeared in the South could very well serve the North. With this in mind, we believe that legislative systems of the social and solidarity economy and those of ODA need to be aligned in order to develop a common platform of practices, know-how and expertise.

Yet, in France and abroad, the social and solidarity economy sector has been experiencing a flow of talents and capital targeting missions that are moving closer to the public interest for the past ten years. Their awareness is immediately global. In their efforts to improve precarious housing issues in Aubervilliers, they base their work on experiences in Medellin. In Chile, French students established in 1986 in the Contigo favela of Santiago, a micro-finance bank directly inspired by the Grameen Bank, whose legal status had only been officially established just three years before. This desire to draw inspiration from innovations and to replicate them is now instantaneous. In 2010, Grameen Bank opened its first agency in the Bronx in New York. What constitutes the North and the South in today’s world?

3.1.2. Lack of effective legal framework slows French innovation regarding the inclusive economy

In many countries, these new investors or entrepreneurs, from at times organizations and businesses that were able to make the most of the growing sophistication of financial tools and markets, or themselves belonging to a generation that was born in the Internet and digital economy era, outside of conventional frameworks, in the open-source culture, do not find the means to optimize the impact they are seeking in classic social and solidarity

economy structures, regardless of their wealth or specific history in each country and each culture.

For those who are familiar with them, the circles of social entrepreneurship in the United Kingdom, Germany, Japan, the United States, and France, are a source of mutual distrust and misunderstanding, which can easily turn into a dispute between classic and modern generations. Ideological and institutional stances block developments that could help civil society fully benefit from talents, energy and capital that new social entrepreneurs know how to rally, working outside borders and corporate divisions.

On one hand, NGOs and foundations that establish programmes based on market mechanisms cannot redistribute profits generated by their activity. That limits the ability of these programmes to raise funds, as well as to motivate their employees who cannot be interested in commercial success of the organization. These constraints led several NGOs to separate themselves from their commercial activities. Examples include CARE, which created its micro-distribution network, JITA²⁸⁷, a business in Bangladesh (with danone.communities as a co-investor), and IDE Cambodia, which turned its water filter distribution service into a business called Hydrologic Social Enterprise²⁸⁸ to ensure the sustainability of its social impact.

On the other hand, businesses that seek to meet social objectives cannot be exempt from income taxes and are not able to issue tax receipts likely to motivate possible sources of philanthropy funds. In addition, the founder of a successful social enterprise can refuse to sell it out of the legitimate fear that its successors are only thinking in terms of maximizing profits and not social impact. This problem is exacerbated in the United States where business leaders are legally obliged vis-à-vis their shareholders to maximize profits of the enterprise and choose the buyer maximizing shareholder value if the enterprise is sold.

Existing regulatory frameworks are by definition not adapted to very organic innovation, which struggles to find its means, and works on a trial-and-error basis. In France, thanks to the energy of its founder, Maria Nowak, the French microfinance association, ADIE, managed to attain an exemption from the banking monopoly allowing it to charge interest on micro-loans a few years ago. This rule has never known exceptions and Babyloan, the microfinance platform developed in France based on the American model of Kiva has not been so fortunate, despite repeated requests over the past several years.

When Blédina, a partner of the MALIN programme that was developed in the HEC Enterprise and Poverty Action Tank as a social business with the Red Cross, completely waived its profit margin on products for the programme, its tax deductibility had to be discussed at the French Ministry of the Economy and Finance. But if Blédina made a donation to the Red Cross, the business would immediately benefit from sponsorship tax terms and conditions.

²⁸⁷ To find out more about JITA, see: <http://jitabangladesh.com>.

²⁸⁸ See <http://www.hydrologichealth.com>.

Another example is that the territorial definition of the social and solidarity economy does not allow the financing of actions conducted outside French territory in their terms and conditions. There are endless other examples we could mention.

3.1.3. Anglo-Saxon countries have taken the lead in the legal structuring of the inclusive economy

Although a certain number of countries have recently streamlined social and solidarity economy systems (Spain in 2011, Ecuador and Mexico in 2013, Portugal in 2013), faced with the influence and issues in classic social and solidarity economy sectors, few countries have chosen to establish specific legal and tax systems to fully access benefits of social, systemic and technical innovation that these new forms of inclusive economy allow, which combine to varying degrees, a market approach with a social objective. To date, only the United Kingdom, the United States and Canada have created such systems.

In the United Kingdom, the status of Community Interest Companies²⁸⁹ (CICs) was created in 2005 for private companies working for the community and the public good. These companies include asset-lock in their status, in other words a statutory guarantee that the capital of a company cannot be used other than to fulfil its social mission. Under this framework, which protects the vision of their founders, when they sell their company, they must officially limit the amount of dividends that can be distributed to shareholders. The rest follow the same rules as classic companies in terms of taxes and raising funds. In 2012, more than 6,000 companies had adopted this status²⁹⁰.

In the United States, there are three legal forms for social enterprises. The Benefit Corporation (BC) adopted in 20 states and the recent status of Flexible Purpose Corporation (FPC) created in 2011 in California, which targets social entrepreneurs aiming to raise funds to increase their activity without endangering the social and environmental mission of their business. These statuses require the businesses to disclose an assessment of their social performance annually. The Low-profit Limited Liability Company (L3C) targets social businesses (with objectives such as education, health, employment, etc.) to help them easily access financing of foundations called Program-Related Investments²⁹¹ (PRI), which are eligible for tax breaks. This last status, created in 2008 and adopted in eight states, was adopted by more than 700 businesses in 2013²⁹².

²⁸⁹ <http://webarchive.nationalarchives.gov.uk/+http://www.cicregulator.gov.uk/CICleaflets/FAQ%20-%20October%202009%20V7.00%20Final.pdf>.

²⁹⁰ Canada took inspiration from the CIC status to create a similar status, officially established in British Columbia since July 2013.

²⁹¹ "A program-related investment (PRI) is one way in which foundations can satisfy their obligation under the Tax Reform Act of 1969 to distribute at least 5% of their assets every year for charitable purposes. While foundations usually meet this requirement through grants, investments in L3Cs and charities that qualify as PRIs can also fulfill the requirement while allowing the foundations to receive a return."

²⁹² See http://www.marclane.com/clientuploads/Task%20Force%20Report_1%2016%2013.pdf.

These new legal forms have several recognized benefits:

- An immediate recognition of the business as a social business by the general public and potential social investors;
- The possibility for administrators of these businesses to take decisions based on other criteria than maximizing profits (although they are obliged in US legislation to do so), and therefore they can better serve the social objectives of the business over the long term, while using market mechanisms to meet them;
- Access to more sources of funds than an NGO or a classic company.

These new structures are still being perfected. Yet US companies that are sustainable development icons have chosen to modify their statuses to benefit from them. Examples include Patagonia in California since 2012, the green chemistry Seventh Generation, the reseller of used books Better World Books, but also banks such as NewResourceBank. The number, which is in the thousands, and the reputation of companies that chose this legal form show their potential, and the systems continue to evolve.

3.1.4. In France, the recent law on the social and solidarity economy slows innovation

Strong tax incentive measures are granted to companies in the social and solidarity economy such as a tax credit granted when realizing an investment, limitation of tax deducted at source, partial exemption from capital gains tax, postponement of the capital gains tax to the liquidation of the investment and exemption of the capital gains tax when the funds are reinvested in a same type of activity.

A recent law on the social and solidarity economy defines a specific status for companies belonging to it. Legislators did not choose to implement a specific system for social business. This status will therefore not only comprise traditional stakeholders in the social and solidarity economy (associations, cooperatives, mutual insurance companies, foundations) but also companies that may choose to apply the main criteria related to the social and solidarity economy status to themselves.

To benefit from the social and solidarity economy status, the following criteria must be met:

- A purpose other than profit sharing alone;
- Participatory (democratic) governance;
- A long-term vision focused on maintaining or developing business activity including the obligation to allocate a significant portion of profits to reserves, and the prohibition to distribute a significant portion of annual profits to shareholders.

We can welcome these clarifications, which will make it possible for companies meeting these principles to enjoy the benefits of the social and solidarity status, especially in tax matters. But the principle of “one man/one woman—one voice, we can hope” in

governance recalled in the recitals of the draft legislation and the term “democratic governance” are going to extraordinarily limit adoption of this status by the new generation of social entrepreneurs, and exclude almost all the companies and NGOs that created or would like to create alliances, in France and elsewhere, in the inclusive economy.

From a standpoint of innovation for inclusive development, whether in France or elsewhere, this provision represents a major setback. By not distinguishing the mode of governance from the social purpose of companies, and in limiting access to its status to companies meeting these two criteria, it will confine the French social and solidarity economy to traditional expression while increasing the cost (implementation of an accreditation and control system).

We have drawn up a series of recommendations in this regard below.

3.2. Rooting development projects in culture

Culture is a theme that, when it does not cause indifference, continues to divide the development world. It is rarely the main ground for discussions, and is relegated to the background by the bias of the universality of basic needs, which are embodied in the MDGs, and even more in future sustainable development objectives, designed to be universal. These future objectives shape a sustainable development that we “would like to see”, a development that is today based on three interdependent pillars, and culture is not among them.

The Hangzhou Declaration adopted by UNESCO on 15 May 2013 calls for a new approach to sustainable development and advocates placing culture at the heart of public policy, pointing out that culture is the avant-garde of economic and social development. The Declaration urges governments, civil society and the private sector to harness the power of culture in addressing the world’s most pressing development challenges, such as environmental sustainability, poverty and social inclusion. “Culture is precisely what enables sustainability—as a source of strength, of values and social cohesion, self-esteem and participation. Culture is our most powerful force for creativity and renewal,” stated the Director General of UNESCO, Irina Bokova²⁹³.

Our approach begins with stakeholders as its starting point, a requirement for success and aim of the type of development we are proposing. In making this choice of stakeholders we also assume the choice of a complexity that is social, economic, environmental and cultural. The individual or group cannot be understood without fully addressing the essential role of languages, representations of the world, social structures and ways of thinking, which play a crucial role in the ability of a human group to invent its own future in the globalized space

²⁹³ [Hangzhou Declaration](#), UNESCO, 2013

that is increasingly our common reality. It is neither acceptable, nor effective to ignore these cultural identities as too many “development” programmes do.

Cultural diversity cannot only be considered an obstacle to change; it is also a fundamental source of wealth for humanity, not only its history but also its future because it will help invent new ways of living together in the future.

Moreover, culture is a driver of action. This “common pool” structures the dynamic of human groups; it is a lever for participation and commitment to a project. The recognition and showcasing of cultural identity is an important factor of individual and collective self-confidence, without which it is difficult to take action. It may have been feared in recent decades that the advent of mass media would destroy the local specificities in an irreversible smoothing of the world. The 21st century has taught us that democratizing access to technology and the exponential multiplication of information channels has also fostered the expression of the infinitely small or infinitely local. For example, in problematic neighbourhoods, cultural action may help restore the social connection, foster participation of inhabitants and revitalize local life. Culture also helps tackle social and cultural exclusion, helps people integrate socially and into work life and helps restore individual and collective identities (Auclair, 2008).

Here are some rural and urban examples of projects linking culture and development approach:

School for Amazonian Yanomamis

The Yanomami are one of the most numerous peoples of South America. They live in the Amazon Forest, in northern Brazil and southern Venezuela. They live off food they obtain from hunting, fishing, foraging and a little farming. Rich in mining resources, especially gold, their territory attracts illegal gold miners, and its borders are being deforested to raise livestock. Isolated until the early 1950s, the Yanomami do not speak the official language of Brazil and are not familiar with the cultural codes of the white world. To give its people greater autonomy and defend their cultural identity and rights, bilingual “schools” were created, with the support of NGOs such as Terre des Hommes Suisse and Survival International, on the initiative of the Yanomami. Yanomami teachers are chosen and teach courses that respect the pace of indigenous life, for all age groups. The priority is given to literacy in the Yanomami language (so it had to be written down and teaching aids had to be created in a participatory way). Portuguese is also taught. “The school is important to us because we need to learn how to speak, read and write Portuguese to draft reports, letters and projects. But the school is also important because it teaches us how to think about our culture and our way of life, to organize our relationship with white people and prepare our future”. (Carlito Yanomami – Ixima, health professional and student).

Source: Terre des Hommes Suisse, Survival International.

Culture and development of indigenous peoples in India

In India, there are numerous indigenous peoples grouped together under the term “Adivasi”, who have their own language (and therefore culture). Adivasis and their languages are marginalized, and the gap between these peoples and the rest of the Indian population has grown over the years. In 1996, a Research and Publication Centre for the documentation and study of literature in the Adivasi languages, called Basha (meaning “the language”), was founded. Its main objective was to publish 15 bilingual volumes of Adivasi literature. At the request of Adivasi writers and intellectuals, Basha launched a magazine called *Dhol* (meaning “drums”). Two years later, *Dhol* magazine was published in ten indigenous languages and a weekly radio programme was launched because indigenous cultures are above all oral. Since Adivasis are prone to Sickle Cell anaemia, a hereditary disease, Basha conducted a survey to determine how many people had the disease. Given the results (more than 35% of the population was affected), it launched a health programme training community health professionals. Because Adivasis are farmers but are experiencing food insecurity, Basha set up food-grain banks. Then, it established cultural festivals, a theatre to defend the rights of indigenous peoples, microfinance, and schools. Finally, the Adivasi Academy was opened and offers education degrees in various areas, from agriculture to culture, and encourages political debates that have enabled community empowerment and autonomy.

Source: Devy G.N., 2012, *Culture and Development, an Experiment with Empowerment*, Field Actions Science Reports Online, Special Issue 7.

From a Ukrainian village to the Egyptian “evil eye”: learning about the cultural dimension

The Danone Ecosystem Fund supports, in partnership with NGOs, a number of development projects in the dairy industry with small producers. Local staff has understood, after facing difficulties, the importance of the cultural dimension to understand individual and collective behaviours and the need to draw more attention to it. They at times had to rethink their way of taking action and therefore socio-economic impacts expected from these partnerships.

For example, two projects co-created with the NGOs Heifer in Ukraine and Care in Egypt aim to set up cooperative collection centres that increase milk productivity and quality and therefore the income of small farmers (two to 10 cows). These farmers have trouble marketing their milk production on account of an imbalanced commercial relationship with certain intermediaries. Thanks to technical and financial support, these cooperatives offer, in addition to milk collection, a variety of agricultural services helping to improve know-

how, working conditions and the development of farms. The socio-economic impacts are therefore tangible (increase in farmers' income, the number of farmers joining the cooperative, the number of litres produced per cow, the level of protein per litre of milk) and the operating procedures focused on technical, legal and financial dimensions. However deployment of these initiatives has rapidly come up against socio-cultural challenges that were indicated by NGO partners.

In late 2011, the Danone Ecosystems Fund undertook an anthropological impact study on the Ukrainian project with the Paris School for Advanced Studies in Social Sciences (*Ecole des Hautes Etudes des Sciences Sociales de Paris*), under the direction of professor Marc Abeles, to better understand cultural factors. It was stated in this study "that after the collapse of the Soviet model and the subsequent loss of references, (...) farmers have been forced to redefine their collective identity and a new solidarity ethic. The village emerges as an essential reference of this identity. People are defining themselves first and foremost as villagers". While big companies would like to set up individual remuneration systems for farmers based on objective performance criteria, the study highlights other community expectations, which go beyond a direct increase in their income, the development of common services within the village, for example, a laundrette, showers, a playground for children and a hair salon. Partners' action consisted in rethinking the impact of cooperatives in order to better take account in the field and in village daily life, of economic and social aspects, redefined in their cultural dimension.

In Egypt the first two collection centres were launched after CARE conducted a study on socio-cultural realities. Women in the cooperative played a very active role in the project, particularly in milk quality control actions. However the launch of a veterinarian vaccination campaign encountered the problem of belief in the "evil eye" ("*El'ain fala'at el haggar*": "the evil eye can split a stone in two"), which makes farmers reluctant to let other people see their animals in order to protect them from envious people. But the belief also justifies women's not leaving the family farm, since most of them tend to the cows. The CARE team therefore adapted the way that veterinarians intervene in villages and launched actions to raise women's awareness to gradually get them involved in the governance of the collection centre. Identifying then integrating cultural issues makes projects more complex, but ensures their effective implementation and sustainability. To do so, it is crucial to raise awareness of company staff and work with all of the development stakeholders along with academic experts in human sciences, if need be.

The following example shows how, in Haiti, culture plays a central role in animating neighbourhoods and building social cohesion, including in the most desperate situations.

Jalousie Neighbourhood Port-au-Prince (Haiti)

The Jalousie neighbourhood in Pétion-Ville, one of municipalities in the metropolitan area of Port-au-Prince in Haiti, was one of the pilot sites for the "Cities: management of social and

environmental transformations” MOST programme project of UNESCO. This project sought to encourage initiatives aiming to improve the quality of life and promote citizenship in the urban environment. Jalousie, like a number of working-class neighbourhoods in Haiti’s capital, was informally urbanized and has experienced significant growth in its population. Ignored by public services (no access to water, electricity, sanitation), locked in the heart of the city without public spaces, these neighbourhoods could be considered slums and are precarious, informal, poor and working class. Most of the people living in them work in the informal sector. Jalousie, which sprawls across the steep hills of Morne Calvaire, is an intricate maze of houses with narrow roads. In 1997, when activities began in Jalousie and in agreement with neighbourhood associations, it was decided to focus the project on improving the urban structure: improving roads, pedestrian walkways and retaining wall, creating three public spaces with lighting and urban furniture, a football field, and a small bridge for crossing the ravine.

An artistic component was integrated into improving the urban structure: parks and their benches were decorated with mosaics, and the retaining wall was decorated with a mural done by the inhabitants, under the direction of Patrick Vilaire, a Haitian sculptor. Artisans have been trained in using certain techniques (wrought iron, mosaics with recycled materials) and the accomplishments of the project became works of art. The mural symbolizes elements of popular culture, such as kites and the history of a neighbourhood, with a number of works about women (Jalousie was a neighbourhood of prostitutes). Urban renovation has thus showcased popular culture, and given a fresh identity to inhabitants. Recognition of popular identities helped generate a feeling of collective belonging, and combined mediation efforts of neighbourhood associations, thereby fostering citizenship.

We have drawn up some recommendations on cultural rooting of development projects below.

3.3. Stakeholder capacity building

Acquiring skills in the broadest meaning of the word is a requirement for development in Africa, an idea that is stressed throughout this report. The considerable efforts being made by a number of African countries to enrol their children—boys and girls—in school and to help them attain basic education should be pursued to meet not only quantitative goals (enrolment rates) but also qualitative goals (quality of education, school conditions, education outcomes).

Youth vocational training is urgently needed to enable millions of young people to integrate into economic life and participate in the development of their country. The report recommends a fundamental change in directions and priorities of vocational training in order to meet the massive youth qualification needs, particularly in the informal sector (See

1.2 “Recognizing the importance of the youth employment objective” and Recommendations [R2](#) to [R7](#)).

Considerable investment in largely neglected agricultural training is needed to help family farming overcome food and economic growth challenges (See I.3 “Moving towards family farming” and Recommendations [R9](#) and [R10](#)). By focusing particular attention on the access to training for female farmers and women in a rural environment (See II.1.1 “Women taking an active role in their development”).

Managers in the private and public sectors and administration, as well as the civil society, also need training in order to meet the following challenges, which are to:

- Contribute to the emergence of a network of leaders and future leaders who, through their skills and awareness of their responsibilities, can support sustainable development in its economic, environmental and societal dimensions;
- Contribute to training entrepreneurs among young people, who are likely to create economic and societal value in their ecosystem, and strengthen responsible development in their countries.

Several innovative initiatives have been developed in recent years. For example, the China Europe International Business School (CEIBS) in Shanghai, one of the best business schools in China in international rankings, opened a branch in Accra, Ghana, in 2009. This branch intends to offer Executive MBAs, which could help strengthen trade relations between Africa and Asia.

Reserved for a hundred or so “lucky few”, who attend classes in English in conference rooms of comfortable hotels of Accra, the Ghanaian branch of CEIBS aims for excellence in its Advanced Diploma in Management taught in twelve modules. The CEIBS-Ghana programmes receive financial support from the European Union and the city of Shanghai, under the aegis of the Chinese Ministry of Commerce.

A French initiative could play an important role. Our country has assets to offer in training leaders: the presence of a growing number of French companies in Africa that need to train African executives and can contribute to the transfer of skills; extensive experience in training African managers at the AFD training centre (CEFEB); and universities and top graduate schools (*grandes écoles*) that could lend their teaching expertise and their international networks.

In this context, we propose the creation of an open development platform targeting leaders and future leaders, with an economic vision seeking societal and environmental contributions: the “*Campus des Acteurs du Changement Africain*” (Campus for African Change). The idea is to build a class of leaders who can work for change in their own

country. This forum could be one of the programmes of the Public-Private Foundation proposed in the Védrine Report.

This platform could be based on an alliance of private French group sponsors, in collaboration with African companies operating in the targeted countries and:

- One or two organizations with a social purpose (NGOs or foundations);
- A European business school or university and at least a university in the targeted African countries;
- Institutional and development representatives (eg.: AFD).

Over the short term (three years), this platform would launch one to three projects helping to provide responses to the issues mentioned above, in a spirit of experimentation, and that could be extended if successful:

- Contribution to the training of 300 to 500 leaders and future leaders involving two to four French-speaking African countries and one or two English-speaking African countries;
- Launch of a pilot training programme "*Jeunes Entrepreneurs Africains*" (Young African Entrepreneurs) in one or two countries (25 to 50 participants);
- Launch of a university/enterprise training project providing certifications in cross-cutting skills, in one country, to facilitate matching training and jobs.

Training courses proposed by the "*Campus des Acteurs du Changement Africain*" based on three areas:

- Managerial: mainly staff management and development, project management and conducting change. These training courses concern both business managers and government officials. The idea is to reduce the wall of distrust that often exists between local governments and the private sector;
- Cross-cutting professional skills: quality management (in the broad sense, beyond ISO or TQM procedures), innovation, customer management, HR and training management. The idea is to step up the dissemination of modern management methods, which are adapted to the social and cultural context, values of responsible business, and the ability to take social and environmental impacts into account.

We have drawn up recommendations on the *Campus des Acteurs du Changement Africain* below.

3.4. Accelerating the digital connection throughout Africa

The development of new information and communication technologies (NICTs) has revolutionized the world for the past 20 years in terms of connectivity. This has produced situations that could almost be considered contradictory:

- There are nine mobile phones per 10 people in the world;
- 30 % of the world's population, on 1% of the world's surface area but across three continents, generate 60% of Internet and telephone communication;
- 45% of the population still lives in rural areas and has limited connectivity;
- 1.7 billion people have a phone, but not a bank account;
- Tens of millions of people have a phone, but do not have electricity ²⁹⁴;
- More than a billion people do not have any communication technology ²⁹⁵;
- A total of nearly 90 % inhabitants in the 50 least developed countries in the world are not connected²⁹⁶, although their access to a connection is included in Millennium Development Goal 8 for 2015 and the UN has earmarked funds to this end.

This chapter focuses on why connectivity is a fairness factor in development, the obstacles to its progression, how the approaches to mobilize stakeholders proposed in this report can help overcome them, and where and how the ODA systems could play a specific role.

3.4.1. Connectivity: major area of innovation for development

CONNECTIVITY, LIVING SPACES AND FAIR DEVELOPMENT

Connectivity distorts and leverages the traditional notion of living space by replacing it with a broader scope of awareness that may, for example, connect rural and international migrants to their loved ones, patients to their doctor, students to their source of knowledge, producers to their clients (it is a major factor in making for smoother exchanges, especially of an economic nature, including by improving information about markets and prices), or even citizens to their administration and their government.

The sustainable effects of connectivity on development have not been proven in the recently penetrated areas, particularly given the budgetary compromises that it imposes on people who are being connected, but also because it may be difficult to distinguish between the actual effects of connectivity and its consequences or other factors.

However, studies on the links between improving connectivity, stepping up GDP growth over the medium term and improving human development indexes are both numerous and aligned ²⁹⁷.

²⁹⁴ Broadband Commission of the Commonwealth Telecommunications Organisation (CTO).

²⁹⁵ International Telecommunication Union (ITU).

²⁹⁶ Ibid.

²⁹⁷ See "The Economic Impact of Telecommunication in Senegal" Dr. Raul Katz and Dr. Pantelis Koutroumpis, http://papers.ssm.com/sol3/papers.cfm?abstract_id=2270502, and "What are the Economic and Social Impacts of the Mobile Phone Sector in Developing Countries", Private Sector and Development magazine, Issue 4 2009, http://www.proparco.fr/lang/en/Accueil_PROPARCO/Publications-Proparco/secteur-prive-et-developpement/Les-derniers-

Technological progress and the democratization of access to tools that we categorize today as “Information and Communication Technology for Development²⁹⁸” (ICT4D) tools, have helped to reduce the isolation of populations located at the bottom of the economic pyramid. The field is broad and is still largely unexplored. The study²⁹⁹ conducted in 2012 by Hystra and Ashoka with the support of Orange, Ericsson, the Interchurch Organization for Development Cooperation (ICCO), the Netherlands Organization for Applied Scientific Research (TNO) and AFD on market solutions leveraging NICTs for development (ICT4D), from which most of the above points have been taken, shows that more than half of 280 of the projects studied in this area were still very recent, and/or not economically viable. “The field of ICT4D is nascent, from the oldest proven projects using computers (such as eChoupal and Drihtee for example) dating back to the early 2000s to the new business models of today taking advantage of the recent spread of mobile phones. Projects that have reached the million customer landmark remain the exception”. The experiences that have been compiled and analyzed testify to the burgeoning of initiatives in the main areas of added value application of connectivity: education, health, finance and agriculture. Here are some examples.

Finance

There are now more than 80 significant mobile banking services, based strictly on the private sector. Initiatives aiming to open up access to the banking sector for poor populations, who generally do not have the possibility to borrow, be insured or save, can be divided into two categories: (i) Alternatives that are more secure and less expensive than existing practices. For example, the Kenyan **M-PESA** project enables people to transfer money to a third party with their mobile phone, whereas the **FINO** project allows poor Indians to use biometric payment terminals so that they do not have to pay in person; (ii) Other initiatives that invent new practices for people without bank accounts. Another example is the **MYC4** project, which offers “meso-loans” to African entrepreneurs who do not have access to banks or microfinance because of their intermediary size.

The most successful projects affect at least five million users, and sometimes more (M-PESA in Kenya services 25 million, FINA in India nearly 30 million, and Orange Money 10 million). Insurance services are also being developed.

Agriculture

Thirty of the 53 projects analyzed in the area of agriculture are based at least partially on a market approach. Those that work best are directly related to market activities with regard

numeros/Issue-4-Mobile-Phone. For an analysis of microeconomic liaisons, see the UNCTAD annual reports on the information economy, particularly the 2011 report that shows the importance of connectivity on developing countries, and more particularly woman-led enterprises: http://unctad.org/en/PublicationsLibrary/ier2011_en.pdf.

²⁹⁸ *Leveraging Information and Communication Technology for the Base of the Pyramid*, Hystra, 2012.

²⁹⁹ *Ibid.*

to farmers. A number of projects use for example ICT to increase poor farmers' production capacities.

Already in 2000, the Indian project **eChoupal** set up Internet kiosks in villages aiming to reduce transaction costs and improve the quality of agro-commodity sourcing. In 2009, the Grameen Foundation launched the **Community Knowledge Worker** (CKW) project to improve the living standards of small Ugandan farmers providing them access to up-to-date agriculture information delivered via village-based info-mediaries providing information about weather forecasts, market prices, treatments for animal diseases or even means of transport available, via their phones. Another example is the Esoko platform, launched in Ghana in 2010, which offers similar services.

Health

The ICT4D for health is extremely dynamic, but has thus far essentially attracted philanthropy. Only 20 projects of the 100 studied include a partial market approach (verification of the authenticity of medicines, and remote diagnostics). In diagnostics, none of these projects services serve more than a million users.

Launched in 2007 by a Ghanaian social entrepreneur, the **mPedigree** project enables the Ghanaian, Kenyan and Nigerian populations to check the authenticity of their medicines instantly on their mobile phones. In late 2011, mPedigree had two million users that it protected from six million counterfeit pharmaceutical products.

In India, since 2001 **Narayana Hrudayalaya** hospitals have provided poor people with cardiac care at affordable prices. They used NICTs to develop remote consultation (250,000 in ten years) via a videoconference system and to create a transtelephonic electrocardiogram, which allows remote healthcare centres to communicate with hospital experts³⁰⁰.

The AKDN (Aga Khan Development Network), active in social, economic and cultural development of African and Asian countries, is developing ambitious health projects (Heart and Cancer Centre in Nairobi and its peripheral health centres, the main Aga Khan Hospital, Dar es Salaam, French Medical Institute for Children in Kabul, Karachi University Hospital, etc.) whose innovations, particularly in the area of telemedicine and telepathology³⁰¹, are radically changing access to care for isolated populations, as it can be seen in this video: (<http://www.youtube.com/watch?v=AoMO2f4OfI4>).

³⁰⁰ All of these examples were studied in the report *Leveraging Information and Communication Technology for the Base of the Pyramid* published by Hystra in 2012.

³⁰¹ See <http://www.agakhanhospitals.org/dar/facts.asp>

Education

In the area of education, Hystra has compiled a limited number of projects, and fewer than half of the 21 projects studied have at least a partial market approach. It seems difficult to find demand for paying education services when there is no genuine commitment from governments.

In 2009, the **BBC Janala** project, financed by DFID, nevertheless offered Bangladesh people low-cost English classes on all types of existing media (TV, Internet, press and mobile phones). The success was extraordinary since the project already had 3.8 million clients after two years of existence.

The [Khan Academy](#) was created in 2006 to give access to teaching free of charge all over the world. It is a non-profit organization that delivers pedagogical content online (math, biology, art history courses and more), or some 4,500 lessons on video. It already has more than six million users. Its content is translated by the NGO, [Bibliothèque Sans Frontières](#), for French-speaking countries.

CONNECTIVITY & DEMOCRACY

Connectivity, supported by the development of information and communications technologies (ICTs), fosters citizen's participation in civic, community and political life due to the emergence of social networks forming ephemeral Internet user communities that are "all emitters, all connected, all cooperating"³⁰².

A lever for empowerment of the political civil society and freedom of speech

Everyone remembers the importance of **Twitter** and **Facebook** in the Egyptian, Iranian and Tunisian revolutions. These two services have accompanied the popular movements by transmitting the calls for mobilization and by informing, live or from the ground, both demonstrators themselves and international media who were not allowed to work freely on site.

Social networks also instantaneously provide models of social organization, political life and level of development to build hopes, but also frustration and demands of an impatient generation, especially in developing countries. They are therefore far from neutral when it comes to social dynamics. The governments' attitude with regard to services of social networks testifies to that fact.

A factor of transparency and information

³⁰² Facebook, Twitter, Al-Jazeera et le "Printemps arabe", François-Bernard Huyghe, IRIS, 2011

Connectivity is part of civil society's equipment in building its political space and in expressing its demands, but also in its ability to gain transparency in political decisions. Reshuffling the cards, new connections have contributed to reshaping democracy, which is no longer summed up in solely electoral processes.

For example, in Kenya, the Internet **Ushahidi** website (which means "witness" in Swahili) was created after the contested 2007 elections to collect testimonials of violence sent by email or text message and put them on Google Map. It therefore used the concept of crowdsourcing by applying it to social mapping and by combining "social activism, citizen journalism and geographic information". Software with the same name, developed in open source, was then used for a number of similar projects. The system was used in South Africa in 2008 with the UnitedforAfrica.co.za website to track down acts of xenophobia, then in the aftermath of the earthquakes in Haiti and Chile, snowstorms in Washington DC in February 2010 and even forest fires in Russia in the summer of 2010.

In October 2013, France launched a wide-scale information programme for development projects that it finances in Mali. This programme, which measures development in implementing projects, is the first accountability programme organized on the Internet, or by text messaging, to enable dialogue between citizens and French leaders of development policies. It constitutes in this connection a genuine innovation fostering accountability³⁰³.

SMS & citizenship

In Kenya for example, text messages were used a great deal in the context of the 2007 elections, both by NGOs in preparing them³⁰⁴ and after the election, where text messages were used to spread hate speech and disinformation, triggering post-election violence. It was to repress this mode of spreading violence that peaceful responses were organized ahead of 2013 elections. The NGO, **Sisi ni Amani Kenya** (SNA-K), for example, worked to use mobile technology as a tool to ensure a peaceful and participatory election process³⁰⁵. The association undertook to identify peaceful actors particularly in the most unstable areas of the country, tasking them with collecting telephone numbers of members of their community and sending peaceful messages at their micro-local level if violence was reported to them. The initiative created a network of 50,000 members and Safaricom took part in the project offering SNA-K 50 million free text messages³⁰⁶.

³⁰³ See <http://transparence.ambafrance-ml.org/>.

³⁰⁴ The NGO, **Media Focus on Africa Foundation** (MFA), whose objective is to stimulate social change and development in Africa via the media, launched a broad text messaging campaign in 2006 to feed public debate ahead of national elections, by directly giving a voice to citizens. Questions posed to Kenyans in the main media focused on such topics as education, employment, governance and corruption. More than 30,000 people responded.

³⁰⁵ See <http://www.sisiniamani.org/what-we-do/programs/sms-programming/>.

³⁰⁶ See <http://www.innovation-village.com/2013/02/safaricom-donates-50-million-sms-for.html>.

E-government

Lastly, NICTs are now used by certain governments of developing countries to establish direct contact between citizens and institutions. In Kenya again, in 2012, the government, in partnership with civilian stakeholders, launched the collaborative education Kenya National Integrated Civic Education (**K-nice**) **project** aimed at raising the awareness of every citizen in the country about the new Constitution. As part of this programme, civic dialogue forums were created, especially on Twitter and Facebook, to enable dialogue and interaction between the government and ordinary citizens.

In Uganda, the Parliament launched in 2010, in partnership with the Columbia Center for the Study of Development Strategy (**CSDS**), the NGO National Democratic Institute (**NDI**) and **Gov2U**, a European NGO specialized in e-government, the U-Speak programme, which enables voters to send questions or suggestions to their members of parliament by SMS or via an answering machine.

We shall end with the example of the Philippines where the former President Gloria Macapagal-Arroyo implemented channels so that citizens could send text messages to 54 governmental agencies. Some 87% of the Philippine people now prefer to communicate with their government by mobile phone, which they use to denounce crimes, trafficking or to voice their concerns³⁰⁷.

3.4.2. The challenge of connectivity in Africa

Connectivity in sub-Saharan Africa is a challenge from several standpoints. First, the rate of mobile phone penetration in developing countries was around 70% in 2010, versus the world average of 90%. In sub-Saharan Africa in particular, penetration is an estimated 53 %³⁰⁸, with very wide differences³⁰⁹. However, the mobile phone market is growing rapidly.

Also, according to the African population pyramid, young people are those who use them the most. Some 60% of Twitter users (Arabic is currently posting the highest growth) are for example between 21 and 29 years old and the world average age of users is 39.

With regard to mobile Internet, the country with the highest penetration rate in the world in 2011 was South Korea (90% penetration rate). In Africa, this rate was, depending on the source, between 4% (versus only 1% for fixed-line access) and 10%³¹⁰. Moreover, the speed available per Internet user was a total of 2,000 bps, versus 10,000 bps in the Middle East,

³⁰⁷ See <http://www.gov2u.org/index.php/blog/178-sms-texting-a-new-opportunity-for-development-initiatives-infographic>.

³⁰⁸ See <http://businesstech.co.za/news/mobile/44111/global-mobile-penetration-rates-revealed/>

³⁰⁹ These figures are to be used with caution because of the multi-SIM practice, which means cards are changed at any time on the basis of promotions and rates offered by operators.

³¹⁰ *Facts and Figures*, UIT, 2013.

15,000 bps in Asia Pacific and nearly 90,000 bps in Europe (the world average in 2011 standing at 35,000 bps, source: Satellite Broadband Holdings).

Some 16 countries in Africa are ranked among the 50 least populated countries in the world, particularly half a dozen Saharan countries and a number of big Southern African countries. Namibia, Botswana, Libya and Mauritania have fewer than five inhabitants per km². Countries like Angola, Sudan and Algeria have fewer than 20 inhabitants per km². Yet, the cost of connectivity, when it depends on traditionally used systems (cables and antenna networks), decreases with the density of users: the cost of broadband mobile access is an average 1.4% of GDP per capita in the OECD countries while it is between 11 and 25% of the GDP per capita in developing countries, and between 36 and 58 % in Africa³¹¹, on account of not only the low population densities but also a low GDP per capita.

In Africa, given that the rural population is by far the largest and expected to grow significantly over the next several decades, it will very gradually become more densely populated. Connection penetration in rural areas therefore faces specific challenges, including the lack of electricity grid, which is a considerable technical barrier (see [1.5.2.](#))

Extending connectivity is based on the ability to address three technical factors: developing the network, reducing terminal prices and ensuring access to energy.

INSTALLING FIBRE OPTIC BACKBONES

In the coastal areas, progressive installation of undersea cables (backbones) around the African coastline from one large coastal city to another today allows for reasonable coverage of the territory and population. Conversely, the penetration of networks of backbones in the heart of the continent has come up against economic and political difficulties.

These questions are already being posed at the level of the countries themselves. For example, while undersea fibre optic capacities doubled from 2010 to 2013, mainly benefiting coastal populations and Lagos in particular, only 50% of rural Nigeria was covered in 2012³¹². It is likely that the real figure is even lower since 70% of farmers in 13 rural states did not have mobile phones because there was no access to the network³¹³. Consequently, the ratio is 1 to 10 between the best and least connected Nigerian state. This situation, which can be seen in a number of coastal African countries, will considerably limit access to the end user in cables (fibre or copper) given the costs, particularly of civil engineering, which will be replaced by the solution of antenna networks.

The real challenge remains the installation of regional or pan-African undersea cables and fibre optic backbones, which is required if the digital divide is to be reduced in the interior of

³¹¹ Ibid.

³¹² Federal Minister of Communication Technology, CTO Forum, October 2013.

³¹³ Nigerian Ministry of Agriculture, CTO Forum, 2103.

the continent. Development of these infrastructures is being slowed by the political complexity of implementing them (need for multi-lateral agreements), but also the political risks to which they are exposed. The digital divide also evolves alongside a gradual increase in the speed of backbones, which must accompany that of traffic and especially the development of technology proposed by operators: there is little comparison between a voice/SMS (2G) coverage and the needs related to mobile Internet on smartphones. Between the two, building 2.5 or 3G capacities is required to improve the added value of connectivity, and can only, of course, be done gradually.

Locally, the connection of urban voice loops is not difficult in structural terms. The same cannot be said for rural areas, where operators had to opt for infrastructure sharing solutions to lower fixed installation costs by pooling equipment and often entrusting third party operators (tower companies) with the integrated management of pooled antenna parks.

In countries where rural areas are extremely populated, like Bangladesh or Kenya, classic mobile phone technology, coupled with solar energy and an initial pooled use of terminals (renting of time of use per second by GrameenPhone Ladies) very rapidly enabled massive connectivity. But in many scarcely populated areas in the world, in Africa, in Asia and in Latin America, connectivity seems difficult to advance with traditional technology because the costs are not affordable for users.

Big companies providing Internet solutions need access to energy and an infrastructure that they consider to be a prerequisite to their own deployment. They therefore barely work on these questions of access in scarcely populated areas. This is especially true since it is highly unlikely that these markets in extremely rural areas offer potential for high Internet speed consumption (in relative terms compared with other areas) for a long time, and since operating risks are significant. Below a certain density of population, mobile telephone operators are encountering problems of making networks that they install profitable. Such situations are typical cases of the proposals in this report (see Section II) on the implementation of structured inclusive economy projects, linking official development assistance to the development of private sector stakeholders among others.

EXPLORING SATELLITE SOLUTIONS

Satellites have been used in Africa for more than 40 years providing voice trunks, TV broadcasting service (more than 300 television public and private channels), private data networks and Internet access. Some 68 operational commercial satellites provide coverage to Africa and more than 20 satellites are expected to be launched over Africa within the next five years to improve this coverage³¹⁴. Satellite was the only backbone to the Internet until fibre hit the shores of Africa, but remains the only access point to the Internet backbone for

³¹⁴ Shola Taylor, former Chairman of the ITU Radio Regulations Board, October 2013.

countries like South Sudan, the Central African Republic and the Democratic Republic of the Congo, which do not yet have access to international fibre. It is with satellite technology that Nigeria created its first GSM network in 2001. In these cases, satellite was used as an alternative to backbone, to connect rebroadcasting radio stations.

One of the focuses of important innovation for ICT4D is the development of multibeam satellites³¹⁵. With new generation satellites being built, the cost per Mbit could rival the price of fibre³¹⁶. New applications could also emerge from technologies that are not based on geostationary satellites. The use of end-of-life stationary satellites, which lose their commercial value and their inclined orbit operation (with automatic pointing land antennas that follow satellite movement) enable access to their transmission capacity at much lower costs. Several projects are under way to assess the value of their use. At the end of development work, some stakeholders estimate that they can divide the installation costs of land systems (land systems and transmitters/receivers) by five and divide the cost of use by ten compared with traditional solutions³¹⁷.

The example of the Concerco Connect consortium illustrates these challenges: its objective is to provide broadband Internet access for less than \$1 a month. It works with the United Nations High Commissioner for Refugees (UNHCR), International Telecommunications Union (ITU) and United Postal Unit (UPU), three UN agencies. UPU brings together more than 650,000 post offices around the world, 500,000 of them in emerging countries. These offices provide access to basic financial services to nearly 1.5 billion people in the world, 400,000 million of whom have a postal bank account (75% are citizens of an emerging country). Yet two billion people in the world do not have access to a banking service.

The challenge of the Concerco Connect in Africa is especially important since more than 80% of post offices are located in small villages in rural areas, far from classic connectivity networks of big urban areas. Only 5% of the 13,000 post offices belonging to the UPU in sub-Saharan Africa (2% of the world's total, for 11% of the population) are connected to the Internet, and only 14 countries already provide Internet access points in some of their post offices. In the pilot phase of its project, Concerco Connect aims to install a capacity of broadband Internet access in all post offices in six African countries (Ghana, Kenya,

³¹⁵ They work on the Ka band, at higher frequencies than those of the Ku band, mainly used for television broadcast systems by satellite and for VSAT, bi-directional communication systems used for professional applications. These Ka band satellites are able to increase transactions that they manage by 10 to 30 times (typically going from 1 to 2 Gbps for a band Ku system to 10 to 30 Gbps on Ka band). Intelsat announced capacity of about 25 to 60 Gbps for its next line of Epic satellites, which is about 10 times more than its current line. In Ka frequencies, the beams generated are much more directive. Energy, which is better concentrated, therefore offers high-speed Internet connections for poorly served areas by land infrastructures (white or grey areas) at comparable prices to those of ADSL. A Ka band can serve an area of 200 miles in diameter versus 600 for a Ku band, and more than 1,000 miles for a classic C band. The C, Ku and Ka bands are the basis of Fixed Satellite Services. Their protection is therefore crucial so that their capacity can be used to serve rural areas.

³¹⁶ Shola Taylor, former Chairman of ITU Radio Regulations Board, October 2013.

³¹⁷ A satellite can handle about 2 million bi-directional subscribers. The American start-up Satellite Broadband Holdings, for example, develops technology that enables this capacity between 20 and 200 million users, drastically reducing the cost per user. Development of specific transmitters/receivers (which are more sophisticated, very robust and less expensive), unique data compression technology and matching to solar energy sources will be required to adopt such technology.

Tanzania, Ethiopia, Uganda, Botswana and Nigeria). Installation will serve both as a basis for commercial Internet use, based on a M-PESA-type mobile payment system (a commission will be paid in percentage of transactions by users), and for public safety use providing information in emergency situations (natural or related to a conflict).

The history of spatial technology is a cause for caution with regard to the ability to come up with concrete, economically viable solutions. Nevertheless and because of this, we consider that these massive inclusion issues should be addressed by establishing inclusive economy systems, combining development assistance and private sector stakeholders.

PURSUING THE DEVELOPMENT OF APPROPRIATE TERMINALS

The strong growth of the global mobile phone fleet has thus far not prompted terminal manufacturers to innovate a great deal in terms of frugality. On the contrary, they have generally sought to increasingly market technology implemented with continuously more sophisticated systems and applications. A second-hand phone market has therefore been established in a number of Southeast Asian and African countries to enable as many people as possible to access mobile phone services. However, the use of second-hand terminals is random and not guaranteed. Also, the digital divide will decrease in rural areas at the same pace as robust Internet and phone terminals are specifically designed to operate in extreme temperature and humidity conditions, with the simplest maintenance possible and at very low cost. Certain manufacturers have begun to develop better-suited products: for example Nokia and Chinese suppliers have marketed \$50 smartphones since 2012 and simple phones priced under \$20 exist. Other announcements may be made at the 2014 World Mobile Congress. Experiments of modular design phone terminals are being conducted (modules that can be changed and even repaired), but it has been impossible to determine their potential. Progress from this standpoint will therefore be slow, and we will have to wait for commercial offerings of operators and an increase in revenues gradually enabling the connection of households living considerably below the poverty line.

ENERGY, A KEY ISSUE IN BRIDGING THE DIGITAL DIVIDE

Electricity shortages are a daily problem for users in many big African cities, whose infrastructures are overburdened from growth in the population. In addition, the increase in the number of services available on the Internet extends the duration of daily use of terminals, which means they have to be charged more often. In African cities, the need to charge terminals will go from once every two days to twice a day (3G network+smartphone).

Investment in stable electricity generating capacity would increase the effective use of mobile phones and the Internet, and would decrease their cost, by reducing the cost of energy. In Africa, where less than one third of the population has access to electricity (versus two thirds in South Asia and 90% in Latin America), this factor is particularly important. In rural areas, users often have to go to the closest city to charge their mobile phones.

For mobile phone operators, rural areas are not supplied with electricity. The energy needed for the functioning of relay towers is most often supplied by diesel generators, whose fuel is transported by truck to the relay towers. In addition to its direct economic cost, this process has fuelled greed and poses safety problems for people and goods. It is not without consequences on the environment either. Orange has conducted a successful large-scale experiment on fuel to solar conversion in Africa launching 2,300 solar sites in 18 countries. The quality of service has improved by a factor of more than 60, moving from 40 hours of annual unavailability for a diesel generator to 35 minutes for a solar solution. A total of 15 GWh of solar energy was produced, 28 millions of litres of fuel were economised, and kWh cost was lowered, resulting in a swift return on investment and a reduction in CO2 emissions of 76,000 tonnes.

Whether with regard to networks or terminals, in the area of mobile phones or broadband Internet based on satellite technology, technical progress in terms of the overall cost, including upkeep and maintenance, of solar energy will be required if we are to bridge the digital divide in sub-Saharan Africa. Projects are under way in which mobile phone operators are joining forces with energy specialists to provide access to energy beyond solely charging phone batteries. These efforts warrant support of official development assistance helping to develop an inclusive economy.

3.4.3. Role of public policy in growing connectivity

The forum organized by the Commonwealth Telecommunication Organization (CTO) in Lagos in October 2013 summed up the main institutional obstacles to ICT4D:

- Many public policy frameworks have not been updated while technology and the market are rapidly changing, and new frameworks must be defined regionally, at least, to harmonize use of technology and infrastructures;
- NICTs in African countries are far from sufficient and their public financing is a challenge;
- Implementation of backbone-type infrastructures requires political and regulatory stability that is often lacking, and could slowly become reduced in certain countries.

In this context, we consider that the creation of a local and regional ecosystem in Africa that could foster ICT4D is a priority. Many stakeholders seem to have realized this in organizing their interaction around consortia or alliances helping to build consensus, align objectives and conditions for multi-partite agreements.

AN ECOSYSTEM-GEARED APPROACH IS NEEDED TO ADVANCE CONNECTIVITY

CTO, which plays a major role in addressing these issues, identified connectivity as one of the keys to improving the situation of young people in the world. Some 560 million people

between the ages of 16 and 30 live in member countries of the Commonwealth and represent 28% of their total population. These young people mainly live in India and Africa, and in countries that are ranked low on the Youth Development Index (87% of Commonwealth countries). Aware of the new ecosystem-related challenges, CTO is seeking to promote public-private partnership experiences fostering connectivity for young people. For example, the Information Technology Developers Entrepreneurship Accelerator (**IDEA**) initiative jointly launched with TechLaunchpad, brings together a consortium of private companies from the oil sector (including Total and Accenture) and the Nigerian government. This business incubator targeting early-stage companies in NICTs, founded in 2013, has already selected several start-up projects in a wide range of fields of application including the oil industry, financial services, microfinance and social media.

Annex 33 presents three very different ecosystem-gearred approaches: the Alliance for Affordable Internet (A4AI), sponsored by Google, Omidyar Network, UK DFID and USAID; the French company, Orange, intends to act as an accelerator of the ecosystem of connectivity in Africa and has launched a social Africa venture prize in the area of NICT in Africa. In the case of SBH/Concerto Connect, which is presented as a an aggregator of stakeholders in a same ecosystem and implements cooperation projects involving very global stakeholders (ITU, UPU), local governments and field NGOs in the training of local stakeholders or agents. All of these approaches are in line with the proposals of this report on mobilizing stakeholders (see Chapter II.2 “Co-creation as an approach to action”).

PRIVATE AND PUBLIC INITIATIVE: TWO DIFFERENT CASES: M-PESA AND FINO

Official development assistance systems play a key role in the development and participation in these ecosystem-gearred approaches. The example of [M-PESA](#) seemed important to examine since its success is often mentioned and people often want to replicate the model. It also shows the catalytic role of official assistance schemes that is however insufficient if it is not powerfully relayed by other stakeholders.

In 2012, there were nearly 25 million subscribers to the M-PESA service in Kenya totalling about \$10 billion in annual transactions.

In 2003, the British Financial Deepening Challenge Fund (FDCF) granted less than a million pounds to Vodafone to develop an innovative solution in banking services by phone in Kenya. At the outset, DFID investment was intended to support two pilot projects with Safaricom (leading operator in Kenya of which Vodafone held 40%) and Tanzania Vodafone. These pilots were to develop a mobile phone service for microfinance institutions (MFIs) so that they could transmit and record their daily transactions more easily (loans granted, repayments made, etc.). In addition to a more operational efficiency, the MFIs would thus have the possibility to abide by the legislative framework imposed on commercial banks (which required that accounts be balanced daily).

However it seemed that partner MFIs were providing little support to the project and it was having trouble moving forward. The Vodafone staff therefore had the idea to use this mobile platform for monetary transactions rather than for banking data. This redirection of the project was approved, and a technological solution quickly emerged. After a few field tests, this service—called M-PESA—very quickly experienced unprecedented success in Kenya, and became one of the most profitable activities of Safaricom.

In 2009, two years after it was launched, more than 20% of Kenya's population was using the service (while only 10% of the population had a bank account before that time, versus 45% in 2012), and this service accounted for nearly a third of Safaricom profits. However, it was also very quickly seen that this success was linked to very specific circumstances.

- First, Safaricom held at the time 80% of Kenya's market share and therefore was the ideal platform to launch this large-scale service without having to go through a complicated collaboration phase with other stakeholders to reach a consensus over a solution, sharing value, etc.;
- Next, M-PESA received support from the Kenyan government³¹⁸, which authorized the deployment of the service (despite an insufficient regulatory framework), and adopted favourable legislation afterwards;
- Lastly, M-PESA was launched in a complex social context, against a backdrop of post-election violence and political unrest following the 2007 elections. Several banks were then closed, forcing poor and rich people to find solutions to transfer money in the informal sector, which was both extremely costly and risky. Since mobile phone infrastructures were not damaged (contrary to what happened in Côte d'Ivoire more recently), the M-PESA service was able to become an immediate and secure back-up system.

Therefore, even though several stakeholders have already attempted to replicate this model (2.5 billion in the world are unbanked)—including with the support of several donors, none of them have still genuinely been able to break through to date because they do not have the power to create all of the same conditions. One of the most promising projects seems to be that of Vodafone in Tanzania, which hopes to reach five million users in 2013, and plans to deploy the project in other countries. Orange Money, which is present in 13 African countries, already had 13 million registered users in 2013 (two million in 2012).

FINO is another financial intermediation service that was launched in India in 2006 and that now has 44 million users in the country (90% of whom live in rural areas, and 60% who were previously unbanked). FINO is a shared technological platform, which promotes all sorts of services and products offered by several financial institutions. FINA also has a philanthropy

³¹⁸ The Central Bank of Kenya committed to implement all the means necessary to improve access to financial services for the poorest people, and did not impose banking regulations that could have handicapped the development of the programme (see Buku and Meredith, *Washington Journal Of Law* 2013).

component, the Fintech Foundation, whose mandate is to improve the financial culture in the country (partially financed by the government and donors).

FINO was incubated by the Indian ICICI Bank, which decided to create a spin-off after several years of pilot projects, once the Indian government developed legislation to enable non-banking institutions to offer financial intermediation services. In order to develop this platform and benefit from the government's support, ICICI opened financing and participation of this spin-off to other public and private banks.

It cost a total of \$39 million to set up FINO. It broke even in 2011, without any public funds, and did not favour any one bank or phone company. Supported by private equity funds (Blackstone in 2011), FINO purchased the Indian mobile banking of Nokia in 2012.

These two examples show that the support of ODA systems was not a necessity, when the evaluation of the risk-profitability equation by private sector stakeholders enables investment, as in the case of FINO, or a guarantee, as in the case of M-PESA, whose positive outcome was attributed to a re-evaluation of intermediary results and a change in objectives of one of the partners who proposed it to the others.

LEVERS FOR POSSIBLE ACTION IN THE ODA CONTEXT

Reducing the digital divide (ICT4D) is undeniably a key factor facilitating inclusive development. As such, we consider it to be a priority area to support with appropriate and targeted government assistance.

In fact, we consider that the economic challenges related to investment in digital infrastructures are such that they cannot depend on ODA. Moreover, multinational negotiations of conditions for operating these infrastructures include political issues in which ODA cannot effectively integrate its action. However, there are three topics on which ODA seems legitimate to take action. They are addressed in our recommendations on the issue of connectivity below.

3.5. Improving statistical tools for development in Africa

The relevance of political decisions and the scope of stakeholders' choices are based first and foremost on knowledge of the demographic, social, economic, geographic and climate realities that are underlying the analyses, because we can only manage what we can measure. Yet, in sub-Saharan Africa the production of knowledge is particularly lacking, to

such an extent that we recently have heard talk of “Africa’s statistical tragedy”³¹⁹. A tragedy, that was caused by structural adjustment policies and the drop in public spending, and that reflects and makes more acute the tragedy of all states³²⁰.

The report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda³²¹ (HLP, 2013), reiterating that point, calls for “a data revolution for sustainable development, with a new international initiative [bringing together national statistics offices, international bodies, civil society organizations, foundations and the private sector] to improve the quality of statistics and information available to citizens”.

This chapter stresses how statistical knowledge is a factor for innovation, human progress and democracy. Conversely, technological and organizational innovation contributes to statistical progress and ultimately to knowledge of our societies. Statistical innovation must be part of development assistance schemes in Africa.

3.5.1. Statistical data: foundation and judge of public policy

It is necessary to know data on the members of a population, their living conditions, their work, their distribution over the territory, at a given time and over time, to identify political priorities, manage with knowledge, and make informed choices.

Moreover, an effective statistical system measures progress made in achieving goals and redirects policies based on measured results: tracking 2015 MDGs, post-2015 objectives and more generally, public policy outcomes.

Statistics are needed for democracy to work. They are a key instrument in governance, complying with two of its main principles:

- Making information accessible to all³²² to enable all stakeholders in society to participate effectively in policy decision-making, control and evaluation;
- Providing knowledge that enables leaders to feel democratically responsible to citizens for results of their actions consistent with the principle of accountability³²³.

This relationship between statistics and governance/democracy applies to all data: usual socio-economic indicators (macro-economic data, household surveys on living conditions

³¹⁹ CTO Forum, October 2013.

³²⁰ To cite the great statistics historian, Alain Derosières (2000): a nation is not only a politically unified space but also a common cognitive space, observed and described with coherent grids”.

³²¹ See <http://www.beyond2015.org/un-high-level-panel>.

³²² The 2013 report of the Mo Ibrahim Foundation underlines that four of the ten countries with the lowest scores measured by the World Bank’s statistical capacity indicator are from sub-Saharan Africa (Eritrea, Equatorial Guinea, Gabon, Somalia).

³²³ Razafindrakoto and Roubaud, 2003.

and poverty, etc.), specifically calculated indicators to directly measure the quality of governance (Oman and Arndt, 2010) and opinion and perception surveys.

3.5.2. Inadequate African statistical instruments, despite France's longstanding support

To satisfy these different objectives/needs, it is necessary to have effective national statistical instruments. Unfortunately this is not the case in sub-Saharan Africa, especially since the intervention of international donors and organizations often limits national statistical institutes by conducting ad hoc surveys without a coherent strategy (LSMS, DHS, MICS-type surveys³²⁴). More than half of the data related to MDGs are missing in sub-Saharan Africa, and when they do exist, comparisons are impossible. No precise measurement of the evolution of poverty has been available³²⁵ in most African countries in recent years.

In sub-Saharan Africa, the most elementary economic and social data are often non-existent. Statistics are often not very reliable or able to be compared. A number of recent works (Devarajan, 2013; Jerven, 2013, Mo Ibrahim, 2013³²⁶) pointed to this fact that was true in the past and is unfortunately still true. Many examples illustrate this point:

- We do not know the population of several African countries³²⁷;
- We do not know the exact GDP of every country³²⁸. In 2010, a methodological review that was conducted by the National Institute on Statistics practically doubled Ghana's GDP, which moved this country from the poorest country category to the middle-income country category³²⁹;
- Knowledge about employment situations remains very approximate: "job" surveys are rare, the last ones dating back to the 1970s in some countries. And when they are conducted, they do not take informal, seasonal or temporary jobs into account;
- We do not have any basic data on food security (production, stocks, etc.)³³⁰.

³²⁴ Living Standard Measurement Surveys (LSMS) promoted by the World Bank, Demographic & Health Surveys (DHS) by the United States and Multiple Indicators Cluster Surveys (MICS) by UNICEF are some of the main surveys conducted in Africa (and in many LDCs) at the instigation and with the financing of international organizations.

³²⁵ Since its inception, France has been the main technical, operational and financial partner of AFRISTAT, which remains the only regional initiative of this type in Africa.

³²⁶ Which includes information on needs and opinions of the population.

³²⁷ The Democratic Republic of the Congo, one of the most populated countries in Africa, has not conducted a census for 30 years. In Nigeria, the 1992 census recorded a 25% decrease in the population (from 120 to 90 million inhabitants).

³²⁸ Jerven (2013) therefore considers that with the exception of the richest countries on the sub-continent (South Africa, Botswana, etc.), it is impossible to seriously rank the others according to their GDP per capita, which we cannot really determine (excessive margin for error).

³²⁹ 72% of the increase noted in GDP came from services. Ghana, which had up until that point been an agricultural economy, became a service economy.

³³⁰ According to an economist in an international organization cited by Janin (2011), "in Mali, for example, the same year cereal harvests of 2.9 million tonnes, and shortly after 3.9 million tonnes were announced."

This relatively recent awareness of the scope of the need for statistics, which are poorly covered or not covered at all and behind sub-optimal political decisions, has not yet been translated into far-reaching action.

France has long provided support to public statistics in Africa. It helped create AFRISTAT, an economic and statistic observatory in sub-Saharan Africa, involving 21 countries, with missions to produce statistics and build capacity of national institutes, and that is considered to be a cooperation success story³³¹. It has also helped create schools of statistics and supported innovative survey methods in areas that until recently, had not been studied very extensively (rapid national accounts, 1-2-3 surveys launched by DIAL to gather more information about employment and the informal sector, new techniques for using satellite images developed by the French Research Institute for Development, which helped conduct more reliable household surveys—see the case of Cameroon, the French National Institute of Statistics and Economic Studies-INSEE, 1993), and opening up public data.

These efforts will be in vain without pro-active support policy for Africa and national statistical systems.

3.5.3. Statistics, new technology and development

Given the scope of needs, recent technological progress provided with NICTs can help improve statistics and their dissemination in three areas:

- Helping implement more reliable and less costly collection methods;
- Finding new inexpensive data sources;
- Improving information dissemination.

NEW SURVEY TECHNIQUES

The use of new technologies is currently a leap forward and offers new opportunities in the area of statistics while greatly reducing costs and maximizing the rapidity of centralizing and handling responses. Some examples include:

- Conducting statistical surveys by phone³³² via mobile phones whose use is becoming widespread; the population density of some countries allows for effective network coverage at national level (see the chapter on [connectivity](#)). In Kenya, 93% of households had a mobile phone in 2011;

³³¹ “Africa’s Statistical Tragedy”, Devarajan S., *Review of Income and Wealth*, Vol. 59, Special Issue S1, 2013.

³³² If need be, phones are distributed to households interviewed in the case of repeated surveys.

- Computerized data collection via tablets, which reduces the number of errors and survey costs, both for large-scale surveys (population censuses involving the distribution of tens of thousands of tablets) and small ones³³³.

NEW TYPES OF DATA, AND BIG DATA

Big data³³⁴ is a new source of data that can be used for official statistics, resulting from the trace left by use of computer or connected services (Internet, mobile phone, Twitter, Facebook, etc.). It consists of using data mining and data analysis to track social behaviours in real time and produce statistics with them³³⁵. For example:

- In Kenya, the use of mobile phones help track the impact of internal migrants on the territorial evolution of malaria;
- In Rwanda, mobile phones are used to track migrations and monetary transfers to help earthquake victims;
- In Brazil, India and Indonesia, analysis of the use of Google (number of searches on dengue fever symptoms) predicts dengue fever breakouts.

The use of these data (property of phone or Internet operators) requires interaction between the public and private sectors. It also poses the questions of statistical confidentiality and calculation capacity of public administrations.

NEW FORMS OF DISSEMINATION OF STATISTICAL DATA

Unlike the innovations described above, the concept of open data is not technical in nature but fostered by information technology progress. It offers extensive access to statistical data: population census, election results, official budget and documents, responses to statistical surveys conducted on households and enterprises, etc. The concept of open data therefore corresponds to that of open government allowing for the democratic monitoring of the functioning of institutions by different social stakeholders. Other uses are more economic in nature: the dissemination of temporal meteorological data at a detailed geographical level could help to launch index-based insurance projects, for example.

In addition to the political problems in moving in this direction promoted by international organizations (in Benin, the World Bank has made it a requirement for granting new loans), progress in Africa could be quite slow on account of human and financial capacities. Kenya is

³³³ See in particular the example of high-frequency data surveys conducted by the World Bank on 300 households in South Sudan (surveys on the well-being of households, food security and violence; price surveys, etc.).

³³⁴ Big data is used to describe data sets that are so large that it becomes difficult to process them using traditional database management or data management tools.

³³⁵ [Knowing in time: How technology innovations in statistical data collection can make a difference in development](#), Prydz, E., B., Paris 21, Paris, 2013.

the first and currently sole African country to have created a portal of open data³³⁶ containing information that was still quite aggregated but covering an extremely broad area³³⁷.

We will present below some recommendations on improving the statistical tool to foster development.

PROPOSAL 10. ESTABLISH THE CONDITIONS FOR SUCCESSFUL INNOVATION IN DEVELOPMENT ASSISTANCE: REGULATORY FRAMEWORK, CULTURAL ROOTING, CONNECTIVITY, STAKEHOLDERS' CAPACITY AND KNOWLEDGE

INVENTING A REGULATORY FRAMEWORK FOR THE INCLUSIVE ECONOMY FOR DEVELOPMENT

R. 31 - Encourage investments in the area of the inclusive economy by establishing an appropriate regulatory framework

- Enable foundations and endowment funds to invest in actions in solidarity businesses and to be remunerated for their investments, without challenging the prohibition of distribution of dividends;
- Mobilize savings, particularly employee savings on inclusive economy projects for development;
- Amend regulations to grant the “solidarity funds” label when investments are made outside France; open this label to initiatives concerning a specific list of countries.

R. 32 - Grant explicit exemptions from “democratic governance” (one person/one voice) in the social and solidarity economy to enable this movement to fully accommodate the potential of new forms of the inclusive economy for development

For the French social and solidarity economy to be an engine of innovation for development, and to fully benefit from practices of other countries, it is crucial that explicit exemptions be incorporated into legislation of the social and solidarity economy. These exemptions must be granted to entrepreneurs, enterprises, associations and NGOs that join efforts in models that fulfil objectives of the social and solidarity economy, but opt for governance that is specific to the agenda of their alliance and background of each of the members of their coalition, to work together for a same cause: inclusive development.

R. 33 - Amend regulations to award a solidarity funds label when inclusive economy investments are made outside of France; make this label available to initiatives on a specific list of countries

³³⁶ See <https://opendata.go.ke>.

³³⁷ Detailed population census; poverty rate per district; bacalaureate results per district; public spending per ministry and per county, etc.

We mentioned earlier how important it is for stakeholders in the social and solidarity economy and coalitions of stakeholders working on inclusive development to align their agendas. For many they no longer consider France as being relevant in defining their area of awareness of stakeholders, nor in addressing the causes of problems they are tackling. Partnerships, whether with regard to financing or expertise, focused on social actions in France very quickly become European, and many stakeholders in the social and solidarity economy, entrepreneurs NGOs and associations that are successful in France replicate their actions or participate in pan-European alliances.

Beyond Europe, the South is inspiring the North. To allow for this essential opening and respiration, it is important to confirm and define immediately the capacity of enterprises and stakeholders of the social and solidarity economy working outside of France to benefit from the social and solidarity status with regard to their activities outside of France.

R. 34 - Clarify urgently the need for a legal framework for social business (tax benefits on margin renunciations, right to co-creation arrangements between stakeholders in the same sector, anti-dumping legislation)

The legal framework for social business urgently needs to be clarified. The co-creation that these innovative forms of the inclusive economy requires is facing a large number of legal obstacles: for example, provisions with regard to the law on arrangements (with what purpose and with what means do competitors discuss and exchange information together on the situation of their clients or their suppliers?), anti-dumping laws (is renouncing margins equitable since it leads a social business to require a structurally lower sales price than those of its competitors as it does not have to remunerate its equity?), corporate law (does the mission of a social business comply with the mandate of the leaders of these businesses, and the social interest of them?), etc.

These questions are addressed in the work of Daniel Hurstel³³⁸. Beyond specific social and solidarity economy schemes, we consider it important to define the legal framework in which traditional economy enterprises can cooperate together, or with NGOs with a view to inclusive development, whether in France or other countries, and therefore supplement draft legislation on the social and solidarity economy with draft legislation on these questions.

R. 35 - Incorporate a social purpose of the economy and private sector companies in the French Civil Code by amending Article 1832 to provide a legal basis for the pursuit of a broader aim than profit

The United States, Canada and England have established specific legal forms to enable the development of modern forms of the inclusive economy. More fundamentally we advocate an amendment to Article 1832 of the Civil Code. Indeed, it seems that at a time when the private sector can and must get involved in the advent of more equitable and inclusive development, France should mark the specific nature of its model for society, of its

³³⁸ *La Nouvelle économie sociale*, Daniel Hurstel, 2009.

relationship with social issues and the economy, by amending Article 1832 of the Civil Code, as was already proposed³³⁹.

This article stipulated that “a firm is established by two or several persons which agree by contract to appropriate property or their industry for a common venture with a view to sharing the benefit or profiting from the saving which may result therefrom.” It is in trying to get around the very narrowness of the definition that led to the practice (even when absurd) of maximizing value for shareholders that three years ago, the United States, United Kingdom and Canada created B-Corporations, Flexible Purpose Corporations and other Community Interest Companies, which are obliged to pursue statutorily an additional objective, other than that of profits, thereby freeing their directors from their legal obligation regarding solely profits.

ROOTING DEVELOPMENT PROJECTS IN CULTURE

R. 36 - Put culture at the heart of projects and incorporate it into public policy

Encourage development stakeholders (NGOs, businesses, administrations) to take better account of the cultural dimension from the conception to completion of their projects, and to understand the impact of their projects on culture, using anthropological approaches. To train project managers in understanding local cultures and societies and make this cultural dimension one of the eligibility components of development projects applying for public financing.

Capitalize on experiences of synergies between culture and development and encourage the compilation of best practices and a network of motivated stakeholders.

BUILDING CAPACITY OF STAKEHOLDERS WORKING ON CHANGE IN AFRICA

R. 37 - Launch a call for projects to create a “Campus for African Change”

This call for projects would be jointly launched by enterprises and European and African universities and business schools to help young African managers and entrepreneurs with strong potential working in the private sector, administrations or NGOs to follow a complementary course preparing them to perform leadership duties. This high-level course would be focused on cross-cutting know-how that is not often taught in local universities: entrepreneurship, strategy, management, innovation, HR and organization, complex project management, inclusive economy, corporate social responsibility, business ethics, etc. The Africa Campus would be “in the field” offering a series of seminars and training sessions, traineeships and coaching sessions by French and African leaders.

³³⁹ See the book by Daniel Hurstel, *La nouvelle économie sociale*, 2009, and Martin Hirsch, *Cela devient cher d’être pauvre*, 2013.

R. 38 - Promote urgent reform of national Universal Service Funds and put them at the service of accelerating the digital connection

In 1996, the United States officially established a Universal Service Fund (USF) to ensure fair access to telecommunications. In 2011, a law approved an annual transfer of \$4.5 billion of the USF to the Connect America Fund that is to support access to broadband Internet on American territory. Subsidizing connectivity with public funds is still a popular practice, even in the most advanced countries.

In 1970, the CTO established a pan-African USF. But a survey conducted by the CTO in November 2012 and covering nearly 60 countries showed that an important portion of these funds was actually inactive (about 45%). Also, USFs continue to massively subsidize landlines (in Brazil for example, the USF only supports landlines), and less than half of the 60 funds in the world today authorize subsidizing mobile telecommunications.

In Africa, only 18% of the funds are authorized to finance Internet access (33% in Europe, 40% in Asia). At national and regional level there is the question of the evolution of strategy, governance and functioning of Universal Service Funds because these funds represent a significant financial sum to ICT4D investment beyond pure market approaches. In Nigeria, plans have been made to engage the equalization fund of the Nigerian Universal Service Provision Fund (USPF). The Nigerian Ministry of Communication Technology plans to pursue the creation of Public Access Venues, enabling users to be connected (there are already 2,800 of them but they are not optimally distributed across the territory).

USF governance is often shared among finance and communication ministries. But given the equity challenge, and given the fact that in the least developed countries on the economic level, USFs directly affect development issues on a global level, we consider that ODA must pay its full role in providing direction to the governance and strategy of these funds, especially when sovereign development agencies support downstream initiatives based on infrastructures decided by the governments concerned. France could make a proposal in this connection.

R. 39 - Promote the emergence of ecosystems (political, regulatory, skills) that foster the adoption of market-based connectivity solutions

This focus on ecosystems is needed for market approaches to be viable and sustainable. Defining these requirements involves aspects that are global (establishing global policies, standards and legal frameworks), regional (defining infrastructure policies), national (defining regulatory frameworks that enable the deployment of technical solutions—and particularly the essential work of aligning connectivity regulations and those in its areas of application, especially financial services and the health sector), and local (supporting change, training and adoption by agents and users).

R. 40 - Support the proposal of a global partnership for development data issued by the High-Level Panel and affirm ambitions of French cooperation to build statistical capacity in Africa

(HLP, 2013), with the purpose of developing a “global strategy to bridge the critical gaps, extend accessibility of data and galvanize international efforts” for post-2015, by applying it to Africa. This partnership would include a wide range of interested stakeholders: national statistical offices, international organizations, foundations and the private sector, which produces data to be informed of populations’ consumer habits, in order to make data more available and accessible.

Also, France’s experience in statistical production (INSEE) and statistical training (School of Economics, Statistics and Finance-ENSAE/School for Statistics and Information Analysis-ENSAI) should be showcased and used to strengthen statistical systems in sub-Saharan Africa in building on the success of this cooperation over the past 50 years. The first component in strengthening public statistics focused on regional organization AFRISTAT aims to stimulate innovation in the area of statistics (new survey techniques and new modalities for making data available), while the second component assisting African French-speaking schools of statistics targets public and private stakeholders, with in any case a positive impact on economic and social innovation in general.

LIST OF CONTRIBUTORS

Dialogue's partners

Nous tenons à remercier tous les experts et les praticiens pour leur temps et leur contribution.

French Institutions

AFD, Anne Paugam, Jacques Moineville, Henry de Cazotte, et Jean François Almanza, Jérôme Bertrand-Hardy, Agnès Biscaglia, Alexis Bonnel, Yves Boudot, Julien Calas, Philippe Chedanne, Jean-René Cuzon, François-Xavier Duporge, Christian de Gromard, Pierre Forestier, Marie Garcin, Catherine Garetta, Marie-Laure Garnier, Jean-Yves Grosclaude, Roger Goudiard, Jean-Marc Gravellini, Alain Henry, Vanessa Jacquelain, Jallal Khimjee, Marie-Hélène Loison, Régis Marodon, Thierry Paulais, Fabrice Richy, Véronique Sauvat, Marie Sennequier, Pap Talla, Marie-Cécile Thirion, Claude Torre, Louis-Jacques Vaillant, Denis Vasseur

Civic Service Agency, Martin Hirsch

Revenue Court, André Gauron

Elysée, Marie-Hélène Aubert, Hélène Le Gall, Thomas Melonio

Ministry of Foreign Affairs and International développement, Jean-Marc Châtaignier, Frédéric Bontems, Jean-Pierre Cling, et Damien Barchiche, Isidore Boursier-Mougenot, Xavier Crepin, Thomas Dubois, Claire Gillot, Emilie Maehara, Ouafae Sanane, François Sow

Cabinet of the Ministry of Foreign Affairs and International développement, Sébastien Mosneron-Dupin

Ministry of Foreign Trade, cabinet of the Ministry of Foreign Trade, Anna Lipschitz
Ministry of Finances and Public Accounts, Arnaud Buissé, Frédéric Choblet, Cosimo Winckler

Cabinet of the Ministry of Finances and Public Accounts Julien Denormandie, Remy Rioux

Ministry of the Economy, Production Recovery and the Digital Sector, Cabinet of the Minister of the small and medium-sized firms, Innovation and Digital Trade, Bruno Sportisse

International and foreign institutions

Asia Society, Josette Sheeran

African Bank for Development, Mouhamadou Niang

World Bank, Vera Songwe

Convention de Ramsar, Christopher Briggs

ExImBank (USA), Susan Walton

Katanga's province Governor (Congo), Moise Katumbi Chapwe
Millenium Challenge Corporation (USA), Carl Sangree

Federal Ministry of the Economic cooperation (Deutschland), Gunter Nooke

Ministry of the Plan (South Africa), Trevor Manuel

Ministry of the Fisheries and Coastal Affaires (Senegal), Haidar El Ali,

World Trade Organization, Pascal Lamy, Valentine Rugwabiza

Overseas Private Investment Corporation (USA), Mimi Alemayehou

PTA Bank (South Africa), Admassu Tadesse
African Union, Jean Ping (ex-Président)
European Union, Koen Vervaecke
United Nations Office of Partnerships
Will Kennedy, Sahba Sobhani,
USAID, Riccardo Michel, Christopher Jurgens

Research

Research National Agency, Michel Griffon
Economic Chair for Climate, Christian de Perthuis
CIRAD, Nicolas Bricas
Global Development Network : Pierre Jacquet
IDDR, Laurence Tubiana
IEDES, André Guichaoua
IRD Bond'innov, Ninon Duval Farré

NGOs

Acumen, Yasmina Zaidman
Amnesty International, Netsanet Belay
APFG, Ini Damien
BRAC, Fazle Hasan Abed
Charity Water, Scott Harrison
Sustainability directors' College, Denis Guibard
Community Solutions, Rosanne Haggerty
Coordination Sud, Jean-Louis Vielajus
Cordes Foundation , Ron Cordes
Electricians without borders, Hervé Gouyet
Greenpeace, Kumi Naidoo
GRET, Bénédicte Hermelin, Marc Lévy
Learning Executives Society, Luc Savage
Light Years IP, Ron Layton
Moringa, Jean Goepp,
News, Ajanta Dey,
Rising Tide Capital, Alfa Demmellash
Self Help Africa, Killian Stokes

SOS Sahel, Remi Hemerick
Teijgadh Academy, Ganesh Devy
Wealth and Giving Forum, Glen Macdonald
Yagasu, Bambang Suprayogi,

Foundations

Education for Employment Foundation,
Ronald Bruder
Grameen Credit Agricole Foundation,
Jean-Luc Perron
Howard G. Buffett Foundation, Howard Buffett
LiveGivingForce Foundation, Bobbie Dunphy
Mandela Rhodes Foundation, Shaun Johnson
Mo Ibrahim Foundation, Mo Ibrahim, Nathalie Delapalme,
Naandi Foundation, Manoj Kumar, David Hogg
Rockefeller Foundation, Mamadou Biteye

Enterprises

Améthis Finance, Luc Rigouzzo
Barclays Africa, Maria Ramos
BlackRhino, Brian Herlihy
Blackstone, Aziz Shaukat (ex PM Pakistan)
Celtel, Simon Cairns (ex Chairman Warburgs)
Concero Connect, David Stephens
Crédit Agricole, Stanislas Pottier
Danone, Thierry Bonetto
Essilor, Claude Darnault
Danone Ecosystem Fund,
Jean Christophe Laugée,
Livelihoods Fund, Guillaume Bouculat,
GDF Suez Rassembleurs d'Énergie,
Laure Vinçotte
GDF Suez, Bernard Saincy
Grameen Bank, Muhammad Yunus

Groupe Huit, Guillaume Josse
Hystra, Olivier Kayser
I&P, Jean-Michel Sévérino
JP Morgan Social Finance, Tripp Shriner
L'Oréal, Chea Lun
La Laiterie du Berger, Bagore Batilly
Midori Management, Jacqueline Holmes
Morgan Stanley Social Finance,
Hilary Irby, Audrey Roy, Matthew Slovik
Orange, Denis Guibard
PAI, Lionel Zinsou
Primrose Capital, Asafa Demissie
Reed Smith Social Impact Finance,
Lee Ann Dillon, Alexander Poe
Renault, Claire Martin
Sanofi, Robert Sebbagh
Satiya Capital, Gebreyes Tsega
Schneider, Gilles Vermot Desroches,
Thomas Andre
Serious Change LP, Joshua Mailman
SJF Ventures, David Kirkpatrick
Total, Manuelle Le Poutre, Jerome
Schmitt
U.S. Trust Bank of America, Han Yik
Veolia Environment, Laurent Auguste,
Pierre Victoria
Willkie Farr & Gallagher, Daniel Hurstel

Locals authorities

Cités Unies France, Bertrand Gallet, Astrid
Frey

Trade unions

Belleville Institute, Frédérique Lelouche

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Annexes to Chapter 1

Examples of innovative projects to promote youth employment

1) EXAMPLE - PAJM PROGRAMME

PAJM Programme – Following the recommendations of the 23rd Africa-France Summit, held in Bamako in December 2005 on the theme of "The vitality, creativity and aspirations of African youth", the Malian and French Governments decided to offer increased support to initiatives in the field of social and professional integration of young people and set up a Malian youth support programme (PAJM) in April 2008, with funding of €2 million over a period of three years. It was extended by one year in February 2010, and will therefore end in April 2012.

This programme involves, in particular, setting up a scheme to support and supervise young business founders, throughout the designing, implementation and development of their projects. It is aimed at young men and women, aged 21-35, who are capable of taking the initiative, formalizing and presenting the draft of a project and the main aspects of its implementation, and who are willing to commit to taking part in a long-term support scheme. The initiative is being run throughout Mali and focuses in particular on projects lead by women.

The selected candidates are given entrepreneurship training and if their project is accepted by the credit committee, they receive a loan from the Malian Solidarity Bank (BMS). PAJM ensures that the mechanism is financially secure by providing a guarantee fund of €700,000. This fund is managed by the Self-Sustainable Employment Fund (FARE), which is housed at the BMS to facilitate loan transactions. The aim of the project is to train 360 young people to set up businesses and provide 240 young people with financial support (targets raised halfway through to 550 and 300 respectively), with an anticipated survival rate of 66% and a repayment rate of 90%.

PAJM is one of a set of schemes to promote training on entrepreneurship and management, and access to credit, some of which are run by government institutions (French National Employment Agency, *Agir pour l'emploi des jeunes* [APEJ], French Ministry of Trade and Industry) and others by technical cooperation bodies (such as the Belgian cooperation initiative PRECAD), to name just a few. While these schemes pursue common goals, they

employ different tools and procedures, and it would be useful to be able to compare their results.

Halfway through the programme, PAJM had trained 444 young people in entrepreneurship, including 224 whose projects were allocated total funding of 379.1 million CFA francs. By the end of the programme, more than 500 young people will have been trained and 300 will have received funding. The young people spoken to said that they were satisfied with the training, which made them feel confident about their ability to set up a business. This is confirmed by the fact that some of the young people who are refused funding by PAJM implement their project nonetheless, using another source of funding, whereas this is not the case for those who have not received the training.

The project's greatest achievement, which should be confirmed over the next few months, is its capacity to boost employment. Setting up a business generates two jobs, on average, including at least one salaried position. In some cases, such as joinery, fruit juice production, etc., as many as six to ten jobs may be created, including some apprenticeships. As a result, PAJM is currently estimated to have created over 650 jobs; this figure could reach 1,000 by the end of the programme.

Access to credit is, naturally, a determining factor. Young people feel that PAJM offers conditions that are compatible with their projects and that are not offered by micro-finance or banks: low interest rate, low personal contribution, no need for personal guarantees, and a loan value ranging from 1 to 3 million CFA francs. However, the repayment rate is below PAJM targets: for the first cohort, it was 70% at the end of March after nine instalments, compared with 80% three months earlier. For the second cohort, which has been repaying the loan since January, it stands at 82%. However, there are significant differences between regions, with a rate of 100% in Kidal for both cohorts, 100% in Gao for the second cohort, a little over 80% in Ségou, Mopti and Bamako, but only 50% in Koulikoro and 37% in Timbuktu.³⁴⁰

Source: PAJM programme evaluation report for the French Ministry of Foreign Affairs, 2009

³⁴⁰ PAJM programme evaluation report for the French Ministry of Foreign Affairs, 2009

Examples and case studies of the role of family farming

2) CASE 1 – “[ARAKU LIVELIHOODS](#)” – PLANTING TREES TO REBALANCE THE ENVIRONMENT

Project leaders

The **Livelihoods Fund** is a carbon offset fund supporting rural communities, created on the initiative of Danone. It mainly invests in three types of programme: restoration and preservation of natural ecosystems, agroforestry and restoration of land using sustainable farming practices, and rural energy projects avoiding deforestation.

“Naandi has created sustainable livelihoods for indigenous people in the difficult hilly terrains of Visakhapatnam. It has achieved the twin objectives of sustainability and appropriate knowledge transfer. It has also shown how cost-effective solutions can be upscaled in a very short period of time.”

Dr Manmohan Singh, Former Tribal Welfare Commissioner

The **Naandi Foundation** is an Indian NGO that was founded in 1998 to address problems facing the country in three main areas: children’s rights, drinking water and acceptable living conditions. It develops local projects to help rural inhabitants. For each project, a team of people work together to make the inhabitants' daily life easier. Since 2001, the Foundation has been collaborating with Adivasi tribal communities in the Araku Valley and the Indian authorities to reduce poverty in the region.

Social or environmental problem targeted

The Araku Valley is one of the poorest regions in India, mainly as a result of a vast deforestation programme which led to severe imbalances in the environment.

Project background

The Araku Livelihoods programme was set up in 2010. At the time, the Naandi Foundation had already organized 12,000 organic coffee smallholders into cooperatives. These smallholders, who were making a profit from their activity for the first time, wanted to invest this money in their unfarmed plots of land, while the Livelihoods Fund was looking to invest in agroforestry in exchange for carbon credits.

Description of business model

Overall, the programme Araku Livelihoods aims to restore balance to the valley's ecosystem by fertilizing the soil, planting endogenous trees and promoting the pollination of the new

plantations. Over three years, trees have been planted on 6,000 hectares of land belonging to 14,000 smallholders. The project consists mainly of planting fruit or timber trees, but shade-tolerant species such as coffee shrubs are also planted. The programme, which is based on local practices, was designed to be implemented by the farmers, who have therefore been trained in nursery management, natural fertilization and planting. In total, one resource nursery, 15 family nurseries and 50 biological centres have been set up.

Partners/Development plans

Investments over the period 2010-2014 amounted to €3.2 million, generating €1.4 million in carbon credits.

Social impact

| | Impacts | Buyers |
|--------------------|--|--------------------------------|
| Communities | Mangoes – Increased farming capacity (15,000 tonnes/year) | Indian food processing company |
| | Coffee – Increased farming capacity (500 tonnes/year) and better quality | International traders |
| | Improved food security for 60,000 Adivasis | Local authorities |
| Investors | Carbon sequestration of 1,400kt/20 years | Carbon fund |

Economic viability

The Araku Livelihoods programme also brings diversity. Not only environmental diversity, but also a broader portfolio of income, as a result of careful planning. Many farmers had started to diversify their plantations before they began growing coffee. Plants such as turmeric, peanuts, flowers, Ayurvedic plants and moringa were planted beneath the new trees. As a result, the farmers gained many new sources of income.

3) CASE 2 - FROM SLASH-AND-BURN TO AGROFORESTRY (CENTRAL AMERICA)

Since 2000, the Food and Agriculture Organization (FAO) has been setting up food security programmes, promoting agroforestry in particular as an alternative to traditional slash-and-burn farming. It has worked, for example, with the governments of Guatemala, Honduras, Nicaragua and El Salvador. In order to test and develop agroforestry models in the region, the various national programmes were encouraged to share information on practices, experiences and outcomes. The following observations were made:

- With traditional slash-and-burn farming, 6 hectares are needed to grow enough maize and beans to feed a single family, in comparison to 1.4 hectares for agroforestry.
- In slash-and-burn farming, plots of land are exploited for a period of two years, then left fallow for 14 years. Agroforestry enables farmers to exploit the same plot for ten years, followed by a fallow period of just five years.
- With agroforestry, yields remain stable over time and may even increase slightly (due, in particular, to improved water retention), whereas with slash-and-burn farming, yields decrease very rapidly.
- Furthermore, a single plot can be used to farm not only maize and beans, but other products too, including cattle. This allows families to enjoy a more diverse and balanced diet.
- The productivity of capital and labour is also higher. In particular, fertilizer costs are reduced because the soil contains more organic matter and nutrients are better utilized by the plants.
- At community level, diversification of production stimulates the development of local markets.
- Agroforestry significantly reduces soil erosion (by a factor greater than ten, according to several studies).
- Diversification of production helps to mitigate the effects of variable crop yields and price volatility.
- Diversification of income sources (particularly the sale of wood for various uses and on varying time scales) increases households' resilience to economic shocks.

Overall, thanks to agroforestry, land is four times more productive. This technique is also a means of improving food security, increasing the resilience of the land and households, and protecting the environment.

4) CASE 3 – AGROFORESTRY TO INCREASE FOOD SECURITY³⁴¹ (CAMEROON, KENYA, MADAGASCAR)

As experiments in agroforestry management become increasingly common and yield varying results in terms of restoring or preserving soil fertility and benefiting the rural people who implement them, this project intends to show that commercial perennial crops and food production are by no means incompatible. The project is based on the belief that agroforestry systems involving perennial crops can help to improve the food security and well-being of African farmers. Three African countries are taking part in the project and sharing their experiences of managing three different agroforestry systems:

- Cocoa farming in Cameroon
- Coffee farming in Kenya
- Clove farming in Madagascar

The project was born of the observation that current research on food security has focused little on the role of agroforestry systems at plot, farm and country level. It is founded on the results of research carried out by project partners in the three target areas.

5) CASE 4 – MANAGING THE AGROFORESTRY SYSTEMS OF MOUNT KILIMANJARO (TANZANIA)

The Kihamba agroforestry system covers an area of 120,000 hectares, on the southern slopes of Mount Kilimanjaro. It is 800 years old and stands out as one of the most sustainable forms of upland farming in the world, supporting the livelihoods of a population of one million people. In other mountainous areas with a similarly high population density, deforestation and soil erosion have resulted. Degradation of the Kihamba only began when farming systems other than the ancestral method were recently introduced.

The Kihamba system, which consists of four main layers of vegetation, has a structure similar to that of a tropical montane forest. The uppermost layer is formed by sparsely spaced trees which provide shade, medicine, fodder, fruits, firewood and timber. These trees also fix nitrogen. The second layer includes many varieties of banana, which are considered to be the main crop. Beneath the banana trees, coffee shrubs are grown, which in turn shelter vegetables. This multilayer system maximizes the use of limited land and provides for nutritionally diverse food all year round, with over 500 species (of which 100 are cultivated) and livestock including cows, pigs, chickens and rabbits.

Today, 20% of the farms are abandoned, following a decrease in farmers' income, which led to less productive land and partial deforestation. If this decline continues, it could have a

³⁴¹ Research project "afs4food", implemented by CIRAD, ICRAF and IRAD

massive impact on the area surrounding Mount Kilimanjaro, at once in terms of food security, carbon storage, soil erosion and water capturing.

In 2002, as part of its Globally Important Agricultural Heritage Systems (GIAHS) initiative, FAO launched a project aiming not only to increase the income of the 660 households in the village of Shimbwe Juu, but also to preserve the environmental and social integrity of the Kihamba system. The action plan, drawn up in collaboration with the inhabitants, consisted of:

- rethinking their sources of income, by converting to certified organic coffee farming, introducing vanilla as a crop and using the canals of the irrigation system to farm fish;
- rehabilitating the irrigation system;
- training farmers in sustainable land management.

Since the inhabitants' decision to participate in the project would have long-term consequences, FAO set up an information and consulting process to enable them to make an informed, fully independent decision. It also made sure to keep the Government informed and involved, which was crucial to the project's success. Four Tanzanian ministries helped to plan and execute the project, alongside the district and local authorities, NGOs, farmer cooperatives, businesses, and community leaders.

6) ANNEX – CASE 5 – MANAGEMENT OF GRAZING LAND IN LAIKIPIA (KENYA)

In 2008, the Laikipia Wildlife forum, an organization with 500 members, including pastoralists, livestock breeders and both small- and large-scale farmers from an area of 10,000km² surrounding Mount Kenya, launched a ten-year grazing land rehabilitation and management programme, aiming to reduce conflicts linked to access to natural resources.

The action plan was split into two main components: introducing planned grazing and building a shared vision.

The first of these consisted, firstly, of dividing the owned land into blocks, in order to calculate the number of grazing days for each block, depending on the number of animals involved. The goal was to organize the animals into the smallest possible number of herds and plan their journey according to factors such as the level of water reserves, the state of the land and the distances to be covered.

The programme very rapidly improved the state of the land, and the productivity and life span of the cattle, and increased the involvement of young people and community cohesion. Its success in terms of land restoration can be attributed to its focus on four aspects that have a determining impact on the health of an ecosystem, namely the water cycle, mineral cycles, energy flows, and plant and animal communities.

Furthermore, the training, which mainly concerned “eco-education” and herding techniques that limit animals’ stress levels, helped to restore traditional pastoral values, in the eyes of the community. Lastly, the process reversed a long-term trend of carbon being released from the land into the atmosphere.

During the process, the community members opposed their leaders’ decision to adopt the plan. It was then that the second project component, building a shared vision of the future, was introduced. Its implementation was based on the quality of life desired by the community leaders. What needed to be produced or created, in tangible or intangible form, to achieve this and what resources would be required in the future?

The benefits of this exercise were two-fold, since it required deep personal reflection on the part of the leaders, while guiding them towards decisions that took account of social, environmental and economic factors. They actually decided to reorganize their community’s management structure, creating management forums at village level and shifting from a directive role to a supportive one. Each village was able to define its own vision of the future and make choices that would help it to move towards this.

The following conclusions were drawn from the Laikipia project:

- Land degradation is above all a social problem rather than a technical one.
- Any process of transformation consists of key interlinked elements that have at least four different dimensions (personal, relational, collective and structural). The primary objective should therefore be to synchronize social considerations with technical challenges.
- Social change cannot come from outside the community. Intervention teams should therefore try to tap into the psychology of the communities that they are trying to help.
- Solutions cannot be found if issues are considered in isolation. Each situation involves interconnected social, environmental and economic factors. It is necessary to align these with one another.
- Each situation is unique. For this reason, the principles of common sense placed in the hands of managers are worth more than “solutions” placed in the hands of experts.

7) CASE 6 – INTEGRATED MANAGEMENT OF THE KAGERA BASIN (BURUNDI, RWANDA, UGANDA, TANZANIA)

The Kagera Basin is located in East Africa and shared by four countries: Burundi, Rwanda, Tanzania and Uganda. It covers a surface area of 59,700km² and occupies a strategic position, contributing almost a quarter of the inflow into Lake Victoria. The agro-ecosystems in the region are facing increasing pressures as a result of rapid population growth, and agricultural and livestock intensification. This is leading to a progressive reduction in farm sizes, and unsustainable land use and management practices.

The overall goal of the Kagera TAMP project (Transboundary Agro-ecosystem Management Programme for the Kagera River Basin), which is financed by the Global Environment Facility (GEF) and implemented by FAO, is to adopt an integrated ecosystems approach for the management of land resources in the Kagera Basin that will generate local, national and global benefits including restoration of degraded lands, carbon sequestration, conservation and sustainable use of agro-biodiversity and improved agricultural production.

Land degradation was evaluated using tools developed by the FAO's Land Degradation Assessment in Drylands (LADA) project, which started in 2006 with the general purpose of creating the basis for informed policy advice on land degradation at global, national and local level. The assessment covered the entire river basin, which extends over more than 60% of Burundi and Rwanda, and large areas of Uganda and Tanzania. Participative meetings were held, bringing together cross-sectoral experts. The various types of degradation observed and the initiatives aiming to implement sustainable land management were mapped. The results, which were put together by the experts, helped to align local estimates regarding services provided by the ecosystem.

This method, which takes into account biophysical, social, economic and environmental aspects, can be carried out over a relatively short time period. It took just six months to complete the first set of maps. Moreover, it is not very expensive (\$150,000 for the entire basin), even taking into account the capacity-building training provided for the experts (cross-sectoral work, quality control, validation and finalization of the data base and maps).

8) CASE 7 – STONE BARRIERS IN BURKINA FASO, WRITTEN BY STEPHANE PERRIER, LIVELIHOODS

In Dissin, rainfall is satisfactory in terms of volume (1,000 mm/year) but it varies greatly from year to year and there is a long dry season, lasting 7-8 months. Between 2001 and 2010, the NGO SOS Sahel ran a land-planning programme, which included the provision of trucks and tools to allow farmers to gather rubble³⁴² and build stone barriers.³⁴³ These low walls, measuring 30-50cm in height, are laid along contour lines, forming a network that runs across the whole area of farmland. When it rains, they slow down run-off, thus reducing gully erosion and improving infiltration into farmland. In addition, as the stone barriers filter out the seeds and sediment carried by the water, vegetation gradually grows up around them, and organic matter and soil nutrients are retained in the farmed area. Over a period of one or two years, the farmers who took part in this programme saw their annual yields improve by 30-70%.

9) CASE 8 – MINGA SYSTEM FOR DROUGHT MANAGEMENT (BOLIVIA) (FAO REPORT, CLIMATE-SMART AGRICULTURE)

Farmers in the Bolivian region of Chiquitania drew up a plan 28 years ago to help the community adapt to climate change. In particular, they developed a practice for harvesting rainwater to cope with the significant fluctuations in rainfall and used a diversified production system to grow maize, cassava, peanuts and organic coffee.

The method consisted of digging a furrow near to the plants, filling it with manure, then covering it with mulch or vegetation residues. According to the farmers, this technique has increased their yields and kept production stable, even during droughts. The manure increases the soil's nutrient content and improves the soil structure, thereby increasing water storage. The Instituto Nacional de Innovación Agropecuaria y Forestal and FAO therefore decided to spread this technique to other communities.

10) CASE 9 – FARMING PRACTICES AND LARGE-SCALE FERTILIZATION IN KISUMU, KENYA (VI AGROFORESTRY)

Vi Agroforestry has developed a project with the World Bank based on the climate benefits of sustainable agriculture land use practices. Sustainable Agriculture Land Management

³⁴² Pieces of rough or undressed stone used in building walls, especially as filling for cavities. <http://www.oxforddictionaries.com/definition/english/rubble?q=rubble>

³⁴³ Structure to combat erosion, consisting of two rows of stones laid along the contour line, generally on cultivated land. Also known as contour stone bunds.

(SALM) aims to maintain and restore degraded agricultural land into functioning ecosystems, **integrating and utilizing synergies between farming enterprise development and financial services and carbon finance.**

Vi Agroforestry is working in Kenya with 74,828 families and 4,296 farmers' groups on the watershed area of the Victoria Lake. Agroforestry is the basis of Vi Agroforestry's work, coupled with components such as organizational development, market oriented production and financial services.

High scale agroforestry implementation: Joint cultivation of trees and crops improves soil efficiency, and the farmers increase their output by more than 40%:

1. Trees stabilize the ground and reduce soil erosion.
2. Trees provide wood, timber, and sometimes have medicinal properties.
3. The farmer gets milk, fruit and other food from his or her farm.
4. Leaves from the trees fertilize the earth and help to keep it moist.
5. Nitrogen bound by the trees benefits the crops.
6. Manure from animals is used for crops and trees.
7. Trees provide food for the animals.

Organizational development: by strengthening cooperation between farmers through farmers' groups, associations, cooperatives and farmers' enterprises at a local level. The groups learn from each other and pass on knowledge. Such groups also strengthen democracy and help farmers to develop a stronger influence in the community.

Market-oriented production: As the farmers increase their output, markets are needed in which they can sell their goods. Vi Agroforestry supports farmers with training and advice, so that they can plan what should be produced, the quality required and how to negotiate good prices.

Financial services: By coming together and organizing themselves into savings and loan groups, farmers save and invest in their business activities, and thus increase their production.

Climate Actions: Helping farmers adapt to climate by growing trees and several kinds of crops together reduces vulnerability to drought and strong winds. Trees prevent erosion and downstream effects and absorb carbon dioxide from the air. This project has been approved as Verified Carbon Standard project.

Results and impacts:

30,330 family farmers participated in training relating to the micro-entrepreneurship, helping farmers increase their output by more than 40%:

- 1,872 active saving and borrowing groups with a total of 32,462 members.
- 4,547 households used alternative energy sources such as biogas, solar power and briquettes. 2,945 farmers' groups received training on human rights.
- 41,056 households participated in training about the importance of growing a variety of crops and how to get adequate nutrition from their diet.
- 11,255 farmers began using methods that counteract soil erosion.
- 3,786 water collection systems were constructed.
- 207 kitchen gardens were set up in schools as part of the "Farmers of the Future" project.
- VCS carbon sequestration is estimated at 1,200kt CO².

11) CASE 10- "SLASH AND MULCH" AGROFORESTRY SYSTEM IN QUESUNGUAL (HONDURAS)³⁴⁴

Slash and burn is a traditional form of agriculture practised by small-scale farmers on around 20 percent of the tropical land area. Despite the short-term benefits obtained from its use (e.g. firewood, nutrients for crop development and reduced incidence of pests and diseases), it is recognized as an environmentally unfriendly practice that does not guarantee food security and exacerbates natural resource degradation and climate change. In southwest Honduras, in the early 1990s, experts from FAO identified native farming practices and worked together with farmers to develop a suitable production system to replace the slash-and-burn system.

The Quesungual Slash and Mulch Agroforestry System (QSMAS) is a smallholder production system that uses a set of technologies for the sustainable management of vegetation, soil, water and nutrients in drought-prone areas of the sub-humid tropics. QSMAS can be considered a model system that applies conservation agriculture principles to achieve sustainable food security and ensure the delivery of other ecosystem services.

QSMAS is based on the following principles:

- no slash and burn;
- permanent soil cover, with continual deposition of biomass from trees, shrubs and weeds, and through crop residues;
- minimal disturbance of soil, with no tillage, and direct seeding;
- effective and appropriate use of fertilizers.

³⁴⁴ FAO Climate-Smart Agriculture Sourcebook, p.121

12) CASE 11 – AGROECOLOGY: NETWORK FOR DIRECT SEEDING OVER PERMANENT SOIL COVER

For over 20 years, Cirad and its partners have been designing solutions to replace traditional cropping systems in developing countries, because tillage-based farming is struggling to meet the demands of water and soil conservation, environmental protection, food security, cost reduction, etc. They have created attractive, profitable, environmentally-friendly and sustainable cropping systems to be rolled out on a large scale, based on the principle of direct seeding over permanent soil cover. In these systems, the soil is never tilled and a layer of dead or living matter is preserved at all times. The mulch consists of debris from main crops or catch crops that are grown in between or used as “biological pumps”. These plants have extensive, powerful root systems and can transport nutrients from deep in the ground up to the surface, where they can be used by the main crops. They also rapidly produce a significant quantity of biomass and can grow in harsh conditions, such as during dry seasons, on compacted soil and under high weed pressure.³⁴⁵

13) CASE 12 – COMMUNITY RESTORATION OF MANGROVES (SENEGAL, INDIA, INDONESIA)³⁴⁶

Mangroves are ecosystems that are crucial to coastal areas because they act as ecological shields, but they are severely threatened by large-scale deforestation programmes that are causing significant imbalances in the environment. The Livelihoods Fund supports three NGOs in their work to restore them and reduce poverty in the areas concerned: Oceanium in Senegal, News in India, and Yagasu in Indonesia.

These organizations focus in particular on running initiatives to restore environmental balance and improving people's living conditions by facilitating producers' access to the local market in order to increase food security and income.

The Livelihoods programme, set up in 2009, aims to rebalance the environment by recycling soil and planting endogenous species. The first step was therefore to involve local and community authorities in creating nurseries and launching mangrove plantation programmes. The programme is based on local practices and training of local people in nursery and plantation management and fish farming.

A total of €6.5 million was invested in the plantations over five years. Overall, 20,000 hectares, housing 400,000 people, have been replanted, which should result in

³⁴⁵ From the Cirad website on agroecology: <http://agroecologie.cirad.fr/> (in French)

³⁴⁶ JP Renaud, Livelihoods

carbon sequestration of 3,200 kt over 20 years. Food security has been improved in 600 villages, in particular due to better access to fish and seafood markets.

14) ANNEX – CASE 13 – THE POTATO PARK (PERU)³⁴⁷

The Potato Park is a unique 12,000-hectare reserve in the Andes, near Cusco. The reserve is home to six indigenous Quechua communities. The 8,000 residents own the land and control access to local resources, but manage their communal lands jointly for their collective benefit. The communal activities are spearheaded by an organization known as the “guardian of native potatoes”, the Papa Arariwa Collective.

The Potato Park was established to conserve the region’s potato biodiversity, a task that has become increasingly difficult as warming climates have altered the growing patterns of some of the area’s local varieties. In the region, a typical family farm cultivates 20 to 80 varieties of potato, most of which are grown for local consumption or regional barter.

As the climate becomes warmer, local potato farmers have begun experimenting with different varieties at higher altitudes where temperatures are lower. They use varieties that had disappeared from their fields but that had been conserved in the gene bank of the International Potato Center. The Benefit-sharing Fund of the International Treaty on Plant Genetic Resources for Food and Agriculture is working with the local farmers to repatriate varieties from the gene bank into their fields.

Of the 1,345 varieties that can be found in the Potato Park, 410 were reintroduced through this initiative and 157 were received through seed exchanges. The fact that these varieties were disease-free helped increase yields. Furthermore, the popularity of the older potato varieties has increased thanks to marketing efforts and the increased attention these varieties received. Lastly, the conservation of these potato varieties through in situ utilization will provide invaluable support to local communities in adapting to climate change.

³⁴⁷ The Potato Park, Peru (FAO Climate-Smart Agriculture Sourcebook, p.184)

Examples of urban innovative initiatives

15) EXAMPLE – PARTICIPATORY BUDGETS

Participatory budgets

Participatory budgets exist in a broader context of participatory tools being used in Latin America, such as urban consultations, round tables and special areas of land interest. It is an innovation of the South, which was then imported to developed countries.

Created in Porto Alegre³⁴⁸, after the municipal elections of the Workers' Party (1988), this practice had the four-pronged objective of redirecting public resources towards the poorest populations; creating new relations between municipalities and citizens; reconstructing the social link and the public interest; inventing a new democratic culture and mobilizing a sense of citizenship.

Although difficulties and limits of this experience are numerous (mobilization of young and very poor people; mobilization of the public interest around long-term issues), its advances have been interesting.

“It is certain that strong mobilization of poor neighbourhoods has resulted in a reversal of the city's investment priorities [...] An equally important and striking change is occurring in people's minds. It could be summed up in a few words: dignity, solidarity, discovery of the city, knowledge acquisition, understanding how society works, development of citizen awareness.”

The city of Belem³⁴⁹ transformed the participatory budget into a city conference to broaden the debate to include more global urban visions. Belo Horizonte³⁵⁰ introduced a participatory social housing budget. As for Villa El Salvador, a popular city on the outskirts of Lima, the municipality first prepared a long-term development plan subject to a vote of the population then introduced the participatory budget.

These experiences can be applied far from Latin America: since 2012, a participatory-budget experience has been conducted in South Kivu³⁵¹ to promote fiscal civic-mindedness, dialogue and transparency. Innovation in this project lies in control conducted mainly by phone

³⁴⁸ Capital of the state of Rio Grande do Sul, in Brazil

³⁴⁹ Brazilian city of the estuary of the Amazon River and the capital of the state of Pará

³⁵⁰ The biggest city in the Brazilian state of Minas Gerais and its capital

³⁵¹ Province of the Democratic Republic of the Congo

contacts and text messages. Thanks to mobile phones, which most Congolese manage to attain, stakeholders in the participatory budget project easily access, without having to travel anywhere, helpful information on dates, times and places of meetings. They can also, without interrupting their daily routine, find information about the decisions taken at the meetings, vote by SMS, and most importantly, monitor and evaluate decisions taken at votes. This communication system that is currently in the pilot phase in the South Kivu province is called “M. Sondage (Mr Poll)”³⁵². On the basis of these advances and at the request of civil society, the World Bank is currently extending the programme to the city-province of Kinshasa and the province of Katanga.

16) EXAMPLE- THE CITY OF MEDELLIN

[Medellin: social urbanism helping to transform neighbourhoods](#)

“Convinced that architecture and urbanism can produce a far-reaching social transformation, we promoted ‘social urbanism’. The Santo Domingo neighbourhood, one of the poorest and most violent of the city, was the first to benefit from an integral urban project. It has not only provided basic services to inhabitants, but also generated opportunities for education and the creation of new shops and businesses. Lastly, it has enabled inhabitants to reconnect with the city, which they had no longer been able to access. And the neighbourhood was physically radically transformed”. Sergio, Fajardo, former Mayor of Medellin

Medellin has come a long way. Twenty years ago, the second largest city in Colombia, infiltrated by drug trafficking, was the most dangerous in the world. The homicide rate reached 381 per 100,000 inhabitants. This astounding number would be reduced to 184 in 2002, before dropping spectacularly to 26 in 2007, which is where it remains to date. The transformation of Medellin, although still fragile, has been based on: (i) one man: Sergio Fajardo, elected mayor in 2003, and his team: “new” representatives of civil society, filled with the desire to change things; (ii) a collective project: the reconstruction of living together in neighbourhoods that had long been known for their extreme violence.

This project is first based on restoring confidence in government action thanks to the attention given to populations in the most marginalized neighbourhoods, being interested in their problems and defending their values of honesty, competence, transparency, and strong involvement. Restoring confidence has also been based on the participation of populations in government decisions and collective action (dedicated teams, participatory workshops, etc.), and on swift execution of the programme: in the field, change was

³⁵² Article of the World Bank, 10 September 2012

possible. Consequently, it could justify that collected resources were serving a government policy whose effects were rapidly visible. The restored confidence was translated into a strong increase in tax resources.

Next, government action was focused on two powerful channels of social change: (i) education, a top priority in building tomorrow's society on fairly distributed human capital; (ii) social urbanism, a way of thinking and organizing the city as an engine of social development.

Social urbanism is a public policy transforming urban dynamics through targeted and integrated actions in the poorest neighbourhoods, on the basis of the belief that the way of designing urban space can strengthen social cohesion and transform living conditions of targeted neighbourhoods. Lastly, it is the image of the city as a whole that benefits from this social urbanism policy, originally focused on the poorest neighbourhoods. Social urbanism is implemented as part of the *Proyecto urbano integral (PUI)*, large-scale projects that involve all drivers of change: mobility, public space, housing, social services, by mobilizing local public enterprises.

The participation of populations in the project is essential. It is organized in large gatherings, neighbourhood meetings, group visits to the project areas and brainstorming workshops, in which inhabitants are invited to imagine their dream places to live.

Investment in mobility is key, as a way to sew back together fragmented urban fabric, to link populations who have long been isolated in difficult areas to access to downtown areas, strategic places where they can find jobs and services and feel integrated into the life of the city. Metro cable lines (gondola lift), a means of transport that is adapted to the geological constraints of the city's being built on a hill and a symbol of a renewed image of the neighbourhoods, is a brilliant innovation, as well as an outdoor escalator. It is a fun way to travel and transports its passengers from the bottom to the top of the hillside in just a few minutes. It is also a backbone structuring the neighbourhood to which a quality public space is attached.

Investing massively in public spaces is the main aim of the project to rebuild social cohesion and meets the need of reconstructing the link, in a society that has long been reclusive due to the dangerous streets. Public spaces are designed collectively to satisfy the aspirations of populations that are often uprooted. Libraries, in particular, play a structuring role in re-establishing social cohesion. They have become architectural works at the heart of public spaces, which are places to live, experience culture, share ideas and for children to spend time after school (since for a long time, their only alternative was playing in violent streets) and places for adult education and training (computer, etc.). These large libraries are the symbols of space being granted to culture in the project for society and play a decisive role in the rebuilding of neighbourhoods.

Ultimately, “the most beautiful for the most humble”, more than a slogan, is symbolized by the financing of buildings, especially cultural centres, entrusted to leading architects in neighbourhoods long forgotten by the public authorities, and is a source of dignity and pride for inhabitants.

The issue of employment is addressed in two ways: with the revitalization of economic activity through the re-conquest of neighbourhoods (streets are more welcoming, inhabitants go out and economic activity is recovering in areas that have once again become shopping zones. A bank has even opened in a neighbourhood that was known for being the most violent in the city); and with microfinance programmes, to accompany the private initiative.

Financing of these projects was made possible through: (i) radical improvement of tax revenues; (ii) effective management of the municipality, which made it possible to borrow sizeable sums at advantageous interest rates; (iii) resources paid by public enterprises. The realization of these integrated projects has also been facilitated by the existence of an effective network of public enterprises overseen by the municipality, particularly the Urban Development Enterprise.

Four neighbourhoods (each with between 200,000 and 400,000 inhabitants) have been improved so far. Even if many problems remain, the way of living together has radically changed. The toolbox of social urbanism, which has become better defined over time, has nevertheless proven to work resulting in lower violence, improved living conditions, and a transformed image of the city.

17) EXAMPLE- THE CITY OF CURITIBA

Example – the city of Curitiba [Spotlight on Curitiba](#), sustainable city

Jaime Lerner surrounded himself with an interdisciplinary and creative team to show that by combining humanism and strategy, ethics and inventiveness, it was possible to solve problems that a lack of money made difficult to do.

The municipality of Curitiba, the capital of the state of Paraná in southern Brazil, with a population of 1.7 million inhabitants (which has tripled in 25 years), is the fifth leading economic hub in the country. It is also located in one of the 34 biodiversity hot spots in the world, which are areas that are very rich in resources but particularly endangered. Since 1960, Curitiba has opted for a sustainable urban development and has integrated the notion in all of its public policies. This exemplary approach therefore aims to reconcile development of the habitat and transport with preservation of the urban environment. It has become Brazil’s global showcase for its innovative programme of urban biodiversity programme.

The main focuses of innovation are: transport policy, waste management, job development, living environment improvement, social action and training of stakeholders.

With regard to urban transport, the objective was to develop the use of public transport in order to improve the traffic situation in the city and reduce the carbon footprint. The bus network (composed of five main thoroughfares reserved exclusively for buses, with a total length of 80 km) joins the terminals from which cross-town routes depart. Several factors contributed to making taking the bus particularly attractive. First establishing businesses and public services near every terminal, in what we call citizen-focused streets. The price of a ticket covers all costs, except for infrastructures, which the municipality covers.

Waste collection: (Selective) waste collection exists in the centre of Curitiba. However, waste collection trucks cannot circulate in slums. To overcome this problem, the municipality had an original idea: exchange waste for food. People living in slums collect recyclable waste; a kilo of collected waste is exchanged for a kilo of food. These city neighbourhoods are improving in terms of hygiene, and their inhabitants have a food supplement without being considered assisted. Another advantage is that the food comes from agricultural surpluses of small farmers, who consequently find new customers for their production. The waste collected is separated and assessed in the specialized centres that are staffed with people in difficulty.

The line for employment: The Curitiba municipality provides financial means and infrastructures to people who want to create their business. It created entrepreneur “warehouses”, where space and assistance are made available to entrepreneurs to learn how to better manage their business. Future entrepreneurs have two years “to prove themselves”. In addition, employment villages were created bringing together 15 to 20 constructions that it is possible to acquire if the business works.

The city has engaged in actions in other areas: measures to integrate excluded people, development of public spaces and setting up “Lighthouses of Knowledge” to facilitate access to as many people as possible to culture. In addition, to contribute to continuing education of different audiences, the municipality has created a Free University of the Environment. The objective is to disseminate environmental knowledge and practices and to facilitate the most respectful behaviours of the environment.

Of course, despite these efforts, there remains a wide range of fields to explore. Particularly, this experience is often criticized for its lack of consultation of the entire population, the lack of citizens’ involvement in designing the programmes, as opposed to what was done in Porto Alegre, in the neighbouring state of Rio Grande do Sul, a participatory budget project. However this means that actions being taken in Curitiba can not only help other Latin American cities, but European cities as well, identify avenues for action to contribute to sustainable development.

<http://www.igapura.org/curitiba.htm>

Annexes of Chapter II

Examples and case studies of the role of civil society

EXAMPLES AND CASE STUDIES OF THE ROLE OF NGOS

- [BRAC](#), is one of the largest NGOs in the world based in Bangladesh. It finances 80% of its annual budget, or €500 million, with income from a network of social enterprises (local artisan craft stores, production of dairy products, sale of medicines in a network of 95,000 health workers, etc.);
- [Grameen Shakti](#), has an annual turnover of \$100 million and has equipped one million households in Bangladesh with photovoltaic systems.
- In India, the [Naandi Foundation](#) has developed a network of more than 400 mini water treatment plants in villages proposing monthly water service contracts. As a result, it ensures access to safe drinking water to 600,000 Indian consumers;
- The French NGO [GRET](#) created [Nutri'zaza](#), a social business whose mission is to provide food to young children in Madagascar (see the case study below).
- The NGO [1001 Fontaines](#) is developing a model to access safe drinking water in rural areas in Cambodia based on local entrepreneurs and aiming to break even economically (see case study below).
- [CARE](#) created [JITA](#), a social business distributing essential personal care, health and food products to very poor rural populations in Bangladesh. The project employs 12,000 women.

18) NUTRI'ZAZA CASE STUDY- – THE SOCIAL BUSINESS FIGHTING MALNUTRITION IN MADAGASCAR

Project leader

GRET is a French development NGO that has actively been fighting poverty and inequalities for 35 years. Its professionals take action on a broad range of subjects to provide lasting innovative solutions for fair development.

Social or environmental problem targeted

Food for infants and young children, preschool and school children and pregnant and breastfeeding mothers with a view to sustainable development.

Project background

Nutrimad is the Malagasy component of the Nutridev nutrition programme initiated in eight African and Asian countries by the French Research Institute for Development (IRD) and GRET.

Launched in 1994, Nutrimad was first focused on rural communities spearheading nutritional education programmes.

Nutrimad action in rural communities began in 1998, and reached a critical turning point in 2002 with the opening of the first hotelin-jazakely (restaurant for babies) in Antananarivo. A hotelin is a local point of sale where moderators prepare and sell Koba Aina, an infant fortified porridge produced locally for children over six months old. It has become a part of the daily routine of the Malagasy people because of the daily sale of porridge by moderators, offering ready-to-eat porridge. Koba Aina is also available in individual packages (to be prepared) sold at hotelin. In the neighbourhoods where there are no hotelins, these packages are sold in local grocery stores. While Koba Aina was only initially known in neighbourhoods covered by hotelins, it has become much more widespread, so much so that today 63 % of sales are made in local grocery stores.

Description of the business model

Since September 2012, hotelins have been managed by Nutri'Zaza, a social business made up of five shareholders, namely GRET, the manufacturer of Koba Aina, TAF, a business promotion association in Madagascar (APEM), and two investment funds, SIDI and I&P. Nutri'Zaza also received AFD funds (€900,000).

Nutri'Zaza is a **limited company under Malagasy law** led by management, a board of directors and a general assembly of shareholders. The company created an ethics and social oversight committee with the support of the Innovation for Development Fund (FIND) so that administration of its social mandate is not left to the shareholders alone.

Partners/Co-creation

Although the social mission of the company is the main reason for investment for all shareholders, the different profiles of shareholders may imply a variety of objectives. Several safeguards have been put in place to prevent Nutri'Zaza from deviating from its initial objective.

GRET (34% of capital) has a blocking minority ensuring its control over the possible arrival of new investors and on the social scope of the business. Moreover, an ethics committee made up of different public stakeholders was set up to ensure that the social objectives are

fulfilled. International Solidarity for Development and Investment (**SIDI**, 24% of capital) is a social limited company created in 1983 by a development NGOs, the CCFD-Terre Solidaire (Catholic Committee against Hunger for Development). It contributes to the promotion of the social and solidarity economy through the consolidation of individual or collective economic activities initiated locally in southern and eastern countries. **I&P** (22% of capital) aims to contribute to the emergence of a dynamic and lasting private sector in Africa. Its action is part of a societal vision and addresses a demand for economic efficiency. In ten years, I&P Développement invested more than €10 million in 30 companies, including seven microfinance institutions, in a dozen African countries. The **TAF company** (18% of capital) is a Malagasy manufacturer with an estimated turnover of €10 million that has worked with the Nutrimad team from the launch of Koba Aina (2002). TAF ensures the provision of raw materials, manufacturing in its production unit in Tananarive, packaging of the product and its direct distribution in local grocery stores. **APEM** (2% of capital) was created in November 1987 by the Madagascar Enterprises Grouping (GEM). Its purpose is to support enterprises with microfinance, promote MFIs and develop micro and small businesses. In 1990 it launched the Investment Company for Enterprises Promotion in Madagascar with SIDI.

At the outset, Blédina provided Nutrimad—through danone.communities—technical assistance services to optimize its economic model of production/promotion/sale of Koba Aina flour. Blédina had several reasons to participate: to motivate its employees by involving them in the project, to learn to develop strategies that are adapted to the Base-of-the-Pyramid populations, to gain credibility in the eyes of health and nutrition professionals in its mission and to contribute to economic and social development.

Development plans

Today 60 moderators are running 40 hotelins. More than 1.6 million Koba Aina-based meals are sold every year to about 25,000 children. Two stakeholders set out clear objectives for Nutri'Zaza to be achieved by 2018. GRET intends to:

- Build 60 new hotelins in three years in poor neighbourhoods;
- Start working in 25 new communes;
- Extend Koba Aina marketing to other channels of distribution;
- Provide a food supplement to more than 150,000 children (particularly those from disadvantaged families);
- Create 200 moderator posts.

Social impact

The only objectives that have been calculated concern business activity and not its impact on the health of the population. Nutri'Zaza uses products that meet WHO standards and are known to produce positive effects, and 16% of users are registered (declared) and consume

enough Koba Aina to produce an impact on their health. However, the health impact depends on many other factors as well.

Economic viability

Nutri'Zaza and all its shareholders hope to break even in five years, while respecting the social aim of the enterprise: offering a service that is accessible to low-income families, while maintaining a product that meets international quality standards.

Replicability

Nutri'Zaza could undoubtedly become one of the rare commercial successes of fortified porridge if its sourcing (excessive dependence on TAF which is also a shareholder), range of products (instant, several flavours), price, commercial approach (micro marketing) and even packaging (aluminium package for middle-income classes) are rethought. This model could then be replicated in countries with stronger potential and attract other types of investors such as the Global Alliance for Improved Nutrition (GAIN) or Children's Investment Fund Foundation (CIFF) that did not place Madagascar on their list of priority countries.

Challenges/Lessons learned

Nutri'Zaza probably has enough potential for operational improvement to achieve satisfactory profitability but would need significant investment in the management team and from other investors. Also, Nutri'Zaza still has a structure and NGO management style and a board of directors that seem more concerned with avoiding losses than setting up a genuine business.

19) 1001 FONTAINES CASE STUDY – MAKING SAFE DRINKING WATER ACCESSIBLE TO AS MANY PEOPLE AS POSSIBLE

Project leader

The project was launched by the NGO, 1001 Fontaines, created in 2004 after Chay Lo (when he was still a student) and François Jacquenoud (former associate in the company, Accenture) and Virginie Legrand (former collaborator for Enfants du Mékong) met. The NGO has taken on the mission of making safe drinking water accessible to as many people as possible. It is supported by a number of institutional and private partners.

Social or environmental problem targeted

According to the latest data issued by WHO and UNICEF, 900 million of the 2.1 billion people who still do not have access to safe drinking water do not have access to a water source. More than 60% of them live in sub-Saharan Africa or in South Asia and 83% in rural areas. Moreover, water collection constraints affect women and children, and the time spent collecting water (or wood to boil it) could be spent on productive or educational activities. The health consequences are disastrous since 80% of diseases, particularly childhood ones, are water related. Diarrhoea continues to kill about two million people annually, mainly children under five years old.

Project background

Launched in 2004 in Cambodia, UV+ Solaire was defined as a social business specialized in safe drinking water treatment and distribution to rural communities via small units entrusted to local entrepreneurs, using a social franchise model. 1001 Fontaines solicited the Grameen Crédit Agricole Foundation to invest in its capital, alongside 1001 Fontaines and danone.communities.

Description of the business model

1001 Fontaines is a **social franchise** enabling inhabitants of rural areas to have a simple, low-cost, lasting access to safe drinking water. It created self-financing water purification platforms and entrusts management to micro-entrepreneurs in the village as franchises. It is based on three innovations:

- **Industrial innovation** enabling local low-cost water purification. This process is based on an ultra violet purification powered by solar energy. It produces 800 litres of water an hour. Water is then packaged into 20-litre containers. Water quality meets international and national standards and is checked regularly;
- **Economic innovation:** the process is very low cost to implement, and adapted to villagers whom 1001 Fontaines helps to become entrepreneurs. Sold at a low cost and

delivered to homes, water is accessible to the poorest and most isolated populations. In Cambodia, a 20-litre container costs €0.14 when delivered as opposed to the market price of €0.50.

- **Organizational innovation in a social franchise:** 1001 Fontaines, (head of the franchise network), franchised national operators (“Teuk Saat” in Cambodia, “Saint Gabriel” in Madagascar) and franchised village operators.

The economic model is hybrid: equipment and initial training are financed by donations collected by the NGO. Once launched, the local platform is self-financing with the revenue generated.

Partners/Co-creation

The 1001 Fontaines Solaire has 3 shareholders/partners: The NGO, 1001 Fontaines, is the main shareholder of UV+ Solaire, danone.communities, and Grameen Crédit Agricole Foundation. It has also developed a partnership with Accenture to better train and support small village entrepreneurs. A partnership with Auchan has also been launched.

Development plans

The purpose of 1001 Fontaines is to move from a successful prototype to a sustainable solution for the health of rural populations (500,000 to 1 million beneficiaries) via self-financing development.

Social impact

The franchise now has more than 110,000 beneficiaries in Cambodia and in Madagascar.

| Data as of end 2012 | Cambodia | Madagascar | Total |
|--------------------------------------|---------------------|--------------------|----------------|
| Customers | 60,000 | 4,000 | 63,435 |
| Sponsored children | 43,974 | 4,428 | 48,402 |
| Total | 103,974 | 8,428 | 111,837 |
| Microbusinesses | | | |
| Franchised village operators | 63 | 4 | 67 |
| Stations being launched | 52 | 4 | 56 |
| Jobs | | | |
| Franchised national operators | 25 employees | 4 employees | |

| | | | |
|-------------------------------------|----------------------------------|---------------------|--|
| Franchised village operators | 120 operators (32% women) | 12 operators | |
|-------------------------------------|----------------------------------|---------------------|--|

In Cambodia, a 20-litre container on average is sufficient to meet the water needs of a family for three days. These actions are supplemented by the sponsorship of school children: the NGO 1001 Fontaines finances the delivery of safe drinking water to schools. In addition, the franchise puts in place education and social marketing actions to raise the local populations' awareness about the benefits of safe drinking water.

Economic viability

The price is low enough so that the most vulnerable beneficiaries can afford this safe drinking water, but the economic sustainability of 1001 Fontaines is ensured on account of the low costs of the structure. As in any social franchise, an association (in this case, 1001 Fontaines) provides financial support to finance installations costs of the purification stations. The micro-businesses become profitable rapidly: they must provide services to 200 families (and sell about 1,200 litres a day) to break even.

Environmental impact

The solution has a positive impact on the environment since it enables villagers to not use plastic bottles.

Replicability

1001 Fontaines can adapt its social franchise model to other geographic areas, knowledge of the country and social fabric being provided by local franchised operators. This social business exists in Cambodia and Madagascar and is in pilot phase in India.

Impact for the company

1001 Fontaines currently has a very good reputation and its leaders have received many awards (Schwab Foundation). Their motivation is based on the social mission of the enterprise and the development opportunity.

Challenges/Lessons learned

The main lesson learned from 1001 Fontaines is in its identifying rural entrepreneurs as the vulnerable link in the chain. They are the ones who are tasked with developing the customers and the social mission. 1001 Fontaines has therefore capitalized on the identification of entrepreneurs and providing them technical, commercial and financial support.

Annex – Examples and Case Studies of the Role of Private Foundations

- The [Shell](#) Foundation has developed the principle of [Business](#) DNA, which consists in the development sector using the best practices from the private sector to drive growth and create jobs with a view to alleviating poverty and protecting the environment ³⁵³.
- In Kenya and Rwanda, the [Sustainable Healthcare Foundation](#) has created drugstores and clinics to improve access to medicines for people living in slums. They operate as franchises, offering affordable health care while generating enough revenue to pay their nurse-owners and staff competitive salaries³⁵⁴;
- The [Rockefeller Foundation](#) finances studies on impact investing in several African countries. This project aims to better understand the political obstacles and recommend national policies that are likely to foster growth in this sector.
- In Africa, the emergence of large private fortunes has created a new generation of philanthropists. The [Tony Elumelu Foundation](#)³⁵⁵ aims for example to promote excellence in entrepreneurship and leadership in Africa. It invests in innovative enterprises with a positive financial, social and environmental impact on key development sectors.

ANNEX – EXAMPLES OF CROWDSOURCING

- The [txteagle](#) project (now renamed Jana), launched in 2009, established partnerships with 237 mobile phone operators in more than 80 countries to be able to reach 3.48 billion people instantaneously and ask them to carry out simple tasks such as collecting local information on their mobile phone. They are then rewarded with mobile cash or airtime credit³⁵⁶;
- The Grameen Foundation launched the [Community Knowledge Worker](#) (CKW) project in 2009 to improve the standard of living of smallholder farmers in

³⁵³ See http://shellfoundation.org/pages/core_lines.php?p=our_approach_content&page=businessdna

³⁵⁴ This example and the two following ones are taken from the *Realizing Africa's Wealth: Building Inclusive Businesses for Shared Prosperity*, A UNDP African Facility for Inclusive Markets Report, 2013.

³⁵⁵ Founded by Tony Elumelu, a Nigerian businessman, the foundation promotes catalytic philanthropy (financing sustainable development that focuses on beneficiaries and gives them responsibility) and Africapitalism (getting the private sector involved in economic development).

³⁵⁶ In two years, txteagle managed to establish a robust technological platform with the potential to reach the “next billion consumers” and get them involved in the global economy. Today Jana affirms that there are several million new subscriptions a month of consumers from emerging countries on its mCent interface.

Uganda by providing timely agricultural information via local advisers. It is also contains a crowdsourcing component³⁵⁷.

- The French platform, [MakeSense](#), launched in 2010, has created a community of more than 5,000 members from 30 different countries. They conducted more than 300 workshops to help 200 social entrepreneurs meet development challenges.

ANNEXE 4 – EXAMPLES AND CASE STUDIES OF CROWDFUNDING³⁵⁸

- [Babeldoor](#), a pioneer in participatory finance in France, was created in 2009. This Web platform enables Internet users to support projects, promote initiatives, exchanges and solidarity participatory actions among its members. The co-founder of Babeldoor, Hortense Garand, has this to say about how the project came about: "the idea was born in late May 2008 at the MAC Paris art fair, where I was exhibiting my work next to an artist who had just paid for a trip around the world with drawings he promised to his network of clients. That is when the idea suddenly came to me. I talked to a small group of very close friends from Internet and finance circles, all passionate about the social and solidarity economy and we shaped together the concept for a solidarity platform using the virality of the Internet, which would allow everybody, individuals and associations, to present their projects and finance them by mobilizing their network around offers of original, attractive and non-financial works in exchange. The idea was to create new forms of values, a new place to exchange where you can showcase your ideas, talent and creativity."
- In the United States, the citizen crowdsourcing platform, [Citizinvestor](#), founded in 2012 enables municipalities to submit public projects to Internet users when they have been approved but lack funds. The amounts donated via the website are of course entirely tax deductible and Citizinvestor gives donors the chance to directly choose the projects in which public funds should be invested. The citizens can also submit ideas for projects to other Internet users in the form of petitions.
- The microfinance platform, [Kiva Microfunds](#), was founded in 2005. Since its inception, it has enabled loans of more than \$490 million via 227 local partners in 73 countries, with a loan repayment rate of 99% (see the case study below).

³⁵⁷ The info-mediaries who have emerged from the community also collect valuable data in the field and in turn share them with governance institutions such as the UN's World Food Programme.

³⁵⁸ <http://acpr.banque-france.fr/agrements-et-autorisations/le-financement-participatif-crowdfunding.html>

- In France, Arnaud Poissonnier launched [Babyloan](#) using the same concept in 2008. It is now the leading European platform of its kind, with €2.75 million of solidarity-based loans collected for 8,000 micro-entrepreneurs located in 12 different countries, including France. It also deals with FMIs that support micro-entrepreneurs in the field, while verifying the validity of their project, and manage loan contracts and repayment (without interest) to Internet users. After three years, Babyloan was considered the leading European platform of this kind.

20) KIVA MICROFUNDS CASE STUDY – ENABLING INTERNET USERS TO LOAN MONEY TO LOW-INCOME ENTREPRENEURS VIA LOCAL MICROFINANCE INSTITUTIONS.

“Benefactor relationships lie in apparent opposition to colonialist relationships. However both share a common assumption—the poor are helpless. [...] I would argue that these are two sides of the same destructive mentality.”
 Matt Flannery, co-founder and CEO of Kiva³⁵⁹

Project leader

Jessica Jackley, working at the Stanford Graduate School of Business, and her husband, Matt Flannery, a computer programmer, founded Kiva in October 2005 after travelling to East Africa where Jessica worked with rural entrepreneurs who had received microloans. The couple’s interest in microfinance emerged in 2003, at a conference with Muhammad Yunus, founder of the Grameen Bank.

Social or environmental problem targeted

Kiva, which aims to alleviate poverty, focuses on low-income entrepreneurs to whom traditional banks were not designed to grant loans.

Description of business model

Kiva Microfunds is a **non-profit association** enabling Internet users to lend money to microfinance institutions called “field partners”, which in turn lend the money they receive to people living in the countries where they operate. The field partners are in charge of identifying and selecting borrowers. The lenders (i.e., Internet users) can browse and choose an entrepreneur they wish to fund on the basis of criteria such as the geographic area or activity. Once their loan is repaid, Internet users can withdraw their money or re-lend it to another entrepreneur.

Project background

³⁵⁹ “Kiva and the Birth of Person-to-Person Microfinance”, *Innovations*, 2007

San Francisco, 2005. Kiva, a non-profit association, was officially founded. At the time its Internet platform had already enabled the projects of seven rural Ugandan entrepreneurs to be financed by Internet users, amounting to \$25 per lender.

In 2007, Bill Clinton, Oprah Winfrey and the *New York Times* promoted Kiva. The organization received a number of awards in November 2009, it reached the \$100 million mark in loans disbursed around the world. In June of the same year, the first loans to American borrowers were put into place. In July, Campus Kiva emerged. This programme is designed for students who are interested in the Kiva project and microfinance in general.

In March 2013, Kiva reached the milestone of one million borrowers. Eight months later, Kiva celebrated at the same time its eighth anniversary and its one-millionth customer. Since its inception, the organization has been responsible for more than \$490 million via 227 local partners in 73 countries with a loan repayment rate of 99%.

Partners/Co-creation

Kiva is financially supported by **companies** (Chevron, Visa, Sam's Club, etc.) and **institutions** (Skoll Foundation, Omidyar Network, etc.). Several partners have likewise offered **services free of charge**. PayPal does not for example charge fees for money transfers and Ernst & Young offered \$1 million worth of professional services. Also Google ensures advertising on its website free of charge.

Social impact

“What really matters are the social results—the social impact, how many people we reach and how many lives we change.”

Isabelle Barres, Microfinance Partnerships Vice President, Kiva

Kiva measures the social performance of microfinance institutions that it chooses as partners by awarding them badges recognizing their involvement in the different sectors of social performance including: special attention to alleviating poverty or vulnerable groups, taking clients' feedback into account, empowerment of families and communities, entrepreneurial support, and facilitating savings and innovation.

Economic viability

“The commercialist persuasion of microfinance events formed a sharp contrast to the message I would hear when talking to average Internet users. It is clear that Internet users prefer a connected experience over a heavily commercial experience. In fact, a recent survey of our user base shows that 50 percent of our users would not lend on the site if Kiva adopted the for-profit model.”

Matt Flannery

Kiva is financed by donations of its users along with endowments, sponsoring and foundations. Internet users are not paid interest because Kiva is not registered by the US government as a broker.

Development plans

Matt Flannery would nevertheless like to eventually remunerate loans for three reasons:

- The interest rates applied by microfinance bodies could differentiate them from one other;
- The underlying colonialist nature of the current relationship between lenders and borrowers, which is based partially on the principle of charity, would disappear in favour of a simply commercial relationship;
- As a result, lenders would realize that they can think of people living in developing countries as business partners.

Challenges/Lessons learned

- Scale up a model focused on tracking each sum of \$25;
- Decide between business and charity, profit and non-profit;
- Move forward in a truly legal mine field, for example regarding security issues of money transfer, taxation of repaid sums or the possible financing of terrorist enterprises via sums sent to unstable regions.

PARTICIPATORY INVESTMENT PLATFORMS

21) EXAMPLE – BLUE BEES

Blue Bees: The French enterprise, [Blue Bees](#), established a platform online that aims at promoting and facilitating economically viable projects with a strong social and/or environmental added value, amounting to €5,000 to €100,000 per project. Specifically designed to target projects that are too small to interest banks but too big to qualify for microloans, Blue Bees puts responsible entrepreneurs from emerging countries, Internet users and field operators in contact with one another. Ten months after its launch, the Blue Bees platform had almost reached the 1,000-member mark and raised nearly €70,000. Two of the five projects financed had already made enough money to repay Internet users.

Examples and Case Studies of the Role of the Private Sector

ANNEXES – EXAMPLES AND CASE STUDIES OF COMPANIES MARKETING GOODS AND SERVICES TO THE POOREST

- Cemex, a Mexican cement company, developed with its [Patrimonio Hoy](#) programme an integrated service offering for Mexican households wishing to enlarge their housing. The project has enabled more than 400,000 families to improve their housing conditions. It is moreover one of Cemex's most profitable sales areas, generating more than €30 million in revenue.
- Total, with the [Total Access to Energy](#) programme, markets solar lanterns in ten developing countries via its network of petrol stations. More than 100,000 lamps were sold the first year, the aim being to help five million people by 2015 (see case study below).
- [Danone Milkuat](#) developed in Indonesia a dairy product fortified with vitamins and minerals and sold to children in school cafeterias and through conventional distribution networks with the aim of replacing snacks with healthier food. Nearly two billion bottles were sold in 2012 to more than 13 million customers.
- Crédit Agricole created [Grameen-Crédit Agricole](#), which finances microfinance organizations enabling poor populations to access loans (see case study below).

22) TOTAL ACCESS TO ENERGY CASE STUDY – FACILITATING ACCESS TO ENERGY OF LOCAL POPULATIONS

Project leader

The Total Group aims to act more responsibly to provide energy access to as many people as possible.

Social or environmental problem targeted

The United Nations declared 2012 the International Year of Sustainable Energy for All. Some 1.3 billion people in the world still do not have access to electricity and 2.7 billion use biomass for their daily cooking needs³⁶⁰. In developing countries, energy accounts for up to

³⁶⁰ *World Energy Outlook*, International Energy Agency (IEA), 2011

30% of household budgets, particularly for the four billion human beings whose income is under \$10 a day. In Europe, an estimated 12 to 20% of the population (13% in France) depending on the country no longer has the means to pay for the energy they require for their heating and mobility needs.

Project background

Launched in 2010, the Total Access to Energy programme aims to scale up innovative initiatives to provide low-income populations with access to energy. It has two main thrusts:

- Access to lighting and mobile phone charging via the marketing of solar solutions in developing countries – A solar energy access was launched in 2011 in three pilot countries: Cameroon, Kenya and Indonesia;
- Fuel poverty in the OECD countries – An initiative was launched in September 2012 concerning heating problems for disadvantaged households in Meurthe and Moselle. Other energy access projects are also being studied in the Total Group.

Description of business model

Awango by Total sells solar lanterns at an appropriate price (approximately €10 for a lamp with a battery life of six hours and \$30 for a model with a mobile phone charger as well). Total is committed to making products accessible to the most remote customers and to ensuring a high-quality after-sales service with a minimum two-year guarantee.

Partners/Co-creation

Distribution models rely on the network of Total service stations but also on partnerships developed specifically to go the last mile and reach the poorest neighbourhoods (called last-mile networks). Total works, for example, with Entrepreneurs du Monde in Haiti and with rural cooperatives in Indonesia. The company has also trained independent entrepreneurs in selling solar lamps, with GIZ in Cameroon and with the NGO IED in Nigeria.

In addition to these partnerships, Total became a sponsor of the joint World Bank and International Finance Cooperation (IFC) Lighting Africa platform in November 2012. The Group intended to develop this project with partners. A partnership was signed in this connection with the German cooperation agency, GIZ, to study the impact of the programme in Kenya and Cameroon, train resellers and establish local recycling of lamps. In addition, Total and Schneider Electric (BipBop programme) signed a partnership with a view to inventing new products.

Development plans

Three pilot projects in 2011 made it possible to validate the existence of a market. In Cameroon and Kenya, Total's service station network offers a basis for young solar resellers

with an aim of reaching targeted populations. In Indonesia, a distribution network was put into place with rural cooperatives.

Since that time, the project has been deployed in 12 new countries: Haiti, Congo, Cambodia, Burkina Faso, Senegal, Nigeria, Uganda, Zambia, Tanzania, South Africa, Bangladesh and Pakistan. Burma and Niger will also be concerned. At the end of October 2013, more than 400,000 solar lamps had been sold. With five people per household, an estimated two million users benefited from a solution of lighting and phone charging that is both secure and economical. The aim is to sell one million lamps by 2015, serving five million users.

Social impact

Two million people to date have seen their daily lives improved thanks to Awango by Total products. It is particularly difficult to measure precisely the portion of them that are targeted by the project, i.e. people living under \$10 a day. However, analyses conducted by Total show that more than half of sales concern this targeted population. A more detailed social impact study, launched jointly by Total and GIZ, is being conducted in Cameroon and Kenya.

Moreover, a clear social impact is that children can now study in the evenings and mobile phone users are not obliged to travel long distances to charge them.

Economic viability

For beneficiaries, our studies show that less than six months are required for our clients to recover their investment compared to current kerosene consumption or another source of local energy.

For resellers and our distribution partners, profitability of the project must be immediate since it is a guarantee of their motivation.

For the Group, economic viability of the project has not been reached but is targeted for 2015 to 2017.

Environmental impact

Using a solar lamp instead of a kerosene lamp reduces CO₂ emissions by 80 kg per year per lamp, according to UNFCCC estimates, which are based on the use of a small camp whose lighting and power are lower than products marketed by Awango by Total. Hence the project currently prevents the emission of at least the equivalent of 30,000 tonnes of CO₂.

Moreover, Total is working on implementing a system of local collection and recycling solutions in order to avoid any negative impact on the environment once these products have reached the end of their life cycle.

Impact for the enterprise

The Access to Energy programme impacts the Total Group at several levels:

- It represents a source of **growth** for the Group since it is developing new services and new offers that are adapted to customers with weak purchasing power in both developing and OECD countries;
- It **contributes to Total's responses to challenges in host countries**, which ensures differentiation and sustainability of its activities;
- It enables **innovation by broadening the range of Total's solar solutions** to include low-income populations;
- Lastly, it gives **meaning** to the work of Total employees and contributes to building their pride in belonging to the Group.

23) GRAMEEN CRÉDIT AGRICOLE FOUNDATION CASE STUDY – PROVIDING HOPE THROUGH LENDING

Project leader

Crédit Agricole is the leading banking group in France and the number one retail bank in Europe.

Social or environmental problem targeted

Poverty and financial exclusion in developing and emerging countries.

Project background

The Grameen Crédit Agricole Foundation was established in September 2008 as part of an initiative of Crédit Agricole S.A. in partnership with Professor Muhammad Yunus, laureate of the Nobel Peace Prize in 2006 and founder of Grameen Bank in Bangladesh. Since its inception, the foundation has received an endowment of €50 million from the Crédit Agricole.

Description of business model

The Grameen Crédit Agricole Foundation is a foundation established under Luxembourg law governed by the amended law of 21 April 1928 concerning non-profit associations and foundations. In creating the foundation, Crédit Agricole and Professor Yunus wished to forge a new path to alleviate poverty via institutions and economically viable enterprises with a social purpose. Its mission focuses on three areas of action:

- **Contributing to the fight against poverty and promoting financial inclusion of the most disadvantaged people and their access to essential goods;**

- Giving priority support to microfinance institutions (MFIs) that work in rural and agricultural areas and with women;
- Undertaking to respect the dignity of the poor.

Partners/Co-creation

The foundation has established cooperation agreements with a number of partners, including:

- Babyloan, which contributes to finding solidarity loans for the MFIs it supports;
- Cerise, which helps it incorporate social performance assessment into its investments, and to promote it actively among its partners;
- TCX, which helps it propose appropriate financing in local currencies to MFIs;
- The Principality of Monaco, which contributes to the technical assistance the foundation offers to its MFI partners;
- AFD, which guarantees some of the foundation's risks in Africa and the Middle East in its ARIZ guarantee agreement to help the foundation, etc.

It also relies on a network of local MFIs (ALIDé in Benin, Graine in Burkina Faso, KWFT in Kenya, etc.) and social business companies (Renaca in Benin, PhileoL in Madagascar, La Laiterie du Berger in Senegal, Grameen Danone Foods Ltd. in Bangladesh, etc.).

Development plans

From the beginning, Crédit Agricole and Professor Yunus have expressed their wish to be joined in a second phase by private and public investors who are motivated by the idea of providing concrete assistance to poor people via social business companies. These companies could intervene in a wide range of areas: nutrition, safe drinking water, energy, health, communication financial services (microfinance, microinsurance, micropayments) etc. The foundation is therefore studying, with experts from the Crédit Agricole Group, the possibility of creating a Grameen Crédit Agricole investment fund that would get socially motivated investors involved in its action.

Impact social

Since its inception, the foundation has approved 100 financing projects of MFIs and social businesses in 30 countries, totalling €57 million in the form of loans, guarantees and capital shares. At the end of 2013, it supported 30 MFIs and nine social businesses totalling €21 million. Partner MFIs have a total portfolio of 1.9 million clients, 85% of whom are women, 84% of clients live in rural areas and 26% of clients are located in sub-Saharan Africa.

Impact for the company

By supporting MFIs and social business projects in developing countries and more particularly in rural areas, the Crédit Agricole Group remains loyal to its cooperative

tradition and its commitment to sustainable and fair development. The Grameen Crédit Agricole Foundation translates the commitment of the Crédit Agricole Group to achieving the United Nations Millennium Development Goals, particularly Goal 1: halve by 2015 the number of people living in extreme poverty and suffering from hunger.

EXAMPLES AND CASE STUDIES OF COMPANIES CREATING INCOME-GENERATING ACTIVITIES FOR THE POOREST POPULATIONS

- The [Project Shakti](#) of **Hindustan Unilever** developed a network of 50,000 female entrepreneurs (assisted by their husbands or their sons in the case of 30,000 of them) ensuring the distribution of Hindustan Unilever personal care products in Indian villages where the brand is not present. The project has undergone several changes, which have at times been difficult, but Unilever is thinking about implementing this project in Nigeria.
- In India, Essilor developed the [Eye Mitra](#) programme (Eye Mitra means “Friend of the Eyes”), an economic model providing optical solutions for poor rural populations. Essilor is committed to a 2.5 New Vision Generation programme that aims to implement this model on a large scale (see case study below).
- **L'Oréal** has developed responsible sourcing, particularly with small rural producers.

24) ESSILOR CASE STUDY – SUPPLYING OPTICAL SOLUTIONS TO POOR RURAL POPULATIONS

Essilor, the world leader for corrective lenses, is among pioneering French companies taking action to improve poor people’s access to goods. Since 2005, the company has profitably sold corrective glasses under €5 in the most remote villages in India. An accessible price for quality customised provision and meeting an essential need of communities of these villages.

Project leader

The Essilor Group was founded in 1972 from the merger of the French Essel and Silor companies. It implemented an ambitious strategy of specialization in optical lenses for glasses and global development aiming at reaching at least its average market share internationally in each of the countries where the Group has established business.

Essilor lenses are sold to opticians and optical chains that then equip them with frames before marketing them. Essilor employs 50,700 people globally and owns 22 glasses plants and more than 400 prescription laboratories. The creation of plants in regions where the Group sells its products is part of a global strategy aiming at manufacturing lenses at local costs in order to offer competitive products, the general rule being that the price of a pair of glasses should be equivalent to about a week of basic pay.

Social or environmental problem targeted

In 2008, 12 million visually impaired people lived in India, which is one third of their world population. Moreover, in the mid-2000s, only 7% of Indians wore glasses versus more than 50% of the population in the majority of developed countries. There are three main reasons for this low level of provision:

- **Isolation** – 80% of the Indian population lives in rural areas, while 80% of opticians work in urban areas.
- **Cost** – In 2002, 26% of Indians lived on a monthly income that was under €5.80, for a cost of between €3 and €16 for the least expensive glasses sold in the city. However, the most inaccessible cost was not that of the glasses themselves but the cost of having to travel to buy them and the loss of income for the day it took to do so.
- **Knowledge** – A number of Indians are not very concerned about their vision, and some do not even know they have impairment or that simple glasses could improve it.

Description of business model

When visiting India's rural areas, Essilor India observed that an optical market existed in the form of renting glasses from the city hall or travelling salespeople, for an average duration of 15 minutes per visit. Used glasses were also donated but their correction was at best approximate. In addition, sometimes this limited choice of frames hurt poor people's dignity.

The challenge for Essilor was therefore to come up with very low-cost provision of glasses, a mode of distribution eliminating the need for customers to travel and products providing a choice of frames and lenses that are tailored to each person's vision.

- **Distribution** – To transport its lenses outside of city centres, Essilor India marketed its products in mobile vans for eyewear in addition to mobile refraction vans that were already being implemented by Aravind Eye Care System hospitals, specialized in eye care.

- **Sale** – Essilor offers villagers lenses for their eye sight and frames suited to their morphology, all at an average price of €2.80.
- **Eye screening** – The Essilor van also measures the fundus and sends the information to a doctor in the city. If eye disease is detected, the villager is asked to come in for a visit.

Project background

India, 1995. Essilor decided to do business in India and essentially work with eye care professionals in cities. Some of its customers were therefore members of top-of-the pyramid populations and enjoyed a relatively high purchasing power. Given the significant size of the populations concerned, the Group could have been satisfied with this potential source for growth. However, consistent with its global development strategy, it decided to aim for an increase in its market share.

Xavier Fontanet explains, “To do so, it was important to be interested in all of the market segments of a given country, and not only those at the top of the pyramid, but also those throughout the pyramid, and that meant starting at its base.” But how could this been done? In India, the people prescribing Essilor lenses were concentrated in city centres. Yet two-thirds of the Indian population live outside of big cities. How could Essilor ensure rural populations had access to its products and services if no lens prescription and sales network existed?

Partners/Co-creation

“Considering its partner’s main interest greatly helps accelerate development that is mutually beneficial to both parties.”

Claude Darnault, Essilor’s Director of Sustainable Development

- **With hospitals** – Since Aravind and Sankara Nethralaya institutions have both medical expertise in eye care and experience in low-cost action in rural areas, Essilor chose to work with them to bring its project to fruition.
- **With mayors** – After having tested different approaches, Essilor relied on mayors to find and sign up people in their village who were interested in eye examination conducted in Essilor eye vans.

The alliance between Essilor and Sankara Nethralaya and Aravind hospitals was built on a win-win principle. Aside from the shared management of operations, the roles are distributed as follows:

- **Essilor** finances vans dedicated to eye correction transporting lenses and frames, provides low-cost lenses and trains optometrists;
- **Hospital sponsors** finance remote ophthalmology vans;
- **Hospitals** cover operating costs (salaries and petrol);

- Volunteers from local **NGOs**, contribute to marketing.

Social impact

Mobile refraction vans conduct more than 250 eye examinations a day. As a result, they contribute to regional development by providing thousands of Indians living in rural areas with better access to education and work.

Economic viability

“Economic profitability ensures viability of the operation over the long term, much more than any other model based on purely humanitarian efforts. Since we have always remained very concerned with economic profitability, we have managed to lower costs, and in doing so, obtain a price that is accessible for people at the base of the pyramid.”

Xavier Fontanet (former CEO of Essilor)

There are two types of income generated by the operation: glasses sales and sponsoring. The name of sponsors appears on a banner displayed in the convoy of vans. Today, vans are self-financing with sales.

Development plans

In addition to Indian mobile refraction vans, Essilor has implemented a number of societal initiatives to improve poor vision, including eye examinations conducted by the Essilor Vision Foundation in the United States, vision tests conducted in big cities in China and actions by the Optique Solidaire association in France. In August 2013, the Group also announced the launch of its 2.5 New Vision Generation division, which was part of its inclusive economy strategy. This division will develop new profitable economic models aiming at promoting access to the vision correction of 2.5 billion people who currently do not have this access.

In India, the signature in March 2013 of a partnership with B-Able, a local agency of skills development, marked the launch of the Eye Mitra (Friend of the Eye) programme, which aims to provide local eye care for populations in rural and semi-urban areas with the development of local micro-businesses created for rural unemployed people. This action will provide 2.5 million more people with glasses by 2016, and 7 million more by 2020.

Replicability

“No model can be 100% replicated. This major innovation in India is based on very specific partnerships and local context and each market has its own specific features. It is up to each subsidiary to determine how to adapt the general business model so that it is perfectly tailored to the features of the country concerned.”

Claude Darnault

In reality, the Indian distribution model cannot effectively be transposed directly

somewhere else. In Africa for example, villages are very far apart from one another and located in areas much more scarcely populated than in India. The Group must therefore identify key local stakeholders who are able to pool the means and costs to engage in win-win strategies that are self-financing and hence sustainable. Moreover, it is crucial for the needs of each project to be understood.

Impact for the company

“In India, the company is not only going to contribute to the creation of a market but first and foremost plans to establish its business extensively, by learning its specific features. In this market, the Group today enjoys a position as a forerunner and is far ahead of its competitors. This is key to attracting clients but also to developing their loyalty.”

Xavier Fontanet

- Development of the market towards new populations;
- Repercussion of low-cost product innovations on other products;
- Improvement of the company’s image, raising its profile.

EXAMPLES AND CASE STUDIES OF THE ROLES OF CORPORATE IMPACT INVESTING FUNDS PROVIDING ENTREPRENEURS WITH FINANCIAL AND TECHNICAL SUPPORT

- GDF SUEZ, with the [Rassembleurs d’Energie](#) fund, invests in projects providing access to energy in developing countries and supports them with technical assistance services and philanthropic funds from the GDF SUEZ Foundation (see detailed presentation below).
- Schneider Electric and its [BipBop](#) programme implemented a strategy based on energy job training for disadvantaged young people in developing countries, investing in innovative energy projects and R&D of solutions that are adapted to the needs of the poorest people (detailed presentation below).
- [danone.communities](#) supports social businesses with an impact on reducing poverty and malnutrition through both investment via a SICAV open to the general public, but also technical support provided by Danone experts. In addition, the €100 million Danone Ecosystem Fund assists tens of thousands of small producers in the value chain of the group to structure their business mainly in Africa, Asia and Latin America. The Danone Ecosystem Fund has already invested in 40 job-generating programmes with small farmers in distribution activities and recycling (see detailed presentation below).

25) GDF SUEZ RASSEMBLEURS D'ÉNERGIES CASE STUDY-TACKLING FUEL POVERTY

Project leader

As a leading energy provider, GDF SUEZ wished to provide the poorest populations in the least developed countries with sustainable energy and tackle fuel poverty, especially by fostering thermal rehabilitation of housing of vulnerable populations in developed countries.

Social or environmental problem targeted

Some 1.2 billion people do not have access to electricity in the world and between 50 and 125 million people suffer from fuel poverty in Europe, nearly eight million of them in France.

Project background

The GDF SUEZ Rassembleurs d'Énergies initiative was launched in June 2011. In October 2011, the **simplified limited liability company** GDF SUEZ Rassembleurs d'Énergies was established for investments to be made in social entrepreneurs working in sustainable energy access for poor populations. This company, a wholly owned subsidiary of the GDF SUEZ Group and presided by the Chairman and Chief Executive Officer of the Group, Gérard Mestrallet, became a **certified solidarity company**.

In March 2012, a fund for company employees (**Fonds Commun de placement solidaire** GDF SUEZ Rassembleurs d'Énergies) was created to enable employees of the GDF SUEZ Group to invest all or part of their incentive remuneration/profit shares (as part of the employee savings plan) in this solidarity fund in the company.

Description of business model

The GDF SUEZ Rassembleurs d'Énergies initiative aims to support social entrepreneurs working to provide poor populations with energy access and address fuel poverty. Building on the assessment of the needs of these social entrepreneurs (study conducted in 2009 and 2010), the initiative was established on the basis of three pillars:

- **Donations/subsidies**, granted by the GDF SUEZ Foundation to finance education and training needs of social entrepreneurs and their prototypes/demonstrators;
- **Technical and managerial assistance** offered to social entrepreneurs by GDF SUEZ training centres and/or the three humanitarian associations of the Group's collaborators (Energy Assistance France, Energy Assistance Belgium, Codegaz);
- **Investment** in social businesses so that they can be scaled up in services delivered to populations. These investments are made in the form of equity participation (maximum 40%) with a very low return and for periods that do not exceed seven years (time needed to ensure the sustainability of the social entrepreneur's activity).

A specific selection procedure was established. It highlights two criteria and three requirements. The selection criteria are: social impact (number of people who have access to energy or the number of beneficiaries of a thermal rehabilitation of their housing) and the environmental impact (projects based on renewable energies and the possibility of using carbon finance). The requirements are: an economic viability of the project (break even in a minimum of seven years), an agreement/support of public authorities (and if they exist, energy regulation authorities), and replicability of the project.

All projects supported are evaluated annually. With regard to projects supported by equity participation, the evaluation is also progressively conducted by a representative in governance bodies.

Partners/ Co-creation

The GDF SUEZ Rassembleurs d'Énergies initiative systematically develops links with public authorities of territories in which they support energy access projects (and public enterprises of energy distribution when they exist). In addition, relations are established with networks of social entrepreneurs, development NGOs and international and national development financing institutions.

The GDF SUEZ Rassembleurs d'Énergies initiative also seems to be one of the most ambitious and structured in the area of sustainable energy access. Other energy companies have developed programmes in this area. There is no competition at this time between these programmes and GDF SUEZ hopes to develop complementary features and co-investments in large-scale projects with a strengthened social and environmental impact.

Development plans

As of 31 October 2013, the GDF SUEZ Rassembleurs d'Énergies initiative supported 20 projects focused on providing access to energy and tackling fuel poverty: 14 in the form of donations (before a possible investment) and six as investments (two in France and others in India, Indonesia, Tanzania, Peru). Moreover, seven short- and medium-term technical assistance missions were conducted regarding these projects in 2013.

The objective chosen for the initiative and to support over the long term is 50 projects by 2020.

Project impact

The impact of energy access is extremely significant (health, education, economic development) and structuring for communities. This impact is also sustainable. The low income of populations is taken into account when calculating energy tariffs in supported

projects. In all cases, they are lower than the cost of access to low-quality energy (kerosene, oil, candles).

Economic viability

For the company, results are measured over the long term because the energy sector is a sector characterized by its considerable capital structure and a long-term aim. Given the recent aspect of investments, the financial outcome cannot be forecasted yet.

Impact for the company

For the GDF SUEZ company, the GDF SUEZ Rassembleurs d'Énergie initiative is a source of innovation that is technological (decentralized electricity production under a renewable form), economic (experimentation of new business models) and societal.

The initiative is also a source of mobilization and pride for its employees. Several thousand of them have invested all or a portion of their savings in the GDF SUEZ Rassembleurs d'Énergies Flexible solidarity fund offered to them.

Challenges/Lessons learned

The success of the initiative has surpassed the Group's expectations, especially in terms of mobilisation of employees and innovation. However, it seems that projects have been more complex and longer to launch than planned. Relations with social entrepreneurs and societal engineering skills are to be built over the long term.

26) BIPBOP CASE STUDY – PROVIDING POPULATIONS AT THE BASE OF THE PYRAMID WITH ACCESS TO ENERGY

Project leader

Schneider Electric, a global energy specialist, decided to focus on the development of access to reliable, affordable and clean energy for people at the base of the pyramid. The BipBop project was launched at the instigation of its Chairman and CEO, Jean-Pascal Tricoire.

Social or environmental problem targeted

When it comes to access to energy, the world is contradictory and unequal. On the one hand, two billion people in the world have privileged access to energy, without even concerning themselves about its availability. On the other hand, 1.3 billion people still do not have reliable access to clean electricity. A number of them are part of the base-of-the-pyramid (BoP) population. For them, electricity sources pollute and are expensive, from kerosene torches to burning biomass (wood fuel). Also, the poorest populations are the ones who pay the most for their energy. People living in Beijing, Paris and New York spend 6 to 8% of their budget on energy, while people living in remote villages that are not connected to a network in India spend up to 30% of their budget for poor-quality service.

Project background

In 2009, Schneider Electric launched a sustainable innovative programme called BipBop, which stands for Business, Innovation, and People at the Base of the Pyramid. By investing in and with communities and different BoP stakeholders, Schneider Electric is tackling three major problems by proposing the following solutions:

- Funding to address the problem of insufficient resources of innovative entrepreneurs in the energy sector, via a solidarity impact fund;
- Development of a portfolio of affordable products and solutions to address the lack of provision. The portfolio is based on renewable energy and deployed to help create economic models that are adapted to the local socio-economic contexts;
- The implementation of commercial and technical training programmes to bridge the skills gap at national or regional level.

Description of business model

The rapid development of the BipBop programme was possible with the support of the management team and its internal start-up status. This unique positioning within the company enabled the company to be both quick to innovate and to take advantage of internal qualifications and skills in the Group that are required for its development:

technological innovation thanks to R&D; production quality in its assembly plants; availability of products across the globe thanks to the internal logistics teams; dissemination to as many people as possible via the contribution of operational commercial teams in countries.

Partners/Co-creation

The implementation of partnerships is a key factor in the success of the BipBop programme. Training programmes are implemented by associations, training centres and local universities, whose main mission is to train populations at the base of the pyramid.

Schneider Electric provides support that is threefold (technical, financial and skills-based) for the development of appropriate curricula and trainers' training.

As regards the deployment of products and energy access solutions, economic models are created in close collaboration with many different local stakeholders. Social entrepreneurs and SMEs guarantee a physical accessibility of products in the most remote areas. Development NGOs and associations facilitate social acceptance and contribute to raising the awareness of targeted populations. Microfinance institutions ensure financial accessibility to individuals and micro-entrepreneurs. Lastly, authorities and local government are paramount in the implementation of decentralized rural electrification projects at community level.

Development plans

In five years, the BipBop programme has shown its ability to help as many people as possible. The investment fund has already invested in ten companies based in France, Africa and India. At the end of 2013, nearly two million households had gained clean and sustainable access to energy and nearly 41,000 young people from disadvantaged social backgrounds had been trained for energy jobs.

Impact for the company

Benefits for the company are many. While the capacity of the BipBop programme to become a new market segment in the years to come is still being studied, its activities have already enabled the Group to increase institutional relations in certain countries and contribute to energy access for citizens who do not have it. This responsible programme is also an important means for internal action because employees all over the world are able to contribute to the development of projects in internal volunteer programmes supported by the company's foundation.

27) DANONE ECOSYSTEM FUND CASE STUDY – REINFORCING LOCAL STAKEHOLDERS IN THE DANONE ECOSYSTEM

Project leader

The fund was created at the instigation of Danone.

Social or environmental problem targeted

The fund's action is taken in a context of fragile employment in economic fabrics (or ecosystems) surrounding and supporting the big groups whose job footprint is much larger than the population of their employees alone (three to seven times larger depending on the place for the Danone Group).

Project background

The creation of Danone Ecosystem Fund—approved at the Danone General Meeting held on 23 April 2009—is part of a dual economic and social project of the Group and aims to strengthen and develop the activities of the local partners who make up Danone's ecosystem and contribute to the activities of the Group's subsidiaries: small farmers, suppliers and subcontractors, transport and logistics operators, distributors and regions where our plants are located.

For a period of five years, it operated with an initial endowment of €100 million (further annual contribution where necessary from 2010 onwards of up to 1% of the annual net profits of Danone).

Description of business model

Initiated by the Danone subsidiaries, Ecosystem projects are currently conducted in 21 countries, both developed and emerging. The fund has invested in a total of 47 projects that are centred on five main themes (sourcing, local development of regions where plants are located, recycling, micro-distribution and human services) and on three cross-cutting areas:

- Aid to create and strengthen economic activities at the service of job creation and micro-entrepreneurship;
- Support for the skills development and employability of men and women in the Danone ecosystem, and inclusion actions, especially through training;
- Special support for the empowerment of women.

The fund's projects contribute to fostering the reconnection of the company with its upstream agricultural activities with its Sourcing area, which supports dairy and fruit industries in the territory where the ecosystem helps development of small farmers, and markets raw materials of Danone products in sustainable agricultural partnerships.

The ecosystem also includes Recycling as a link in the chain to create value for the company. This area aims to support ragpickers who work in landfills by organizing collection and sorting in the best conditions.

Lastly, when it comes to education and health, the Micro-distribution and raising awareness projects in stores enables communication of information about nutrition and health in local interaction with consumers.

Partners/Co-creation

The Ecosystem project is an inclusive economy measure that aims to create economic and societal value through the pooling of complementary expertise of private and community stakeholders. From its design to joint management, this innovative positioning explores new forms of governance. Our organizations mutually benefit, which strengthens us and transforms us, to increase our impact with regard to current and future challenges of the company and civil society. Today our projects have 35 non-profit partners (associations, institutes, universities).

Co-creation is a process of sourcing and creating links that require special attention if it is to be productive.

Development plans

The fund's aim is to directly help 50,000 people by reinforcing their jobs or by creating new ones.

Social impact

The Danone Ecosystem Fund focused its reflection on social impact assessment and monitoring projects initiated by Danone subsidiaries that it supports. The overall objective of a social impact assessment study is to be able to measure objectively, qualitatively and/or quantitatively, which projects supported by the fund and co-created by Danone subsidiaries and their partners changed socially and economically the lives of beneficiaries of these programmes.

In 2013, eight studies were thus launched in Mexico, Egypt, Indonesia, France, Spain and Ukraine on the projects of different clusters, with partners such as the William Davidson Institute of the University of Michigan, the Social Return on Investment (SROI) Network of ESSEC and others.

Economic viability

The financial sustainability of models is one of the challenges of the fund's projects. Indeed, capacities created for stakeholders and beneficiaries of projects must be sustainable.

Environmental impact

While the environmental impact is not the prerogative of Danone Ecosystem, environmental protection is part of many of the fund's projects. A portion of "territory" projects, for example, are built on models aiming to protect natural water resources in affected sites (Merapi) or needing stronger protection where industries are polluting (Longmen). Others, such as the Vulcan project, aim to source energy resources based on biomass, raw material that respects the environment. Moreover, regarding agricultural projects, sustainable practices are encouraged to address regional challenges (methanization, CO₂-reducing animal feed, water management, etc.).

Replicability

The notion of replicability is key to a project like Ecosystem. This is actually one of the fund's eligibility criteria. The projects are coordinated around models that are being consolidated, which may interest "mainstream" business in order to incorporate and begin to transform ways of operating.

Impact for the company

Impacts for the company are wide ranging and vary between benefits that are very tangible (milk sourcing, additional volumes of products sold, etc.) and others that are much more intangible (contribution to the Group's reputation, attraction and retention of talents, quality connection with key stakeholders, etc.). The Danone Ecosystem Fund projects are transformation laboratories: beyond technical skill, leadership transformations that gradually take place, through the capacity to co-create, a concrete, long-term, 360° vision of business impacts, such as the right to operate: if we do not invest in good management of an impluvium, we cannot exploit the source, or improve our management of the risk.

Challenges/Lessons learned

The Danone Ecocystem Fund projects have genuine ambition but are also rooted in genuine humility. It is possible to obtain socio-economic results but projects require a very considerable investment to structure them, launch them, have them change over time and ensure that the impacts meet expectations. They are medium- and long-term projects that are part of a very specific and different timeframe than that of traditional business.

Also, the legal structure of an endowment fund necessarily generates an administrative and legal complexity that should not negatively influence project teams.

PRIVATE FUNDS WORKING IN THE AREAS OF THE ENVIRONMENT AND POVERTY ALLEVIATION, PARTICULARLY CARBON FUNDS

- Nine big French and European companies (Danone, Schneider Electric, Crédit Agricole, Hermès, SAP, Firmenich, Voyageurs du Monde, La Poste, Caisse des Dépôts) have created a [Livelihoods Fund](#) that invests in major agricultural, reforestation and energy programmes with poor rural communities and provides investors with carbon credits as a return on their investments. This fund has already enabled 120 million trees on 30,000 hectares to be planted. It has also had a positive impact on three million people living in rural areas (see detailed presentation below).
- Other such initiatives as the [Althelia](#) Climate Fund created at the instigation of BNP Paribas and the [Moringa](#) Fund at the instigation of the Compagnie Benjamin de Rothschild pursue a dual objective of profitability and an environmental or social impact in developing countries.

28) LIVELIHOODS CASE STUDIES – SUPPORTING EFFORTS OF AGRICULTURAL AND RURAL COMMUNITIES TO LIVE IN SUSTAINABLE ECOSYSTEMS

Project leader

The fund was created at the instigation of Danone.

Social or environmental problem targeted

One billion people currently suffer from malnutrition. Two-thirds of them are poor small farmers, fishermen and livestock producers, which is indeed one of the most revolting paradoxes of our times: those who are supposed to produce to feed the world do not have the means to feed their families. Without technical means and financial resources, these men and women mainly depend on the production capacities of their ecosystems and natural resources. Deforestation, soil erosion and climate change therefore have a direct impact on food security and their incomes.

In many places, initiatives are emerging to enable small farmers to develop ecologically intensive production and agroforestry methods that combine agricultural productivity with lower accessible financial investments.

Project background

Since 1998, the Danone Group, as part of the Evian Initiative, has provided considerable financial support to efforts of the Ramsar Convention to raise policymakers' and the general public's awareness about the crucial nature of the issue of water resources.

In 2008, this partnership took another important step with the creation of the Danone Nature Fund after an agreement was signed between the Group, Ramsar and the International Union for Conservation of Nature (IUCN) with the aim of implementing pilot large-scale projects on ecosystem restoration using carbon finance mechanisms. Given the success of the first pilot projects, Danone decided in 2011 to open the fund to other companies, thereby creating the Livelihoods Fund.

Description of business model

Livelihoods is an **investment fund** working on restoring ecosystems and carbon assets financing major reforestation, sustainable agriculture and energy projects conducted by and for rural communities. It currently brings together nine companies: Schneider Electric, Crédit Agricole, Hermès International, SAP, CDC Climat, La Poste, Voyageurs du Monde and Firmenich. The member companies are involved in the governance and selection of the fund's projects.

Legally, Livelihoods is a **SICAV-SIF** (investment company with variable capital-specialized investment fund) under Luxembourg law, established on 15 December 2011. Its initial duration is 24 years, the duration of a project being about 20 years.

All projects financed by Livelihoods help alleviate poverty and address food insecurity through sustainable ecosystems while investors are big companies engaged in efforts to tackle climate change, both through the reduction of carbon emissions of their activities and through voluntary compensation. Indeed all the Livelihoods projects stock significant quantities of carbon in trees as they grow. The carbon credits thus obtained benefit companies in return for their investment.

The Livelihoods Fund intends to invest in three types of projects that meet both environmental and social criteria, in Africa, Asia and Latin America:

- Restoration and preservation of natural ecosystems;
- Agroforestry and soil restoration with sustainable agricultural practices;
- Rural energy access reducing deforestation.

The Livelihoods Fund also has the aim of making a significant impact on local communities (food security, development of new revenues, etc.) and on the environment.

Livelihoods is the only carbon fund in the world that takes the risk of pre-financing major projects of very poor communities and receiving carbon credits over a period of 20 years. With one principle: creating value shared among local populations, the global environment and investors.

Partners/Co-creation

Livelihoods is not only an investment fund. It is also a platform that brings together a great many stakeholders motivated by the Livelihoods mission who wish to share their experience to innovate together towards sustainable and economically viable human development.

Livelihoods has a network of NGOs, experts, specialized organizations and companies that wish to mutually grow by sharing, pooling and coordinating their skills, expertise and best practices with regard to projects.

Livelihoods also works in partnership with internationally recognized public and private organizations: the IUCN, International Ramsar Convention, World Agroforestry Centre (ICRAF), French Global Environment Facility (FFEM).

Development plans

The Livelihoods Fund is currently managing six projects:

- Three projects aiming at restoring 20,000 hectares of mangroves (in Senegal in partnership with the NGO Oceanium, in India with NGO NEWS and in Indonesia with the NGO Yagasu). These ecosystems, once restored, will enable the return of food resources (fish, shellfish) and the development of income-generating activities for local communities (aquaculture, dye for batiks made from mangrove leaves);
- Two reforestation and agroforestry projects in India (with support of the Naandi Foundation) and Guatemala (with the NGO Fundaeco). Planting trees and coffee plants enables villagers to develop resources locally (fruit, coffee, honey) to feed their families but also to generate income and improve their living conditions;
- One rural energy project in Kenya (with support from Climate Pal) whose objective is to manufacture and distribute artisanal cook-stoves that consume less wood and that are less harmful to villagers' health, especially women and children who are exposed several hours a day to household smoke.

The Fund will invest in ten major projects that will help stock 8,000 to 10,000 tonnes of carbon and will generate many co-benefits for the communities participating in this project.

Social impact

For the six projects currently supported by the Livelihoods Fund, the involvement of tens of thousands of villagers working with recognized local partners is paramount and enables them to:

- Become active participants in restoring their ecosystem;
- Benefit from resources that result from them (return of fish in the mangroves and creation of fish farms, use of mangrove leaves for local artisanal batik

products, production of honey after planting fruit trees, improvement of the quality of Kenyan women's lives with artisanal cook-stoves that consume less wood);

- Learn the importance of maintaining these efforts for a sustainable return of resources in their ecosystem;
- Receive training about the best way to measure progress of their actions and receive assistance in implementing new economic activities related to the return of diversified resources.

Economic viability

These projects present a number of advantages for investors in the fund:

- Remuneration (depending on the size of their investment) in the form of certified carbon credits at a competitive price or a financial return;
- Participation in programmes that give meaning to their sustainable development policy;
- An opportunity to communicate to their employees about concrete initiatives that have a real impact on local communities.

Challenges/Lessons learned

Since the creation of the funds, Livelihood teams and the stakeholders involved have identified seven key factors for successful completion of the projects supported:

- Projects conducted for and with local communities and able to show the tangible effects on their ecosystem;
- Projects focused on results and rigorous procedures for measuring progress;
- Alignment of stakeholders (investors, beneficiaries, public authorities) and a shared governance of projects;
- Capacity building (investments in training, know-how and governance);
- An initial investment and patient capital;
- Quality and seriousness to develop the project in the field;
- Projects that are simple, replicable and based on models that work.

29) DANONE.COMMUNITIES CASE STUDIES – SUPPORTING THE INCUBATION AND DEVELOPMENT OF LOCAL SOCIAL BUSINESSES

Project leader

The history of the fund began in 2005 with the meeting of Franck Riboud, Chairman and CEO of Danone, and Muhammad Yunus, founder of the microfinance Grameen Bank and the 2006 Nobel Peace Prize laureate.

Social or environmental problem targeted

The danone.communities projects are in line with the international development agenda. They especially target three United Nations Millennium Development Goals, namely those on alleviating poverty, reducing malnutrition and improving access to water.

Project background

The convictions of Franck Riboud and Muhammad Yunus and their desire to pool their expertise were the initial reasons for the Grameen Danone Foods joint venture in Bangladesh. In light of the outcomes obtained in this project, Danone committed in 2007 to developing an innovative financial instrument, open to all, to support social businesses developing solutions to address malnutrition and access to water in the world.

Description of business model

danone.communities is a monetary **SICAV** (investment company with variable capital), open to the general public, and managed and marketed by Crédit Agricole Group. Its roadmap consists of:

- Developing Grameen Danone Foods by building other plants in Bangladesh;
- Assisting in the development, in different parts of the world, of other projects of social enterprises consistent with Danone's mission;
- Developing partnerships with local stakeholders or NGOs based on the original business model, to combine their know-how with that of Danone;
- Bringing together in the danone.communities community all those who contribute to this project, including a new type of investor. Through this SICAV, they make the choice to give a socially minded meaning to their savings by calling for a social return through their investment.

The fund currently assists ten social businesses in seven countries (Senegal, France, Mexico, China, Bangladesh, India and Cambodia). Women's empowerment and micro-entrepreneurship are focuses in all social businesses that are supported.

Partners/Co-creation

Action conducted by danone.communities requires the mobilization of an entire ecosystem. The fund always intervenes as a minority investor. It must therefore act in cooperation with other stakeholders, both private and public. Moreover, the evolution of social businesses that are supported requires building collaborations with partners in all areas that are able to provide them with specific skills.

Technical partners

They assist in professionalizing, structuring and building the vital functions of social businesses in order to improve their performance and ensure their social impact over the long term. In this type of partnership, the public and/or non-profit stakeholders (government, NGOs, associations, watchdogs) work first and foremost to achieve social objectives and monitor impacts and regulatory developments while private stakeholders provide job expertise (pro-bono mentoring, marketing, financial management, R&D, quality, etc.).

Financing partners

Innovative tools had to be built to mobilize financial means, particularly with Amundi, the Crédit Agricole management company. A partner-based relationship was also developed with co-investors, including the Grameen Crédit Agricole Foundation.

Social business promotion partners

The legitimacy of danone.communities action also stems from its proximity with all the social business practitioners and social innovation communities (incubators, working groups, relations with higher education institutions, students).

Development plans

At the end of 2013, eight social businesses were financed and two were in pilot phase. Four of these projects will break even by 2014. After six years of support, ways to structure the replication of projects are being explored.

Social impact

One million people are positively impacted by activity of the social businesses supported.

Economic viability

Prices are determined at the lowest possible level and are sometimes likely to increase as the operating model is built. Consumer behaviour shows that with quality service, a relationship of proximity with communities and health education (nutrition or water), the perceived value makes it easier for necessary price increases to be accepted.

In most projects, investments are financed in a hybrid way: big donors, public partners and philanthropy.

Environmental impact

In danone.communities social businesses, the environmental impact has not always been pursued at the forefront.

Replicability

danone.communities can now envisage replication guidelines, which should be part of an ambition of social entrepreneurs and state of the art in their sectors. Indeed opportunities to transfer skills are emerging in the community of 10 social businesses on the following topics: micro-distribution, marketing, replication and financing. The replications will transform the mode of financing and support of danone.communities.

Impact for the company

danone.communities receives support from contributors and ambassadors from within Danone:

- 13% of the total assets of the danone.communities fund come from employee savings;
- Current employees or those having left the Group mobilize their networks and transmit the keys to success of a business. More than 200 “Danoners” devote time to one of the social businesses supported.

We can therefore consider that danone.communities contributes to rooting social values of the Group, respecting the dual project announced by Antoine Riboud. The 200 “Danoners” who were in contact with the field have also been able to build their skills by discovering jobs far removed from their daily lives: new markets, new categories of consumers, micro-distribution and changes in communication and behaviour patterns linked to nutrition and health.

Challenges/Lessons learned

A long curve of experimentation is required to test operational aspects (production, price, professionalization of teams) before being able to observe the social impact of projects, which increases upstream and downstream in all social businesses but sometimes grows at slower pace than the project itself;

Operational constraints (increase in milk prices) can justify the economic model with two targets, one rural and one urban, with different prices (Grameen Danone Foods);

Health studies conducted by recognized and independent international organizations are recommended to support further improvements.

30) M-PESA CASE STUDY- PROVIDING BANKING SOLUTIONS TO POPULATIONS WITHOUT ACCESS TO FINANCIAL SERVICES

"M-Pesa is not a charity project. It's actually good business, and good for society."

Arun Sarin, CEO of Vodafone³⁶¹

Project leaders

The M-PESA project was initiated jointly by the Department for International Development (DFID), the executive department of the British government responsible for humanitarian aid and development assistance internationally, and by the Vodafone telecommunications company.

Social or environmental problem targeted

The poorest populations are often excluded from the banking system. They live in rural areas where the closest bank is located hundreds of kilometres away.

Project background

In 2002, DFID financed a study on telecommunications innovations. Conducted by researchers at Gamos and the Commonwealth Telecommunications Organisation (CTO)³⁶², it describes an informal practice observed in Uganda, Botswana and Ghana consisting in using airtime credit to send money to third parties via a mobile network. The user buys airtime credit from a local reseller; it is then credited to the mobile phone account of another user, who can then use it or resell it, or to that of a village intermediary who then transfers an agreed amount, in cash, to the said other user. The intermediary charges a commission in the form of prepaid minutes that it sells to other villagers, in doing so becoming a small-scale service provider.

In 2004, approached by researchers at Gamos, the M-Cel telecommunications company launched the first authorized phone credit exchange system. But in December 2003, the Financial Deepening Challenge Fund (FDCF) of DFID and Vodafone respectively invested £910,000 and £990,000 in the development of an innovative solution of phone banking services in Kenya.

Description of business model

³⁶¹ <http://www.youtube.com/watch?v=TNRDv4PQdCc>

³⁶² *Innovative Demand Models for Telecommunications* Dr. Kevin McKemey (Gamos), Dr. Nigel Scott (Gamos), Professor David Souter (University of Strathclyde, former CEO of CTO), Dr. Thomas Afullo (ex University of Botswana), Mr. Richard Kibombo (Makerere Institute of Social Research), Dr. O. Sakyi-Dawson (University of Ghana)

At the outset, DFID's investment was intended to support two pilot projects with Safaricom, the leading operator in Kenya, of which Vodafone owned 40% of the shares at the time, and Vodafone Tanzania. Researchers developed a mobile phone service for MFIs so that they could transmit and register their daily transactions more easily (loans, disbursements, etc.). In addition to more operational effectiveness, the MFIs then could comply with the legislative framework imposed on commercial banks, which required bank accounts to be closed daily.

However as partner MFIs were providing little support to the project, Vodafone staff had the idea of using this mobile platform for monetary transactions rather than for banking data. This redirection of the project was approved, and a technological solution quickly emerged in Vodafone laboratories in Germany.

After a few field tests, this new service—called M-PESA—experienced unprecedented success in Kenya, and became one of the most profitable Vodafone businesses. In 2009, two years after its launch, more than 20% of Kenya's population was using the service (while only 10% of the population had a bank account before that time, versus 45% in 2012), and this service accounted for nearly a third of Vodafone profits.

Partners/Co-creation

The M-PESA project is an excellent example of successful co-creation in that it federates the impetus and investments of DFID, a public stakeholder, and Vodafone, a private stakeholder. In addition, the Kenyan government supported the project by authorizing development of the service despite an insufficient regulatory framework then by passing favourable legislation afterwards. The Central Bank of Kenya committed to implement all the necessary means to improve the poorest people's access to financial services. It therefore did not impose banking regulations that would have handicapped the programme.

Development plans

In Kenya, the service is perfectly integrated into a country with a low rate of banking (21% of Kenyans have a bank account) but high rate of mobile phone use (87% of Kenyans have a mobile phone). Since its inception, the M-PESA has been replicated in Tanzania and in Afghanistan (2008), South Africa, Fiji and Qatar (2010) and Mozambique, India, Lesotho and the Democratic Republic of the Congo (2013). Similar schemes are also being launched in Egypt and Romania.

Social impact

In Kenya, 75% of the adult population had access to financial services in 2010, versus 20% in 2006.

Replicability

The success of the M-PESA project is linked to very specific circumstances: Safaricom's holding of 80 % of the market share, support from the Kenyan government, and the political unrest in the country forcing poor and rich people to find solutions to transfer money in the informal sector, which was both extremely costly and risky.

In South Africa, M-PESA was launched in September 2010 with the aim of registering 10 million users in three years. In May 2011, the number of registered users only stood at 100,000. This commercial disappointment was due to a poor targeting of customers and an overly strict regulatory environment.

In Tanzania, the service, launched in 2008, was slow to become popular with the people because, among other stumbling blocks, the network of agents was not as dense. The strategy was then rethought and today, nearly one Tanzanian in four is registered in the M-PESA network (equivalent to 9 million users).

Challenges/Lessons learned

Several reasons for the success of M-PESA can be noted:

- Serendipity, it was invented because of an observation made in the field for another purpose;
- The Kenyan government's attitude towards banks;
- DFID's involvement alongside Vodafone.

In light of the success of this project, DFID also announced in 2011 a new direction for its investments that puts the private sector at the core of its development strategy³⁶³.

³⁶³ See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67490/Private-sector-approach-paper-May2011.pdf

31) PHILEOL MADAGASCAR CASE STUDY – SECURING SMALL FARMERS’ INCOME AND PROMOTING LOCAL AGRICULTURAL PRODUCTION

Project leader

Stéphane Philizot is a French chemical engineer. After a career in industry in Europe, he began considering his personal development and his impact on the environment and society. He established the PhileoL project with two Malagasy agricultural engineers, Nary Razakasolo and Njaka Ravelmantsoa.

Social or environmental problem targeted

Androy is the most arid and poorest region of the island of Madagascar. More than 95% of the population lives on less than \$1 a day. Economic activity is essentially based on subsistence farming and is extremely vulnerable to the vagaries of climate. Households are unable to meet their food needs with their limited agricultural production and economic opportunities and a barter economy is often put into place. This vulnerability is strengthened by the strong traditions and norms in the region, giving a small role to women and strengthening the decapitalization process.

Description of business model

PhileoL is an **agro-industrial company** that produces vegetable oil on a small scale. It is developing in southern Madagascar an inclusive oilseed industry by collecting jatropha and castor seeds from small local farmers, processing these oils on site and exporting them to the sub-region and Europe, where they are in high demand of the green industry. PhileoL Madagascar is by definition a **social business**.

Project background

PhileoL was founded in 2008. It aims to break the vicious circle of rural poverty in Androy by becoming an industrial and commercial engine of the oil industry that is being built as an inclusive value chain benefiting small producers.

While preserving the role of subsistence crops, PhileoL helps small farmers produce jatropha and castor seeds, which are particularly suitable to arid regions. Small farmers are thus ensured a regular income. They are assisted by PhileoL and its partners, particularly GRET, in improving the quality and quantity produced, in organizing small farmers in groups and in enabling them to control their economic development.

PhileoL has also assisted in the development of an oil crushing and production plant in the region. In doing so, it has contributed to strengthening the area economically, creating

added value with local production and taking advantage of local infrastructures, particularly Port d'Ehoala (Fort Dauphin).

Partners/Co-Creation

PhileoL shareholders include the three founders together with Investisseur & Partenaire (I&P), Sofisud (Sofiprotéol subsidiary) and the Grameen Credit Agricole Foundation, who supports the company financially, managerially and technically, and in its approach to donors.

PhileoL has moreover developed partnerships with the Malagasy NGO EFA and GRET to improve small farmer structuring and cultural practices. Also, the UNDP financially supports its action to revitalize port exchanges (economic activities in the Ehoala region).

Current scale and development plans

For three years, PhileoL has collected a stable volume of castor and jatropha seeds (an average of 180 tonnes per year) purchased from 5,000 small farmers. These seeds are crushed and 60 tonnes of oil are sent to Europe. The objective is a strong increase in productivity of these seeds thanks to improved seeds and new farming systems (irrigated production, for example). PhileoL also wishes to diversify its products by collecting high-value seeds (prickly pear, baobab, Sakoa), mainly used in the cosmetic industry.

Social impact

In addition to securing and diversifying incomes of small farmers in the region, PhileoL is developing partnerships with other development stakeholders to build their technical and organizational capacities.

| | 2011 | 2012 | 2013 |
|--|------|------|------|
| Number of suppliers | 3000 | 5000 | 5000 |
| Number of small farmers supported | 0 | 500 | 1500 |
| Number of jobs created | 21 | 36 | 36 |

Economic viability

PhileoL markets seeds that are not or no longer marketed locally, thus providing a new source of income to small farmers. To improve seed productivity, PhileoL is working with GRET to develop hybrid and/or improved seeds, produced locally. It is also developing new production systems and is training small farmers to use them. The key is seed provision, then extraction capacity. PhileoL recently invested to improve its processing process and sell its oil at a better price.

PhileoL is expected to break even during the 2015 season.

Environmental impact

PhileoL has had a positive impact on the environment via its oilseed crops, whose root system contributes to fertilizing the soil and fighting erosion. It recycles a portion of the meal to improve soil quality as part of clearing and rehabilitation operations. The end product, castor or jatropha oil, a vegetable oil, is part of a strategy to reduce the portion of fossil fuels used in our modes of production.

Replicability

PhileoL plays an important role in the Malagasy oilseed industry and seizes the opportunity of a growing market, that of “green” oils, used by industry to minimize its impact on the environment.

Impact for the company

The PhileoL project is totally in line with the values, past experience and know-how of the Crédit Agricole Group. For the Grameen Crédit Agricole Foundation, it should be an important source of information for similar projects in Africa.

Challenges/Lessons learned

In order to rally different shareholders around a same project, a social business charter was essential. It helped clarify the roles and expectations of each participant.

The support of an industrial group that has experience with the product and its market is likewise crucial to success.

32) PHARE PERFORMING SOCIAL ENTERPRISE CASE STUDY – MAKING ARTISTIC CREATIVITY A STRATEGIC ASSET IN THE DEVELOPMENT OF A FLOURISHING COMPANY AND DYNAMIC ECONOMY

Project leader

The Phare Ponleu Selpak Association (PPS A) is a Cambodian NGO founded in 1994. It provides extremely disadvantaged children with access to conventional and artistic education.

Social or environmental problem targeted

The rapid economic growth in Cambodia has been accompanied by growing inequality and persistent vulnerability, particularly affecting young job seekers. They are particularly

handicapped by the lack of access to quality primary and secondary education, which often prevents them from accessing middle-class jobs and makes them more vulnerable.

Only 20% of young people have a stable and decent quality job. The windfalls from tourism are poorly distributed. Although the Siem Reap region near the Angkor temples attracts three million tourists a year, it remains one of the poorest regions as 35% of its inhabitants live below the poverty line.

Description of business model

Phare Performing Social Enterprise (PPS E) is a **creative social business** based in Siem Reap. Its legal status is that of a **Private Limited Company**. It has two poles of activity:

- A circus performance pole in a complex in Siem Reap;
- A production pole in charge of organizing local and international tours.

The business belongs to creative industry and works in creating, producing and marketing creative content of Cambodian inspiration.

Project background

PPS E was established in 2012 at the instigation of PPS A, which provides its experience. Its objectives are to create, produce, distribute and broadcast cultural products in Cambodia and abroad.

Artists employed by PPS E have been trained by PPS A. They come from extremely disadvantaged backgrounds and have often led chaotic lives. Through art, they have found a means of rehabilitation and personal expression. PPS E also gives them the means to take control of their futures.

Partners/Co-creation

PPS A is the majority shareholder in PPS E, together with individual investors and the Grameen Crédit Agricole Foundation, whose investment in capital must be supplemented by a loan. All the shareholders share the same vision of the company as a social business. PPS E also benefits from a number of commercial and financial partnerships developed throughout the years by PPS A in Cambodia, Asia and France.

Crédit Agricole Group executives have also been in contact with PPS E and the Group could provide PPS E with support to its network, especially when it comes to broadcasting performances in France.

Current scale and development plans

PPS E is currently made up of three troops alternately touring locally, internationally and performing in Siem Reap. It employs 80 people and can seat 400 people in its circus. Its

objective from now until 2016 is to open a cultural complex around a 600-seat circus, and secure more than 100 jobs.

PPS E is also working to develop a legal framework (concerning copyrights) with other people who work in culture to protect content.

Social impact

PPS E generates high-quality jobs and improves access to education for dispossessed young people. Based on the creative sector as a vehicle for growth, PPS E (re)inserts young artists by securing income. It also encourages the development of artistic opportunities and quality infrastructure and is committed to sharing the windfalls from tourism with small economic stakeholders in the area (tuk tuk, restaurants, etc.).

By producing and circulating shows inspired by the Khmer culture, PPS E contributes to strengthening Cambodian identity, promotes cultural exchanges and develops access for all audiences to culture, including poor communities in Siem Reap.

The PPS economic model also helps to ensure the PPS A's social mission over the long term and applies it by redistributing a portion of profits to PPS A and by developing joint artistic projects with students in the association. Today PPS A has 1,500 students, half of them girls, enrolled in its public school based on their site in the peri-urban area of Battambang. Some 30% of these children also receive artistic training (visual arts, performance arts, music). In addition to an educational project and high-quality training, PPS A also enables these children with chaotic backgrounds to acquire social qualities, an entrepreneurial spirit and an ability to adapt.

Economic viability

The direct beneficiaries of PPS E are artists, to whom PPS E offers quality jobs. The PPS E revenue comes from the broadcasting of its performances proposed to tourists and an international audience at market prices. During the first years, most of the revenue will come from shows given in the Siem Reap circus. Despite the seasonal nature of filling the circus (strongly linked to Asian tourism), PPS E plans to stabilize audiences over the first 18 months, break even in two years and then generate enough resources to finance its expansion. PPS E will help finance social actions of PPS A through the payment of royalties and dividends.

Environmental impact

PPS E is putting a waste management programme into place around the circus complex in Siem Reap.

Replicability

PPS E has been created recently and is unique in this area of activity. There are therefore no plans to replicate the project. However, its social business model created at the instigation and under the supervision of an NGO is to be copied.

Challenges/Lessons learned

Turning an idea for a live performance production company at the instigation and under the supervision of an NGO into reality requires a great deal of time and support from the Grameen Crédit Agricole Foundation.

33) SÉNÉGALAISE DES FILIÈRES ALIMENTAIRES CASE STUDY – SECURING THE INCOME OF SMALL PRODUCERS AND IMPROVING FOOD SECURITY

Project leader

Durabilis is a Belgian impact investment company specialized in establishing value chains in the agri-food sector, especially in Guatemala and Burkina Faso.

Social or environmental problem targeted

While the average Senegalese person consumes an average of 100 kg of rice per year and spends about 10% of his budget on it (up to 25% for poor households), Senegal is highly dependent on rice imports: today, local production covers only 25% of the country's consumption. Senegal imports nearly 800,000 tonnes of white rice each year, while only 25% of the potential area for irrigated rice crops is being exploited.

In addition, small producers face problems of access to the credit, inputs and markets necessary to produce greater value for their production. Processors and distributors face problems of insufficient capacity and quality of processing and an overly complex and segmented distribution chain which compromises their access to the market.

Project background

Founded in 2011, Sénégalaise des filières alimentaires (SFA) produces mainly white rice, under the brand name Terral, from paddy grown by small farmers in the Senegal River Valley (Ross Bethio), who are supervised and accompanied by SFA technicians. Today, the company's customers are mainly wholesalers located in Dakar.

Description of business model

SFA is based on an innovative approach along the whole supply chain so as to ensure economic balance and maximize social impact:

- **Production** – SFA implements a contractual agriculture system in order to improve the productivity of small producers. It also implements innovative financial support mechanisms to assist small producers in partnership with local microfinance institutions;
- **Processing** – In its plant, SFA is improving rice processing capacity in order to increase the quality of local rice compared to competitors and to develop sales of new products;
- **Distribution** – SFA has an end-market approach for ensuring rice marketing under the Terral brand and for promoting food security in the country. This allows SFA to provide better quality Terral rice at lower prices.

A social business charter defines the social mission of the company, the objectives it seeks to achieve and the monitoring indicators. SFA also relies, in a very original way, on endogenous mechanisms for structuring farmers (family reunification in order to operate larger field areas, private irrigation).

Partners/Co-creation

SFA has two shareholders to support it financially, technically and strategically: Durabilis (80 %) and the Grameen Credit Agricole Foundation (20 %). SFA is also developing commercial and financial partnerships, with for example the microfinance institution, PAMECAS.

Development plans

Today SFA supports more than 700 small producers structured in formal and informal groups, and sells more than 900 tonnes of rice in urban markets. Its 2016 objectives are as follows:

- Support 3,000 producers;
- Develop two new products with enhanced nutritional value;
- Develop the market by opening the market to new provincial cities to achieve a total of 7,000 tonnes sold.

Social impact

Through contractual agricultural mechanisms, SFA secures the income of small producers by ensuring a production outlet for their production at a better price than offered by intermediaries and by supporting them in their cultural practices in order to improve their productivity. SFA thus promotes local agricultural production and strengthens the economic fabric in rural areas. It revitalizes the production areas and promotes new social and entrepreneurial dynamics. Lastly, SFA helps lower rice imports and improve urban consumers' image of local rice. It thus contributes to greater food security in Senegal.

Economic viability

The paddy purchase price for small producers is higher than that practiced by intermediaries and below the price recommended by FAO.

Environmental impact

Durabilis is conducting the project implementing principles and methods of sustainable agriculture.

Replicability

SFA benefits from the experience Durabilis has gained in other countries, especially in Latin America. SFA was only very recently established but its integrated model, the creation of an inclusive value chain and partnership with a microfinance institution to finance harvesting loans are components that could be replicated in Senegal, and more generally in Africa.

Challenges/Lessons learned

Given the recent launch of the company, it would be premature to draw lessons from the project at this time.

ANNEX – INNOVATIVE FINANCING MODELS

Inspired by the Social Impact Bonds developed in the United Kingdom, new financing models, now called Development Impact Bonds (DIBs), are emerging based on the following principles:

- Private investors (who can benefit from a public guarantee for a portion of their risk) finance projects with a strong social and environmental impact but with a considerable difference in the time between financial intervention and results;
- Public or private “purchasers” commit to paying for results achieved;
- Investors and purchasers agree beforehand on project objectives, the measurement of results, the results-based payment schedule and the choice of developer who is responsible for the project (see the Annex – Innovative financing models).

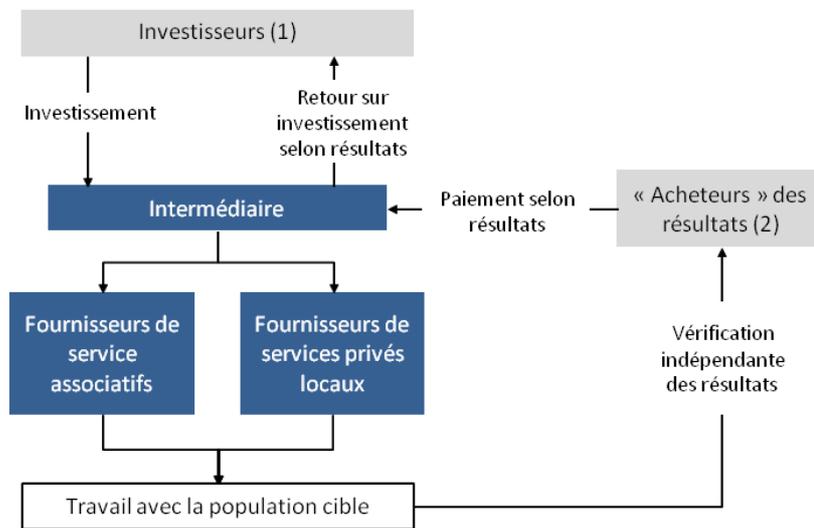
These new tools can be used in different development areas (see the case studies in the Annex on innovative financial tools at the service of sustainable development) if they meet the following criteria:

- Results must be measurable, which means that it must be possible to establish a cause-effect link between action and social/environmental impact;
- The scope of the project must be sufficiently important to justify the costs to set up the project which are relatively high;
- The project must enable donors to reduce their expenses by paying according to results observed.

We propose to encourage experimentation and development of these new DIB financing tools. Support of the French government but also local governments could exist on several levels:

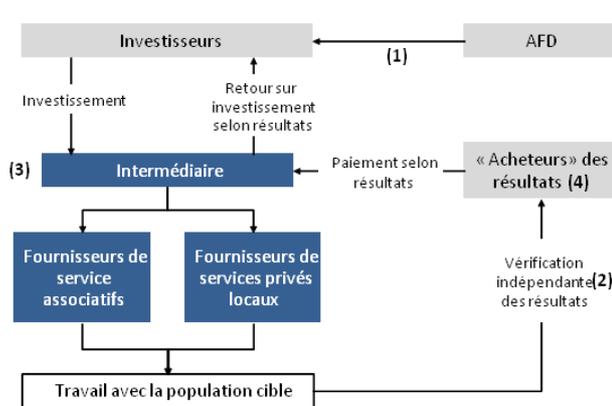
- Support in setting up the project and structuring the first DIBs;
- Partial reduction of the risk for private investors (guarantee, investment in funds by share class, etc.);
- Commitment to being the purchaser of all or a portion of results in pre-determined conditions with investors and the project developer.

Structuring of SIC/DIB



(1) Institutionnels, multilatéraux, entreprises et fonds privés, fondations, 'high net worth individuals'

(2) Agence de développement, Gouvernement, Fondation, Entreprise (privée ou publique)



(1) Diminution du risque pour les investisseurs, avec une garantie partielle de l'investissement

(2) Création d'une base de données publique sur les premiers DIB comme vecteur d'apprentissage : données projets, coûts d'intervention, impacts sociaux. Partage d'expérience sur des méthodologies de mesure plus adaptées

(3) Soutien au montage de projets, avec un dispositif de co-financement des études et du montage préalable à l'investissement. Effort commun d'identification de bonnes pratiques pour la structuration des DIB

(4) Constitution d'un Outcome-Based-Fund, avec d'autres bailleurs de fonds (par exemple, DFID et SIDA), afin de faciliter l'expérimentation de nouveaux DIB dans des domaines prioritaires (par exemple la protection de l'environnement)

SIC/DIB Structuring

Investors, Investment, Outcome-based return on investment, Intermediary, Outcome-based payment, "Purchasers" of outcomes (2) Community service providers, Local private service providers, Independent verification of outcome, Work with targeted population

(1) Institutional, multilateral, companies and private funds, foundations, high net worth individuals

(2) Development agency, government, foundation, private or public company

(1) Lower risk for investors with a partial guarantee of the investment

(2) Creation of a public database on the first DIB on lessons learned: project data, intervention costs, social impacts, shared experience on the most appropriate measurement methods

(3) Assisting in setting up the project, with a de-risking studies scheme and set up prior to investment. Joint effort to identify best practices for DIB structuring.

(4) Establishing an outcome-based fund with other donors (for example, DFID and Swedish International Development Cooperation Agency-Sida) to facilitate in experimenting with new DIBs in the priority areas (for example, environmental protection).

34) Example of project using the results-based payment model (development impact bonds): integrated water management and family farming

Description of the issue:

The Sumberjaya watershed in Lampung Province, in the south of the Indonesian island of Sumatra, stretches over an area of around 15,000 hectares split between forests and farms. Eleven tributaries of the Way Besai river draw from it. A hydroelectric operator (PLN-SBDL) runs two turbines on the river, generating 45MW each.

The watershed's forest cover has fallen from 58% to 15% over the last three decades. Studies on rainfall and local rates carried out over 23 years have shown that deforestation has caused major disruption to water flows and increased sedimentation. Considerable rainfall during rains also leads to degradation of cultivated soil.

The government has attempted to address this situation by partially reforesting the watershed and evicting farmers from protected areas. But new problems have emerged, such as a gradual spread of forest fires to intact forests.

In addition to the greenhouse gas emissions caused by deforestation, degradation of the watershed causes two major local difficulties:

- PLN-SBDL estimates that half its reservoir is filled with sediment. 300,000 tonnes of sediment settle in it every year. In addition to the cost of dredging (\$5/tonne), flow rate reductions lead to a lost production worth about \$300,000 per year and electricity shortages whose cost has been assessed at \$360,000 annually;
- Moreover, increasing degradation of soils caused by runoff, which carries sediments and organic matter towards the river tributaries, is gradually making the land cultivated by local communities unworkable.

Project envisaged

The project would involve two essential focuses:

- Promoting agro-forestry practices amongst local communities. Sun coffee is the main crop in the area, and its run-off rate is two or three times higher than that of the forest or shade-grown coffee. Where tree-planting would be difficult, planting of grass strips and bushes that are useful to communities can reduce this run-off;
- Various adaptation works such as terracing and creating sediment pits (traps for organic matter) on the steepest slopes. Small stone or wood dams are also effective to filter part of the water to the tributaries.

These steps should come with intense work on technical and institutional capacity-building and agricultural extension. More in-depth studies should also be carried out in order to determine which areas should be priorities for action, with the aims of improving both the living conditions of farmers and the efficiency of activities linked to sedimentation (approximately 20% of the watershed’s area produces 60% of the sedimentation).

Implementing a carbon offset project to reforest the area could also be considered, but this would increase project costs.

Possible partners

| Partner | Role | Motivation |
|------------------------------|--|--|
| Local NGO | Project management | Satisfaction of its role |
| Central and local government | <ul style="list-style-type: none"> • Provision of various government services (including forest and agriculture services) • Encouraging the public hydroelectric operator to participate in the project • “Purchasing” of project results | <ul style="list-style-type: none"> • Poverty reduction • Ecosystem restoration (in event of reforestation project) and reduction of pressure on forest • Reduction of local electricity shortages • Watershed protection |
| Hydroelectric operator | <ul style="list-style-type: none"> • Technical expertise in hydrology • Logistical support • “Purchasing” of project results | <ul style="list-style-type: none"> • Increased production • Reduced reservoir maintenance costs • Reputation/maintaining good relations with local populations |

| | | |
|---|--|------------------------------------|
| Other potential partners (development agencies, foundations, multilateral donors, etc.) | <ul style="list-style-type: none"> • Expertise • Soft loans • “Purchasing” of project results | See “Central and local government” |
|---|--|------------------------------------|

It is of note that some local coffee producers sell their produce directly to a multinational business. Adding a “sustainable agriculture” aspect to this project could therefore be considered, funded partially by the multinational in exchange for increased, sustainable supply.

Preliminary costing

The total cost of activities on a river tributary is assessed at around €20,000 per year for the first years. It has not yet been established how many years of investment at this level are required to obtain sustained results. Preliminary field studies suggest that a five-year programme on the 11 tributaries with gradual reduction in investment would represent an investment need of around €900,000, without taking into account the large-scale reforestation option.

The potential income gains and savings for the hydroelectric operator would be significant, as indicated above. In a project like this one, the operator would probably be the main “purchaser” of the results, alongside the purchasers of public goods and possibly agri-food companies.

Annex on local governments

35) EXAMPLE OF THE ILE-DE-FRANCE REGIONAL COUNCIL AND THE NORD-PAS DE CALAIS REGIONAL COUNCIL

In 2006, the **Regional Council of Ile-de-France** and the **Regional Council of Nord-Pas de Calais** financed 35% of a fonio development project for local consumption, urban consumption and fair trade in the Malian region of Kayes. It was decided that a processing unit was to be built in Kayes financed with private funds with fonio marketing in France entrusted to the Ethiquable company in compliance with fair trade criteria. The aim of this project was to develop sustainable production, processing and marketing, but also stimulate local organization of producers, establish certification requirements for organic farming and fair trade and regulate processing and marketing³⁶⁴.

36) EXAMPLE OF THE CITY OF GRENOBLE AND THE OUAGADOUGOU GREENBELT

- Since 2009 the **city of Grenoble** has supported a programme to implement spatial policy of the Ouagadougou Greenbelt around three strategic areas: water resource management, food security and infrastructures. The city of Ouagadougou decided to build its urban project management capacity by increasing its staff and its Directorate of Studies and Planning, supporting the professionalization of staff in this directorate and establishing an urban research and documentation centre. Payroll costs, operating fees and investments in this recently created service are covered by the city of Ouagadougou alone. The city of Grenoble was asked to provide assistance with expertise, staff capacity building and project engineering³⁶⁵.

37) EXAMPLE OF THE CHAMPAGNE-ARDENNE REGION

- In the Central Region of Togo, the **Champagne-Ardenne Region** is working to promote sustainable development with local actions likely to stabilize the population that has been greatly impacted by the halt in cooperation between Togo and its northern partners. In 2012, it also financed income-generating activities to benefit women's organizations and vulnerable people in order to

³⁶⁴ *Collectivités territoriales & commerce équitable*, Savoirs communs No. 4, AFD, 2008

³⁶⁵ These five last examples were taken from the website of the National Commission for Decentralized Cooperation (CNCD) <http://www.cncd.fr>.

help build community momentum and enable them to become financially self-sufficient with the implementation of economic inclusion activities.

38) EXAMPLE OF THE HENNEBONT MUNICIPALITY, THE MALIAN VILLAGE OF MOURDIAH AND THE GENERAL COUNCIL OF MORBIHAN

- Since 2007, the **Hennebont municipality**, twinned with the Malian village of Mourdiah since 1990, and the **General Council of Morbihan** have financed the construction of grinding mills to foster local sustainable development of agriculture and livestock production in the village at the request of local women's organizations.

39) EXAMPLE OF JOINT ENERGY LABOUR UNION IN JURA AND THE VILLAGE OF AMBATOLAONA

- In 2008 the **joint energy trade union in Jura** financed a solar-powered refrigerator and a comprehensive solar power production system for the proper functioning of a fresh produce conservation unit in the village of Ambatolaona in Madagascar.

Public donors & impact investing and support in subsidies or in expertise

- In December 2012, the British Department for International Development ([DFID](#)) launched a €90 million [Impact Fund](#), managed by CDC (the UK's Development Finance Institution). It aims to invest in intermediaries financing social businesses in sub-Saharan Africa and in Southern Asia and provide them with technical assistance. The fund will offer early stage capital, in other words, it is focused on projects that cannot attract commercial investors and that need technical assistance. It will therefore invest on an impact-first basis in order to play a catalytic role to attract investors with return on investment objectives (either in a second phase or as co-investors).
- [EuropeAid](#) has created funds to support private sector development—particularly micro-businesses and SMEs—in developing countries through co-financing mechanisms with other European donors. EuropeAid is also rethinking its 2014-2021 strategy so that it includes more support to private sector businesses working in development.
- Among other initiatives, [USAID](#) has established the [Development Innovation Ventures](#) (DIV) programme, which provides financial support to innovative projects with a social purpose and strong potential impact for developing countries. Individuals or any type of legal structure (private or NGO) can put forward projects and apply at any stage in their development, and then again as they grow, the idea being to accelerate growth of the most promising models.
- The **private American Cordes Foundation** created a \$250 million investment fund in 2013 to support the development of SMEs in Africa and Latin America “because of the social leverage that the micro-economic development of these continents represents”.
- The American OPIC invested \$85 million in this project in matching funds (in the form of debt with an equity kicker) with a 1:2 ratio, to help raise \$170 million from private investors.
- The **Canadian government** provided a \$15 million first-loss guarantee to this fund of US jurisdiction. The objective behind work of US and Canadian agencies in the creation of this fund is catalytic. It aims to attract private capital to generate the significant social leverage that the development of SMEs represents.

- [GIZ](#) has established Responsible and Inclusive Business Hubs in several of the countries where it operates in order to support local social businesses. Basically, GIZ holds sector-based dialogues every six months on development-related topics (agriculture, energy, etc.). GIZ is thinking about creating a public-private platform to raise awareness about the inclusive business models and to support their growth and increase their numbers.

Annexes of Chapter III

Examples of the role of connectivity

40) EXAMPLE OF THE ALLIANCE FOR AFFORDABLE INTERNET PLATFORM

The [Alliance for Affordable Internet](#) (A4AI) platform, sponsored by Google, Omidyar Network, UK DFID and USAID includes some 50 participants working in the private sector, philanthropy and public policy to promote solutions offering Internet access priced at less than 5% of average monthly income consistent with the MDGs. Its first leverage will be that of acting on public policies and regulations.

41) EXAMPLE OF THE FRENCH COMPANY, ORANGE

The French company, **Orange**, also intends to act as a driver of the ecosystem in Africa. To do so, the company relies on the presence of its R&D centres and local workers; the signature of agreements with local universities; and support for incubators in the area of NICTs. After an initial successful experience in Dakar, conducted with many partners including the World Bank (see figure below), identical projects were launched in Niger and Mali; and the launch of a social entrepreneurship award in the area of NICTs in Africa. In three years, 1,500 projects were chosen, for three award winners each year.

SBH/Concero Connect, which has taken the legal form of an American L3C (low-profit company), reinvesting all its profits, and operating under a tax regime that is identical to that of a non-profit organization, is presented as an aggregator of stakeholders in a same ecosystem and conducts cooperation projects with global participants (ITU, UPU) and local governments and NGOs in the field to train stakeholders and local workers.

Annexes- Graphs

42) GRAPH OF THE TRUE SIZE OF AFRICA

Title of graph: The true size of Africa

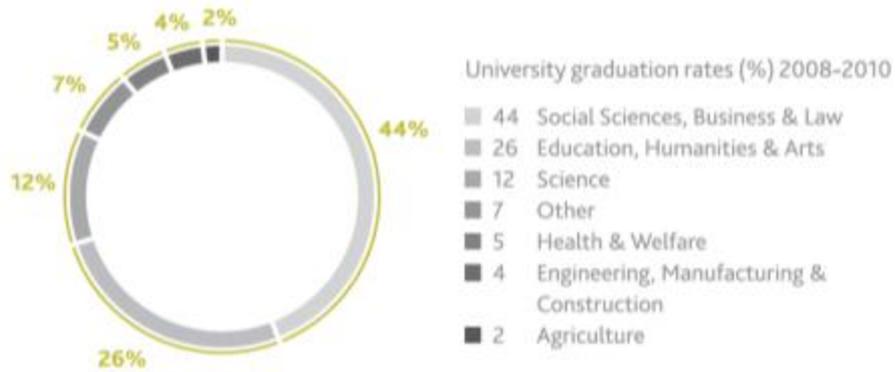
| COUNTRY | AREA x1000km ² |
|----------------|------------------------------|
| China | 9,597 |
| USA | 9,629 |
| India | 3,287 |
| Mexico | 1,964 |
| Peru | 1,285 |
| France | 633 |
| Spain | 506 |
| New Guinea | 462 |
| Sweden | 441 |
| Japan | 378 |
| Germany | 357 |
| Norway | 324 |
| Italy | 301 |
| New Zealand | 207 |
| United Kingdom | 243 |
| Nepal | 147 |
| Bangladesh | 144 |
| Greece | 132 |
| TOTAL | 30,102 |
| AFRICA | 30,221 |



Source: <http://static02.mediaite.com/geekosystem/uploads/2010/10/true-size-of-africa.jpg>

43) UNIVERSITY GRADUATION RATES IN SUB-SAHARAN AFRICA

University graduation rates in sub-Saharan Africa



Source: *Africa ahead: The next 50 years*, Mo Ibrahim Foundation, 2013

44) MAP OF ACCESS TO ELECTRICITY IN THE WORLD

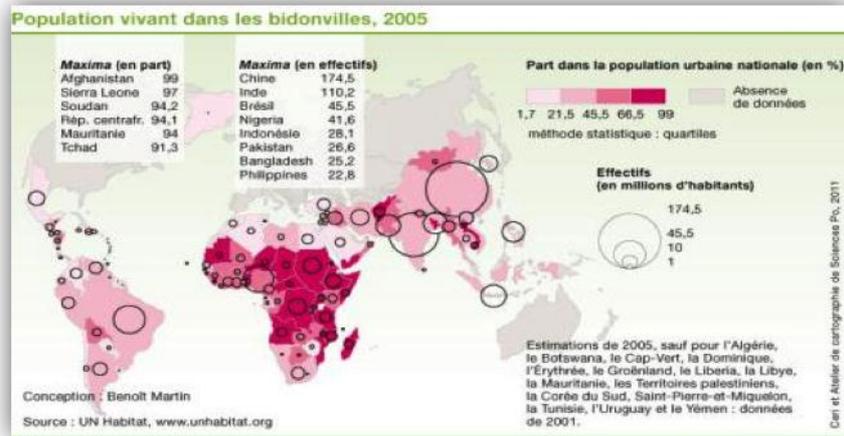
World satellite map of urban lights



Source: See

<http://go.worldbank.org/SUGSYY4U10>

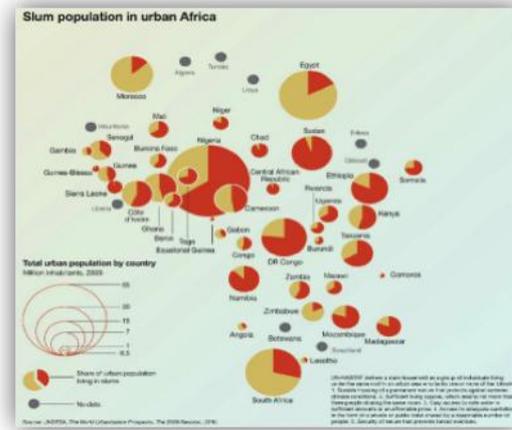
45) MAP OF SLUMS IN THE WORLD



The population living in slums in 2005

Source: See <http://ceriscope.sciences-po.fr/node/230>

46) MAP OF SLUMS IN AFRICA

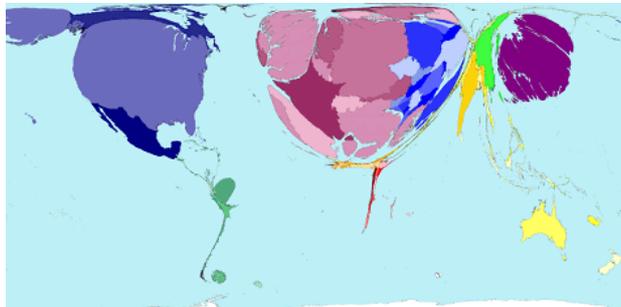


Percentage of the urban population living in slums in Africa

Source: See <http://maptd.com/urban-africa-slum-populations/>

47) MAP OF CONNECTION TO SEWERAGE SYSTEM

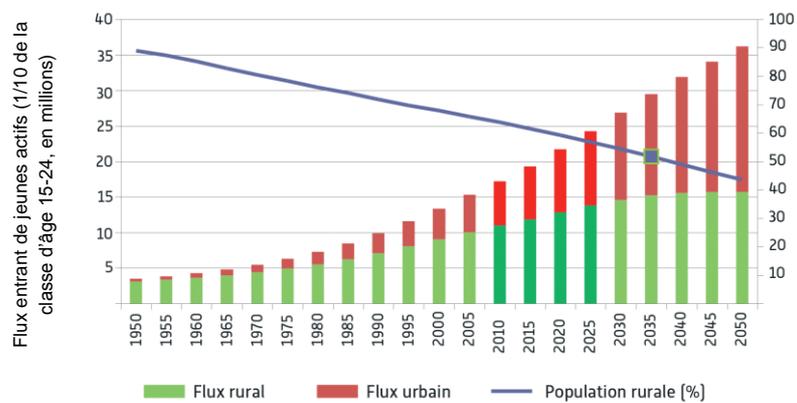
Population connected to public sewerage system in 2004



Source: cf. <http://www.worldmapper.org/display.php?selected=185>

48) GRAPH OF RATES OF YOUTH EMPLOYMENT

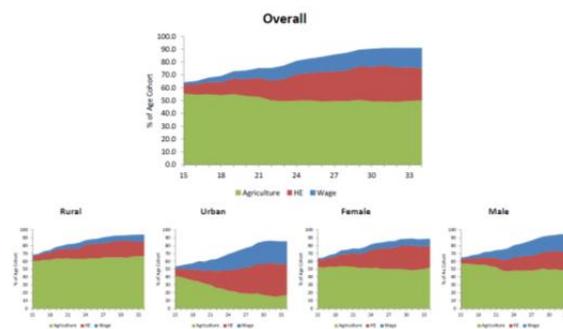
Change in the percentage of youth employment in urban and rural populations, 1950-2050



Sources: United Nations, *World Urbanization Prospects, 2011 Revision*, and *World Population Prospects, 2010 Revision*; Losch, Fréguin-Gresh, White (2012)

49) GRAPH ON THE DISTRIBUTION OF YOUTH EMPLOYMENT IN SUB-SAHARAN AFRICA

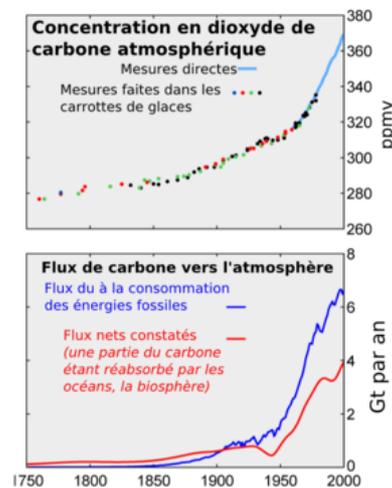
Change in youth employment (age and sector) in agriculture, in the informal sector (household enterprises) and wage



Source: *Youth employment in SSA*, World Bank, 2013

50) GRAPH ON GLOBAL CO2 EMISSIONS

Global CO2 emissions from fossil-fuel use, 1750-2000 (in millions of tonnes of carbon)



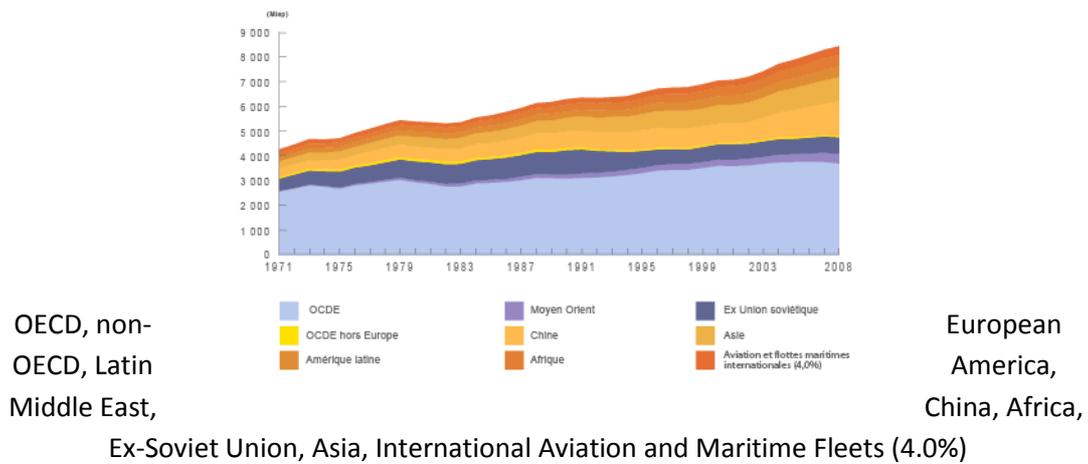
Concentration in atmospheric carbon dioxide, Direct measurements, Measurements taken in...ice cores, ppmv, Gt per year

Flow of carbon towards atmosphere, Flows due to fossil-fuel consumption, Net flows
(percentage of carbon reabsorbed by oceans, biosphere)

Source: See http://commons.wikimedia.org/wiki/File:Flux_carbone_fr.png

51) GRAPH ON THE CHANGE IN ENERGY CONSUMPTION BY REGION

Change in energy consumption per region (IEA data)³⁶⁶

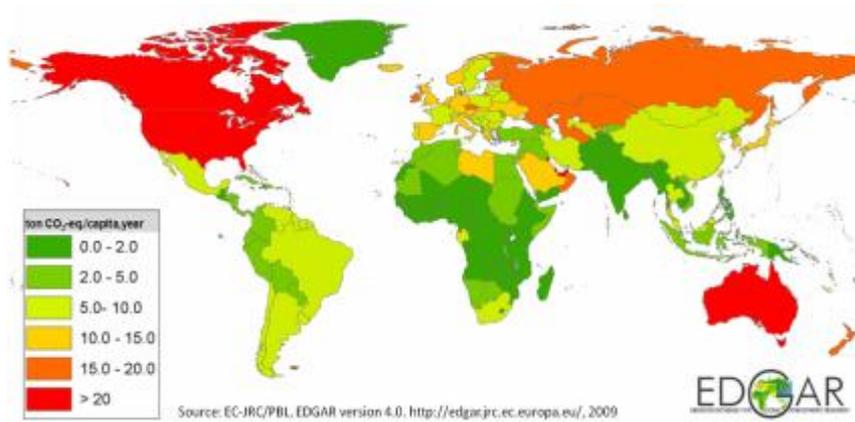


Source: IEA, March 2012, Connaissance des énergies website

³⁶⁶ <http://www.connaissancedesenergies.org/fiche-pedagogique/consommation-d-energie-finale-dans-le-monde-0>

52) MAP OF CO2 EMISSIONS IN THE WORLD

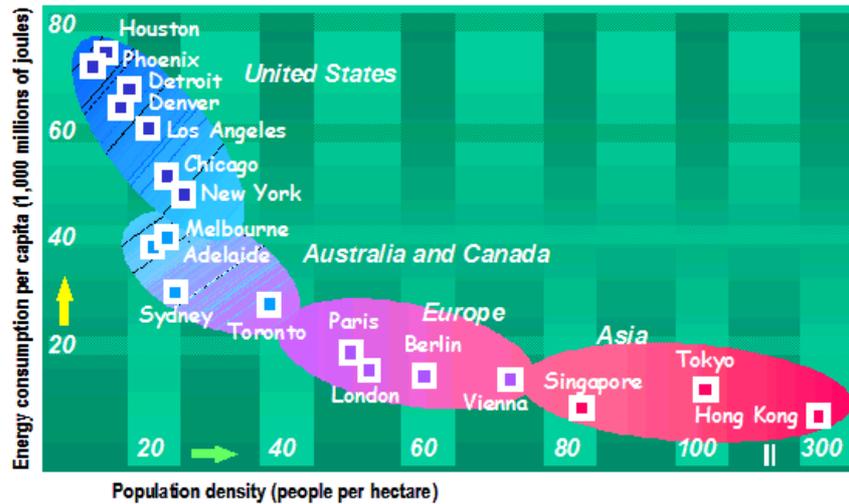
Map of CO2 emissions in the world per capita



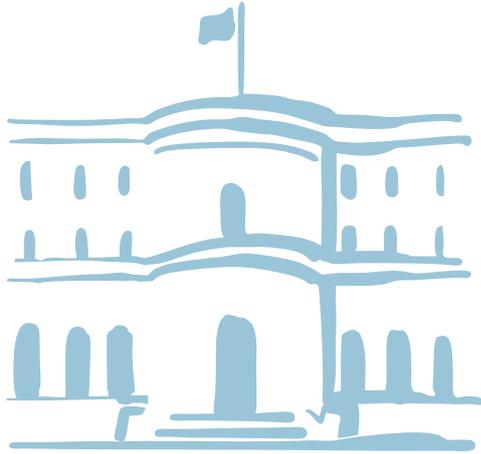
Source: See <http://edgar.jrc.ec.europa.eu/index.php>

53) HYPERBOLE OF ENERGY CONSUMPTION OF TRANSPORTS AND DENSITY

Energy consumption of transport according to city density



Source: See <http://www.cerna.enscm.fr/Documents/PNG-BL-VilleTransport.pdf>, p 11



INNOVATING BY MOBILISING STAKEHOLDERS: 10 PROPOSALS FOR A NEW APPROACH TO DEVELOPMENT ASSISTANCE

Emmanuel Faber* and Jay Naidoo** were asked by the French ministry of Foreign Affairs and International Development to study innovation in the development assistance field and its links to the positive agenda of sustainable development.

This report opens the debate through tangible proposals aimed at fostering stakeholder mobilization in the inclusive economy area (social enterprises, investors concerned about the public interest, foundations and NGOs inventing profitable economic models, etc.). In so doing, it raises deep questions concerning how assistance has been conceived and implemented over the years. It advocates more catalytic assistance, leveraging hybrid partnerships designed to contribute effectively to the sustainable development of African landscapes.

It was produced through the consultation and contribution of numerous international leaders, experts, public and private stakeholders, civil society, major companies and NGOs, and suggests innovative approaches that challenge the common understanding of official development assistance.

* Co-chief operating officer and vice-chairman of the board of Danone, a major business with a long-standing commitment to social innovation.

** A South African former trade unionist and ANC leader, who stood alongside Nelson Mandela in his struggle and as a minister in his government. He now chairs the NGO Global Alliance for Improved Nutrition (GAIN).