



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

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

Foreword

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“A growing number of French companies with an international presence have been promoting public interest initiatives to protect populations and landscapes in their areas of expansion.

Such initiatives are central to their activities, unlike conventional corporate social responsibility or philanthropic approaches. They see companies use their technical

skills, technologies, human resources and innovation capabilities to support the sustainable development of their business. At the same time, they contribute to global sustainable development and prove consistently that it is possible to reconcile social and economic goals by using economic efficiency to resolve problems of public interest.

These initiatives are often built in partnership with local stakeholders including NGOs, local governments and beneficiaries. They help companies become established in local landscapes and project a positive image of French business. They are a vital link in the chain of our economic diplomacy.

Some companies have been involved in such initiatives for a long time. Danone is one example and its dual commitment to economic and social performance integral to its DNA, while acting as a powerful driver of innovation. This dual commitment is now adapting to the challenges of a globalized economy, promoting innovative approaches worldwide in support of sustainable development and economic diplomacy.

This is why the co-chief operating officer and vice-chairman of the board of this company, Emmanuel Faber, was commissioned by the French Ministry of Foreign Affairs and International Development to reflect on innovation for development assistance. He was joined in this task by Jay Naidoo, who stood alongside Nelson Mandela during his struggle and as a minister and now chairs the NGO Global Alliance for Improved Nutrition (GAIN), in the spirit of co-creation.

The report produced by Emmanuel Faber and Jay Naidoo envisions new avenues for our presence in the global South, by mobilizing local stakeholders to foster sustainable development as well as the global image and influence of France and its business community.

I would like our development policy to draw on these recommendations and I am sure that Minister of State for Development and Francophony Annick Girardin will use it as an innovative toolbox for her work.”

Laurent Fabius,

Minister of Foreign Affairs and International Development

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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.

ABOUT THE AUTHORS OF THIS REPORT

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Emmanuel Faber

Emmanuel Faber is currently the co-chief operating officer and vice-chairman of the board of directors of Danone, one of the leading and most socially innovative food companies in the world. He joined in 1997 and held several positions, serving as head of the Asia region and chief financial officer for the company before his appointment to the board of directors in 2002. Since 2008, he has been serving as one of its two vice-chairmen.

While managing Asia for Danone in 2005, Emmanuel Faber was responsible for the first social business experiments conducted in Bangladesh with Grameen Bank and supervised the creation

of danone.communities, a network of social businesses that seek to alleviate poverty and malnutrition. Since then, he has worked closely with Muhammad Yunus, the founder of microlending and winner of the 2006 Nobel Peace Prize, to promote innovative business models that fight poverty and address critical social issues.

Emmanuel Faber frequently speaks about social business issues in academic settings and to the media. He has written two books on the role of business in society, *Main-basse sur la cité* (1992) and *Chemins de traverse* (2011). He is also a founder and co-chair, with Martin Hirsch, of the Business and Poverty Action Tank, a social business incubator based at HEC Paris, the French business school he graduated from in 1986.

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Jay Naidoo

Jay Naidoo is chair of the board of directors and chair of the partnership council of the Geneva-based Global Alliance for Improved Nutrition (GAIN), which was launched at the 2002 UN summit on children as a public-private partnership to tackle malnutrition facing 2 billion people

in the world. He is the founder of the social development arm of an investment and management company, J&J Group, which he co-founded in 2000 in South Africa.

Jay Naidoo has recently joined the board of the Mo Ibrahim Foundation established to promote African development through a focus on good governance. He serves in an advisory capacity for a number of international organizations including the Broadband Commission of the International Telecommunications Union (ITU) and United Nations Educational, Scientific and Cultural Organization (UNESCO) and the Lead Committee of the UN Secretary General on Nutrition. He is the patron of Scatterlings of Africa, a paleontological foundation linking archaeological sites across Africa.

Jay Naidoo was general secretary of the Congress of South African Trade Unions from 1985 to 1993. He then served as Minister for the Reconstruction and Development Programme in President Mandela's cabinet (1994-1996) and as Minister of Post, Telecommunications and Broadcasting (1996-1999). Naidoo was a member of the National Executive Committee of the African National Congress. He was at the forefront of the struggle against apartheid, leading the largest trade union federation in South Africa.

Between 2001 and 2010, Jay Naidoo was chairperson of the Development Bank of Southern Africa (DBSA), the premier development finance institution driving infrastructure development in the SADC region. From 2003 until 2010, he served as deputy chair and trustee of Lovelife, a non-governmental organisation leading the fight to prevent HIV/AIDS through education and advocacy.

He has gained many honours for his accomplishments, including a decoration as *Chevalier de la Légion d'Honneur* (France's Legion of Honour).



2. A shared goal:

RECONCILING DEVELOPMENT WITH LOW-CARBON GROWTH

Over the last fifty years, people have gradually come to realise that they have been 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 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 a leading continent tomorrow, 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. 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;

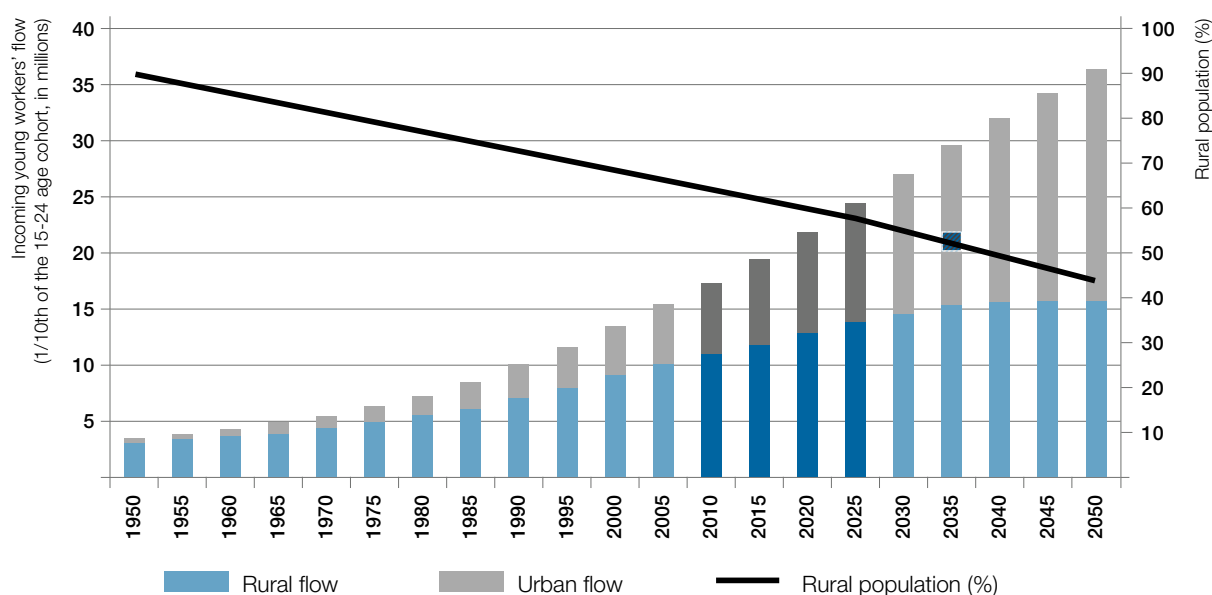
- at the moment, although the African sub-continent is only marginally responsible for the global increase in emissions, the high-carbon trajectory of South Africa shows how Africa's growth could result in extremely high emissions if growth models are not adapted. Finally, all kinds of impending threats 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.

Figure 1: Evolution of incoming young workers' flows in urban and rural areas, 1950-2050



Sources : *World Urbanization Prospects, 2011 revision*, and *World Population Prospects, 2010 revision*, United Nations; cited in Losch B., Fréguin Gresh S., White, E.T., *Structural Transformation and Rural Change Revisited: Challenges for Late Developing Countries in a Globalizing World*, Africa Development Forum Series. World Bank – Agence française de développement, 2012.

To achieve this, ODA approaches must evolve to take into account the 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.

Figure 2: Global satellite map of street lighting



Credit: Data courtesy Marc Imhoff of NASA GSFC and Christopher Elvidge of NOAA NGDC.
Image by Craig Mayhew and Robert Simmon, NASA GSFC. (CC BY 2.0)

Source: NASA cited by World Bank, <http://go.worldbank.org/SUGSYY4U10>

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

BOX 1

The inclusive economy and impact investing

The concept of the inclusive economy refers to original initiatives promoted by small local entrepreneurs, major companies, NGOs and communities who share a common aim: the pursuit of dual economic and social objectives and the ambition to show that they can be reconciled by using economic effectiveness to solve a problem of public interest. These initiatives combine a business approach, a voluntary contribution to the public interest and a high level of risk due to the innovative nature of the projects, their social and environmental impact and the local conditions of their implementation. Moreover, the people living at the bottom of the pyramid

are stakeholders of a company's value chain and the projects created may be replicated at large scale. Sustainable development and tackling environmental issues, too, are key to an inclusive vision of the economy.

The scope of impact investing for development covers organizations whose principal goal is to invest in financial intermediaries, organizations and businesses with the explicit aim of achieving a societal impact (social and/or environmental), while ensuring that they are economically viable in the long term.

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.

BOX 2

9 examples of social business in the commercial sector

1 **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 through a network of 95,000 health workers, etc.).

2 **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.

3 In India, the **Naandi Foundation** has developed a network of more than 400 mini water treatment plants in villages offering monthly water service contracts. As a result, it ensures access to safe drinking water for 600,000 Indian consumers.

4 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 environment.

5 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 salaries.

6 In Africa, the emergence of large private fortunes has created a new generation of philanthropic organizations such as the **Tony Elumelu Foundation**, whose mission is to support entrepreneurship in Africa by investing in innovative enterprises.

7 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.

8 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 99% loan repayment rate.

9 The €100 million **Danone Ecosystem** endowment fund assists tens of thousands of small producers in the group's value chain 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.

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.

BOX 3

The co-creation process

In a world that is increasingly complex and difficult to understand, only the meeting 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 be paid to listening, dialogue and exchange. [...] How can trust be generated? By fostering more cooperation between stakeholders who mutually choose and regulate one another; and allowing for government authorities to establish the necessary guarantees with regard to these actions and their impacts, so as to ensure the 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 the multiple dimensions of the situations they come up against.

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.

Set up a Facility for the Inclusive Economy and Development to organise public support for coalitions of stakeholders (proposal 8)

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 a **Facility for the 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.

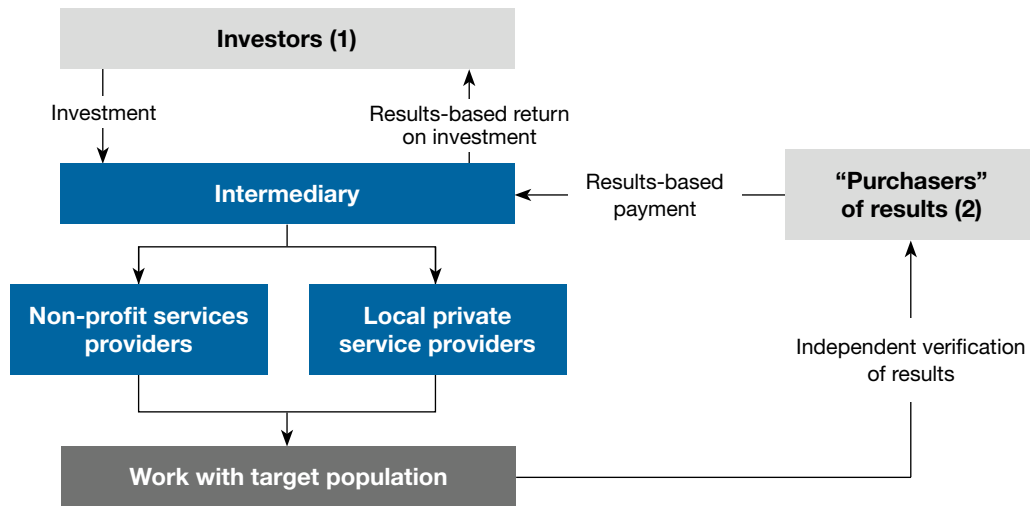
BOX 4

The FIED

The models proposed for this FIED will be based on seeking impact. Projects will therefore be structured around the measurement of results agreed from the start between investors, project developers and purchasers of the externalities produced.

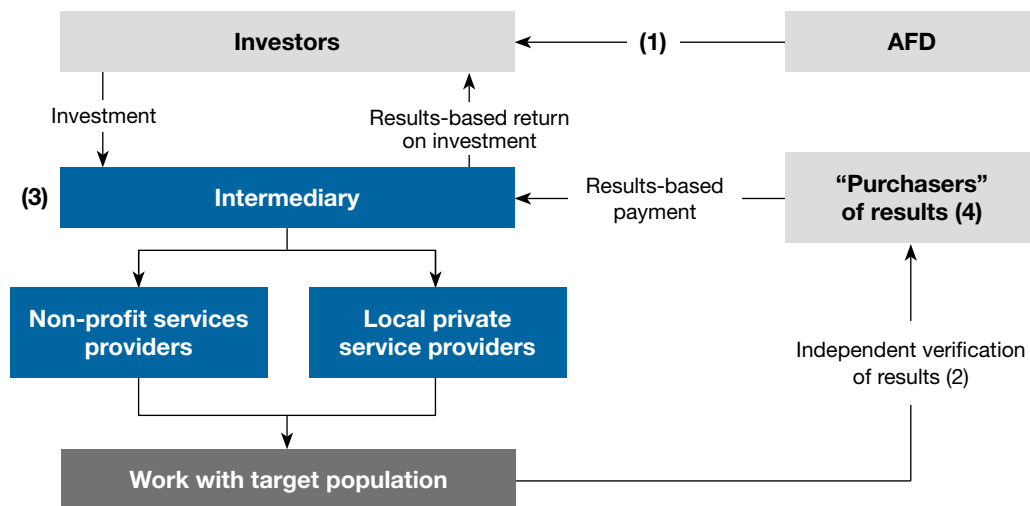
This mechanism will help draw attention to the effectiveness of the action conducted. It will require methods and measurement tools that are sufficiently robust and simple to implement. In recent years, measurements used for the effectiveness of development programmes have been the subject of a number 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 FIED play a driving role in the development of these methods.

Figure 3: How the FIED works



- (1) Institutional and multilateral donors, businesses and private funds, foundations and high-net-worth individuals.
- (2) Development agency, government, foundation, company (public or private).

Figure 4 : Example of FIED project implementation



- (1) Risk reduction for investors, with partial investment guarantee.
- (2) Creation of a public database on the first development impact bonds (DIBs) as a learning vehicle: project data, intervention costs, social impact. Sharing of experience on the more suitable metrics and methods.
- (3) Support to set up projects, with an eco-funding scheme for pre-investment studies and design. Joint effort to identify best practices for DIB structuring.
- (4) Establishment of an Outcome-Based Fund with other donors (such as DFID and SIDA) to facilitate trialling of new DIBs in priority areas (such as environmental protection).

See annex for an example of a results-based payment project.

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.

Reform the French ODA system in order to mobilise inclusive economy stakeholders in support of development (proposal 9)

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.

Acknowledge that women have a critical role to play in sustainable development projects and design aid schemes accordingly (proposal 1)

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* should increase by 20% instead of 11% as currently recommended.

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.

* 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.

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) (proposal 2)

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.

BOX 5

Involving the business community in training

The presence of many French businesses of all sizes in Africa (100 of them are members of the French Council of Investors in Africa – CIAN) undeniably remains under-utilised as a basis for the implementation of initiatives to support access to employment for young Africans. Yet many existing initiatives already implemented in isolation by French (and foreign) businesses to develop the technical skills of those young people demonstrate their utility every day, individually or in the framework of national federations or local business leaders' unions. These should therefore be encouraged.

Given the great complexity of national ecosystems and schemes, an approach focused on local stakeholders appears to be most relevant for innovation in this area. The idea of “establishment-level projects” as promoted by the study conducted by French Research and Consultancy Company (SOFRECO) thus constitutes an interesting basis in that it can allow a coalition of “aggregating” partners to contribute to its implementation at the level of stakeholders on the ground.

Such initiatives, involving the alliance of a business (or limited number of businesses) and an educational institution (or a limited number of establishments) around a tangible project, supported (or at least tolerated) by local administrations, can fully fit in with the stakeholder mobilization instruments described in this report.

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.

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 (proposal 3)

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, facilitate access to essential services and a sense of community.

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.**

Set up a social urban planning laboratory for 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 (proposal 4)

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.

Medellín'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 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 enthusiastic 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.

BOX 6

Innovating to distribute electricity

Increasingly, local NGOs and civil society handle customer management and even distribution in rural areas. They can be potential operators in low-income areas where energy consumption is low, in close cooperation with local customers' organizations and municipal authorities. Contractual innovations have been emerging rapidly in this area. Rather than being technical, innovation can thus be based on social schemes that help facilitate access. Moreover, certain instruments and methods (smart, prepaid or collective meters) help improve the efficiency of management and increase the customer coverage rate.

Investment in the training of staff and skills transfers by NGOs or business foundations is very useful to support these programmes locally in the context of very scarce human resources. While such needs concern almost all national electricity companies, they are particularly important in new qualifications linked to rural electrification programmes, where much work remains to be done (although programmes have been launched recently, including the joint EDF-2iE-ESF-AMADER programme and those funded by Schneider).

Lay the groundwork for low-carbon growth to achieve sustainable, fair development in Africa (proposal 5)

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.

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 (proposal 6)

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.

50 million improved cooking stoves for Africa

Goals

This programme, which would have unquestionable effects on the various dimensions of sustainable development, could be attached to the future Sustainable Development Goals (SDGs) that are currently being discussed by the international community. Its goal would be to equip 50 million families with improved cooking stoves between 2015 and 2025, with the following impact at full capacity:

- environmental impact – wood consumption reduced by around 100 million tonnes per year, helping safeguard 40,000 hectares of forest and avoid around the emission of 75 million tonnes of CO₂ equivalent per year;
- health and social impact – impact on the health of 50 million women and at least 200 million children;
- economic impact – given that, on average, African women and girls in rural areas dedicate 20 hours per week to collecting wood and up to 40% of family income is spent on purchasing wood and charcoal in urban areas, the impact on time freed up for other activities and for education will be very significant (around 500 hours/family/year).

Moreover, producing 50 million stoves locally will have a considerable impact economically and in terms of employment (around 10 direct and indirect jobs for 10 years for the manufacture and distribution of 1,000 stoves).

Implementation method

In the long run, normal market functioning should suffice to satisfy needs. This is not currently the case because of the barriers mentioned earlier. Without a strong incentive instrument, the rate of uptake by households will continue to grow at the current pace, which will not have a significant impact at the continental level and will see positive effects partially cancelled out by increasing needs.

A clear message needs to be sent 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 anticipation and investment. The goal would be to use public funding as a factor to mobilise stakeholders and scale up the project.

The proposed initiative is based on the principles described in Part 2:

- results-based payment using reliable measurement methods;
- aligning public and private stakeholders;
- prioritising stakeholders;
- sustained investment over time.

Programme costs and funding

The programme is costed at €400 million per year, or €4 billion over ten years. This corresponds to an average price of 5 euros per tonne of CO₂ emissions avoided and an average annual cost of 8 euros per household.

The proposal involves guaranteeing the purchase of carbon credits at a pre-determined price over a ten-year period for all projects carried out and evaluated by certified independent third parties, in accordance with recognized carbon offsetting methods (CDM, VCS, Gold Standard). It should be recalled that the verification of carbon credits helps measure the effective use of cooking stoves at family level.

Once economic stakeholders, investors and operators have a guarantee that the credits generated by the projects will be purchased at a pre-determined price, thus ensuring proper compensation for their efforts, they will be encouraged to invest and launch initiatives.

Public donors will play their incentive and regulatory roles with the assurance that public funding will be used appropriately, and only when results are achieved.

We recommend that, ahead of the Paris Climate Conference (COP) in 2015, France commit and play a leading political role to rally governments and international institutions behind this initiative by creating a special fund, notably to purchase carbon credits. This fund could be fed by the Green Climate Fund and multi-year commitments by national governments and major international public donors such as the World Bank and the African Development Bank.



**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
(proposal 7)**

Although the European carbon market is currently facing difficulties, it should not 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 projects – their aims, incentives and environment – which requires urgent improvement of statistical systems;
- accelerate the spreading of digital technology throughout Africa, given the 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.

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

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

BOX 8

Campus for African Change

Our country has assets to train leaders:

- the presence of a growing number of French companies in Africa that need to train African executives and can contribute to transferring skills;
- extensive experience in training African managers at the AFD training centre (CEFEB);
- universities and prestigious graduate schools (*grandes écoles*) that could lend their teaching expertise and their international networks.

With these assets in mind, we propose the creation of an open development platform targeting leaders and future leaders with a vision for economic development that takes societal and environmental value into account: 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. Such a 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 corporate sponsors, in collaboration with African enterprises 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 each of the targeted African countries;
- institutional and development representatives (e.g. AFD).

In the short term (three years), this platform would launch one to three projects helping to provide answers to the issues mentioned above, in a spirit of experimentation, which 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 for young African entrepreneurs in one or two countries (25 to 50 participants);
- launch of a university/enterprise training project offering diplomas in cross-cutting skills, in one country, to match training and jobs better.

would be launched jointly by companies and universities, with a view to selecting a project that would enable young, high-potential African executives and entrepreneurs 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.

* A partnership for the future: 15 proposals for building a new economic relationship between Africa and France, December 2013.

7 examples of digital technologies for development

There are now more than 80 significant **mobile banking services**, based strictly on the private sector. Such initiatives aim to open up access to the banking sector for the poor, who generally do not have the possibility to borrow, save or get insurance.

In 2009, the Grameen Foundation launched the **Community Knowledge Worker (CKW)** project to improve the living standards of small-scale Ugandan farmers, providing them access to up-to-date agricultural information through village-based advisors. Those advisors provide farmers with information about weather forecasts, market prices, treatments for animal diseases or even available means of transportation via their phones.

Find out more: www.grameenfoundation.org/what-we-do/agriculture/community-knowledge-worker

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, whom it protected from six million counterfeit pharmaceutical products.

In India, since 2011 **Narayana Hrudayalaya hospitals** have provided poor people with cardiac care at affordable prices. They used new technology to develop remote consultation (250,000 in ten years) via a videoconference system and to produce electrocardiograms over phone lines, which allows remote healthcare centres to communicate with hospital experts.

The **Aga Khan Development Network (AKDN)** is active in the social, economic and cultural development of African and Asian countries and has been developing ambitious health projects (Heart and Cancer Centre in Nairobi and its peripheral health centres, the main Aga Khan Hospital, Dar es Salaam, the French Medical Institute for Children in Kabul, Karachi University Hospital, etc.). Their innovations, particularly in the area of telemedicine and telepathology, are radically changing access to care for isolated populations, as can be seen in this video:

<http://www.youtube.com/watch?v=AoMO2f4OfI4>.

The **Khan Academy** was created in 2006 to offer free access to teaching all over the world. It is a non-profit organization that delivers educational 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, Bibliothèques Sans Frontières, for French-speaking countries.

In October 2013, France launched a wide-scale information programme for the development projects that it finances in Mali. The programme, which measures progress in implementing projects, is the first accountability programme organized on the Internet or by text messaging to enable **dialogue between citizens and French leaders on development policies**. This makes it a genuine innovation to foster accountability.

Annexes

10 proposals for a new approach to development assistance

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

Result 1: to break new ground with regard to female empowerment, double the current French assistance target for the adoption of the OECD DAC gender marker and set an ambitious target for projects with gender equality as their principal objective.

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).

Result 2: plan and organize training of young people with help from professional stakeholders.

Result 3: focus on training the teachers, particularly for dual apprenticeships in the traditional sector.

Result 4: provide support for the business start-up module of technical training courses.

Result 5: improve vocational training and apprenticeship courses.

Result 6: remove competition between dual apprenticeships and technical secondary education and improve the quality of the latter to meet new needs for skills on the modern formal employment market.

Result 7: reaffirm the importance of basic education (reading, writing, numeracy) as the foundation of all training, even technical, including for adults.

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.

Result 8: affirm the importance of family farming in ODA priority policies by doubling its allocated funding through new schemes specifically designed to support it.

Result 9: set up the initiative for family farming in Africa.

Result 10: introduce and build skills linked to technical and practical agricultural models for family farming at all levels (farmers, public initiatives, project leaders, advisers, etc.).

Result 11: increase family farmers' access to local, national and international markets.

Result 12: increase use of new technologies in family farming.

Result 13: establish innovative funding models to enable family farming support projects to be scaled up and achieve lasting results.

Proposal 4: set up a social urban planning laboratory for 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.

Result 14: make sure that fair urban development is taken into account in the new sustainable development agenda (SDGs).

Result 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.

Result 16: drawing inspiration from the local operational platforms planned under the French partnership for cities and territories, support stakeholder partnerships based on decentralised cooperation.

Result 17: strengthen the fundraising and borrowing capacity of cities by supporting training of local teams on management methods.

Result 18: support online architecture and urban planning schools (smart class) to foster discussions on the future of African cities.

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

Result 19: to resolve Africa's chronic lack of hydroelectric equipment, facilitate private sector involvement by sharing political and financial risks and use ODA as a catalyst to promote social and environmental equity when the programmes are implemented.

Result 20: use ODA to support development of growth phase 1 and preparation of growth phase 2 (cutting carbon emissions) via specific mechanisms.

Result 21: foster the development of the “smart grid” by coordinating ODA, national electrification funds and local operators more effectively.

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.

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.

Result 22: re-establish carbon finance as a driver of development and set up a clean development mechanism for Africa.

Proposal 8: set up an Facility for the Inclusive Economy and Development to organise public support for coalitions of stakeholders.

Result 23: set up a Facility for the Inclusive Economy and Development (FIED) to promote new models of inclusive development, including results-based payment schemes, modelled on development impact bonds.

Result 24: organise inclusive economy discussions and initiatives and adapt the operation of the National Council for Development and International Solidarity (CNDSI) to promote this.

Result 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 mobilise inclusive economy stakeholders in support of development.

Result 26: move away from the dominant approach of State-level and multilateral assistance, and broaden ODA to include financing the inclusive economy for development.

Result 27: review targets to move from a volume-based strategy (“paying out”) to a strategy aiming to provide catalytic, high-quality, sustainable assistance.

Result 28: clarify the role and structure of the AFD to give it a clearer strategic position in the competition between international development stakeholders.

Result 29: simplify the AFD’s oversight system and strengthen AFD governance by giving the agency greater autonomy with regard to aid implementation, allowing it to take risks and innovate.

Result 30: broaden the career options as well as the evaluation and pay systems of AFD executives to foster innovation and enable AFD careers to develop in line with new catalytic approaches to assistance.


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

Result 31: encourage investment in the inclusive economy by establishing an appropriate regulatory framework.

Result 32: grant explicit exemptions from the democratic governance system (one person/one vote) in the social economy to enable this movement to welcome openly new forms of inclusive economy for development.

Result 33: amend the regulations to allow the “solidarity fund” label to be awarded when inclusive economy investments are made outside French territory; make this label available to initiatives concerning all countries on a specific list.

Result 34: urgently clarify the legal framework of “social business” (tax relief on donated profits, antitrust law on co-creation between stakeholders from the same industry, anti-dumping legislation).



Result 35: Amend Article 1832 of the French Civil Code to give business a social aim, thus providing a legal basis for pursuing a goal beyond making a profit.

Result 36: place culture at the heart of projects and integrate it into public policy.

Result 37: launch a call for applications to create a Campus for African Agents of Change.

Result 38: urgently reform national Universal Service Funds and use them to speed up digitalisation.

Result 39: promote the development of ecosystems (political, regulatory, skills-related) that facilitate the adoption of market-based connectivity solutions.

Result 40: back the high-level panel proposal for a global partnership for development data and reaffirm French cooperation ambitions to improve statistical capacity in Africa.

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 hydro-electric 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 costing an estimated \$360,000 annually;
- moreover, increasing soil degradation 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 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 to determine which areas should be prioritised for action, with the aim 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.

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.

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.

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, Vodafone CEO

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), it described 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 second user. The intermediary charges a commission in the form of prepaid minutes that it sells to other villagers, thus 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. Then 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 for phone banking services in Kenya.

Business model

At the outset, DFID’s investment was intended to support two pilot projects with Safaricom – the leading operator in Kenya, in which Vodafone had a 40% stake 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 could then comply with legislation on commercial banks, which required 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. Such redirection of the project was approved, and a technological solution quickly emerged from Vodafone’s laboratories in Germany.

After a few field tests, this new service – called M-Pesa – experienced unprecedented success in Kenya, and became one of Vodafone’s most profitable 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 was banked 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 fuses 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 a then insufficient regulatory framework and by passing favourable legislation afterwards. The Central Bank of Kenya committed to implementing 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 but a high rate of mobile phone use (87% of Kenyans have a mobile phone). Since its inception, M-Pesa has been copied in Tanzania and 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 80% market share, support from the Kenyan government and 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 stood at 100,000 only. This commercial disappointment was due to poor targeting of customers and an overly strict regulatory environment.

In Tanzania, the service, launched in 2008, was slow to become popular because, among other stumbling blocks, the network of transfer agents was not as dense. The strategy was then rethought and today, nearly one in four Tanzanians is registered with the M-Pesa network (equivalent to nine 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 this project's success, DFID announced in 2011 a new direction for its investments, which puts the private sector at the core of its development strategy.

List of acronyms

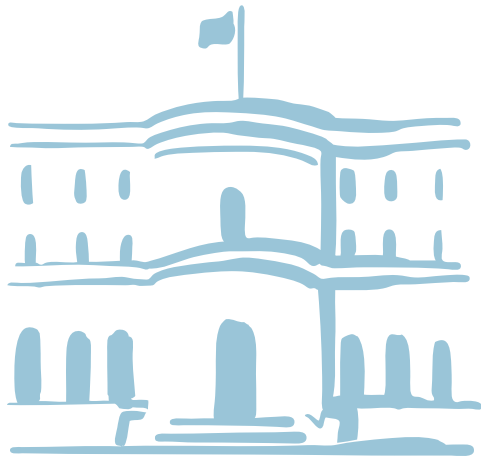
AFD	French Agency for Development (<i>Agence française de développement</i>)	OECD DAC	Development Assistance Committee of the Organisation for Economic Cooperation and Development
AKDN	Aga Khan Development Network	NGO	Non-governmental organisation
BOP	Bottom of pyramid	PLN-SBDL	National Electricity Company – Bandar Lampung Sector (<i>Perusahaan Listrik Negara – Sektor Bandar Lampung</i>)
BRAC	Bangladesh Rural Advancement Committee	PROPARGO	Investment and Promotion Company for Economic Cooperation (<i>Société de promotion et de participations pour la coopération économique</i>)
BRICS	Brazil, Russia, India, China, South Africa	SADC	Southern African Development Community
CDM	Clean Development Mechanism	SDGs	Sustainable Development Goals
CEFEF	Centre for Financial, Economic and Banking Studies (<i>Centre d'études financières, économiques et bancaires</i>)	SIDA	Swedish International Development Cooperation Agency
CIAN	French Council of Investors in Africa (<i>Conseil des investisseurs français en Afrique</i>)	SOFRECO	French Research and Consultancy Company (<i>Société française de réalisation d'études et de conseils</i>)
CKW	Community Knowledge Worker	UNESCO	United Nations Education, Science and Culture Organisation
COP	Conference of parties	VCS	Verified Carbon Standard
CTO	Commonwealth Telecommunications Organisation		
DBSA	Development Bank of Southern Africa		
DFID	Department for International Development		
DIB	Development impact bonds		
EUETS	European Union Emissions Trading Scheme		
FDCF	Financial Deepening Challenge Fund		
FIED	Facility for the Inclusive Economy and Development		
GAIN	Global Alliance for Improved Nutrition		
HEC	<i>École des hautes études commerciales</i> (Paris graduate business school)		
ITU	International Telecommunications Union		
MFI	Microfinance institution		
ODA	Official development assistance		

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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.

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