

EVPA CoLab AWARD

INVEST.COLLABORATE.TRANSFORM.

CATALYZE IMPACT FOR PEOPLE AND PLANET THROUGH AND ECOSYSTEMS DEVELOPMENT APPROACH

Submitted by UNDP Private Sector and Sustainable Investments Team, Africa Finance Sector Hub (AFSH), South-Africa

BACKGROUND

A. Which **type of organisation** are you (tick all that apply)?

- An Intermediary: an advisory, capacity building organisation or research organisation supporting capital providers, impact delivery organisations and other stakeholders and/or enhancing knowledge in the impact economy.

B. Please briefly summarise your **mission**

As part of the Africa Finance Sector Hub, the Private Sector and Sustainable Investments (PSSI) team supports country offices and regional programmatic and related global initiatives to unlock and realign private finance towards the achievement of the SDGs. The AFSH team contributes to RBA to achieve this goal by partnering with key government stakeholders to implement SDG-related policies and programmes; by mobilizing private capital towards the SDGs in line with national priorities; and by promoting innovative business models and practices that move communities towards sustainable development impacts. Specifically, of the seven pillars of the Global FSH Finance Wheel, the AFSH PSSI team primarily contributes to the areas of

- i. Leveraging International Public Finance for the SDGs, with the mobilization of Public, DFIs and Vertical Funds to crowd-in private investment;
- ii. Unlocking Private Finance for the SDGs, in particular the creation of conditions that attract and leverage private capital and impact financing for SDG related inclusive, sustainable, and resilient projects;
- iii. Facilitating the development of business models and ecosystems which are centered on or structured towards a positive impact on SDGs; and
- iv. Aligning Business Strategies with the SDGs pillars.

C. Which of the **use cases** does your practice(s) apply to? Please tick all that apply!

- Building impact (investing) ecosystems
- Public – private (blended) financing vehicles and mechanism

D. Which **system practice field(s)** does your practice apply to? Please select the most relevant (max three).

- Collaboration

E. Please give us a brief background 1) what motivated you to act and who initiated the practice(s), inside or outside your organisation, and (if applicable) 2) describe the event that triggered your engagement.

Amidst the global COVID-19 pandemic, the fragility of our economic systems and the interconnectedness of our actions became more obvious than ever. It made us value the need for cross-sector collaboration and integrated solutions to address complex challenges for shared goals. Achieving the Sustainable Development Goals (SDGs) by 2030 will require the same concerted effort and focused action. The UNDP AFSH proposes that an EDA be adopted to catalyse business action with positive impact for people and the planet. The EDAs are based on previous conceptual work by UNDP on business with impact, starting with the 2007 report “Creating Value for All: Strategies for Doing Business with the Poor.” The 2013 report “Realizing Africa’s Wealth: Building Inclusive Businesses for Shared Prosperity” introduced the ecosystem concept and recommended: “New inclusive business ecosystem-building initiatives should be developed at the national and regional levels, aimed at creating inclusive markets and enabling inclusive businesses. These initiatives should coordinate the multiplicity of players involved in creating a new market and provide direct support to entrepreneurs and enterprises that drive inclusive businesses.”

THE PRACTICE(S)

F. Briefly **analyse the situation before you introduced the practice**. What contributed to maintaining the status quo and producing (undesirable) results, e.g. resources (or lack of resources), rules (informal and formal), roles (relevant actors from the public, private and social sector, their legitimacy or effectiveness) and/or the kind and quality of relationships (informal and formal cooperation, power dynamics, information flows).¹

G. Please describe the **actual results** you sought to achieve with your practice, **the parameters you sought to influence most**; roles, relationships, rules, and resources and how?

H. Please describe the **intended results** you sought to achieve with your practice and **the parameters you sought to influence most** – if considerably different from the actual results described above.

I. Please specifically explain the **role other actors and collaboration played** in this practice (if not the main practice itself) and insert a figure that illustrates the main stakeholders and partnerships that play a role in the practice you are presenting here.

Situation before EDA

It’s a common understanding that the private sector is an engine of economic growth and creates opportunities for people along the product and services value chains. Companies across the world create and distribute products and services. They involve people as employees, entrepreneurs, suppliers, or customers. In doing so businesses create opportunities for income generation, employment creation and improved quality of life.

However, most low-income people remain excluded from these value chains due to barriers such as lack of infrastructure, regulatory hurdles, information asymmetry and capacity gaps.

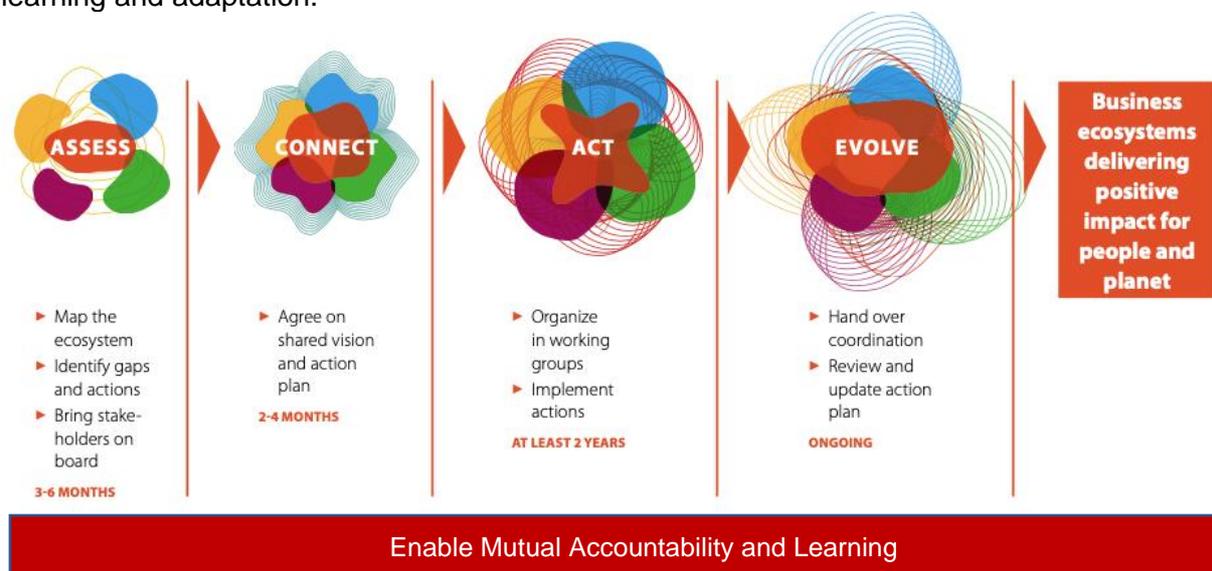
¹ See more details on using the 5R framework (Results, Resources, Rules, Roles, Relationships) for systems analysis for example here Ashoka [Online Guide on System Change, part 3](#) ¹ based on USAID’s Programm Cycle.

Ecosystem Development Approach (EDA) aims at cocreating solutions to resolve these challenges and therefore including low-income people into value chains. UNDP suggested that the provision of 4Is through an EDA could help create opportunities to integrate this group into value chain. The 4Is are Information, Investment, Incentives, and Institutional Support which is the central tenet of an EDA model.

The Practice: The Ecosystem Development Approach (EDA)

EDA provides a framework for building impact (investment) ecosystems. It does so by building the local support ecosystem and enabling businesses to grow and scale impact. It brings capacities and resources together to solve a common problem for a common goal. EDA provides a systemic approach that addresses root causes and not just symptoms. If implemented successfully it can transform sectors and make them more socially inclusive and environmentally sustainable. This will help development actors in their mission to achieve broad-based inclusive economic growth and reach impact at scale.

The Ecosystem Development Approach (EDA) is a 5-step approach to strengthen business ecosystems in emerging markets centered on principles of collaboration with elements of learning and adaptation.



The EDA provides tools that identify factors preventing businesses from growing and reaching scale as well as serve as a convening platform for cross-sector actors (e.g. government, impact investors, banks, civil society actors) to effectively drive the development of Inclusion. EDA, formerly known as IBEI was piloted by UNDP in the three African counties: Lesotho, Senegal, and Uganda.

The approach builds on UNDP’s strong track record and expertise in ecosystem building, multi-stakeholder collaboration and inclusive business over the last decades as well as on insights from the collective impact on communities. EDA is based on the concept of collective impact which depends on the idea that social problems are a result of multiple and complex actions and can be solved by coordinated efforts (The Ecosystem of Shared Value, Harvard Business Review, 2016). Collective impact has emerged as a powerful and innovative approach to solving social problems and is a paradigm shift for how to create social change. Complex social problems are affected by large and interdependent systems that no single organisation can change singlehandedly. As such, UNDP in Africa has supported the establishment of the EDA in three sub-Saharan African countries and provided catalytic funding to 21 inclusive businesses through innovation challenge awards.

Impact Sought through EDA

The following four pillars illustrate the primary outcomes to be realised through succeeding with the EDA. This tool is effective and efficient for these four reasons:

- **Local ownership** - The approach leverages the collective intelligence, resources, and capabilities of ecosystem members and aligns their strategies for solving challenges.
- **Transformation** - The approach strikes at the root causes of development challenges and builds local capacity to tackle them. Innovation Challenges enable entrepreneurs to develop and test concrete business solutions, generating tangible impact quickly.
- **Sustainability** - The approach creates the structures for local actors to continue to solve their own challenges collectively and continuously improve the business enabling environment.
- **Track record** - The approach has a track record of success. In Lesotho, Senegal, and Uganda, Inclusive Business Ecosystem Initiatives have triggered policy changes, improved quality standards, trained workers, and helped develop and scale business model innovations and financing mechanisms.

This is the Decade of Action to achieve the SDGs. This can only be achieved through collaboration, but effective collaboration requires solid facilitation with a systematic, deliberate, and practical approach. The Ecosystem Development Approach provides a proven methodology for better impact through business ecosystems.

Other Actors and Collaborators

UNDP Country Offices and respective governments, private sector, chamber of commerce such as Pan African Chamber of Commerce and development finance institutions such as Africa Development Bank.

YOUR INSIGHTS

- J. What went well and why? What were the challenges you faced and how did you overcome them? What would you do differently today and why?
- K. Which three pieces of advice would you give to your peers?

Successes and Lessons

The following are piloted sectors and countries with key outcomes:



- **The EDA in Senegal** (<http://www.i2eies.org>) aims at improving access to solar energy services for low-income populations through the creation of a supportive ecosystem for inclusive businesses in the solar energy sector.

- **The EDA on mobile money in Lesotho (<http://www.lsimm.org.ls>) aims at transforming Lesotho into the first African nation with a fully digital payment system** where mobile money is a key tool for financial inclusion of low-income populations.
- **The EDA in Uganda aims at transforming the tourism sector by increasing competitiveness and realizing benefits for all.**

Lessons from the Pilots

Three success factors are critical to the Ecosystem Development Approach: appropriate scope, sufficient resources, and motivated stakeholders. Experience working with the three pilots produced the following broad categories for prioritization and focus:

Phase 1	Phase 2	Phase 3	Phase 4
Understand the systemic nature of the challenge	Start small and gain traction	Engage a facilitator who is already well-connected in the ecosystem	Ensure coordination continues after the end of the initiative
Build on an existing program	Identify synergies among actions	Monitor progress	Review the action plan at the end of the initiative and define next steps
Support a government priority	Prioritize a short list of key actions with some quick wins	Communicate achievements among Action Platform members and externally to maintain support	Learn and improve
Invite key stakeholders (especially from government) to co-own the initiative	An official launch event with media attention helps to generate strong political support and momentum for field action	Engage new allies	
	Clear targets and indicators help to monitor and communicate progress		

EDA Differentiation from Conventional Development Approach

The Ecosystem Development Approach vs. traditional development approaches of the past

	Traditional development approach	Ecosystem Development Approach
Ownership	Stakeholders are consulted on program activities and priorities	Stakeholders co-create the action plan and priorities, and execute most activities
Funding	Program is funded and executed by development actors (and contractors)	Program activities are co-funded by stakeholders, either in cash or in kind
Scope	Programs often focus on one ecosystem dimension, e.g. finance or capacity-building or policy	Programs address all business ecosystem dimensions in an integrated, synergistic way
Impact	Benefits for selected stakeholders (mainly low-income populations)	Benefits for diverse stakeholders, including low-income populations, MSMEs, larger companies, the public sector, and civil society
Sustainability	Specific program timeframe, with no planned activities after program end	Program focused on catalyzing action by stakeholders, which continues after program end

Advice to Peers

The message to all development organisations is to act now. The EDA is effective where sustainable business solutions to development challenges are possible, but currently precluded by constraints in the business environment. By improving the business ecosystem in specific sectors or sub-sectors and creating incentives for impact, it reduces risk and increases potential financial and social returns for public and private impact investors. From the beginning, the EDA has been designed for replication and the AFSH provides a comprehensive training document and standardized tools for use along the way.

FURTHER RESOURCES

- [Realizing Africa's Wealth Report](#)
- [IBEI Concept](#)

CONTACTS

Tomas Sales,
Special Private Sector and Sustainable Finance Advisor,
Tomas.sales@undp.org
Africa Finance Sector Hub
Pretoria, South Africa