

Development and the Private Sector —What Works?

Learnings from MEDA's *Techno-Links* Project

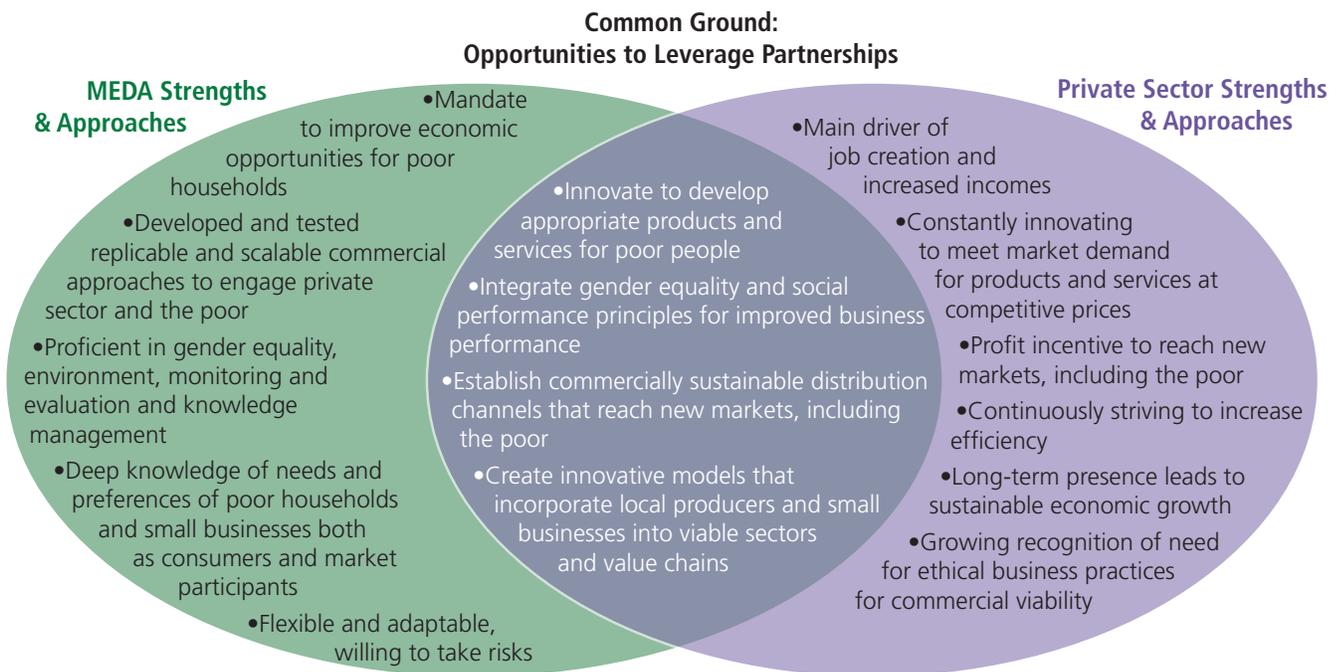
MEDA's *Techno-Links* project is working with 22 private sector partners in three countries to develop commercial solutions to problems of access in the financial and agriculture sectors. With a goal of reaching over 200,000 poor households and smallholder farmers with improved access to financial services and agricultural technologies, the project needed to find creative ways of encouraging the private sector to engage in markets where they are normally reluctant to extend their service capacity. This brief outlines our key learnings on effective private sector engagement for development, based on the experience of the *Techno-Links* project to date.

Why the Focus on Private Sector Engagement in Development?

Private sector engagement in development has gained significant traction in recent years, with an emphasis on how businesses, and the products and services they offer, can increase company profits while also driving economic growth and thus poverty reduction in developing countries. What's more, private investment now significantly outweighs public spending: in 2010 private capital flows to developing countries were \$524.8 billion, while official development aid disbursements by OECD members totaled only \$128.7 billion.¹ These

figures point to the growing influence of private sector dollars in economic development.

MEDA believes that the intersection of its non-profit expertise in creating business solutions to poverty and that of the private sector in establishing profit driven businesses represents a powerful opportunity for sustainable growth leading to poverty alleviation. As illustrated in the diagram below, there are considerable opportunities to leverage 'development-private sector partnerships' to fuel economic growth in developing countries.

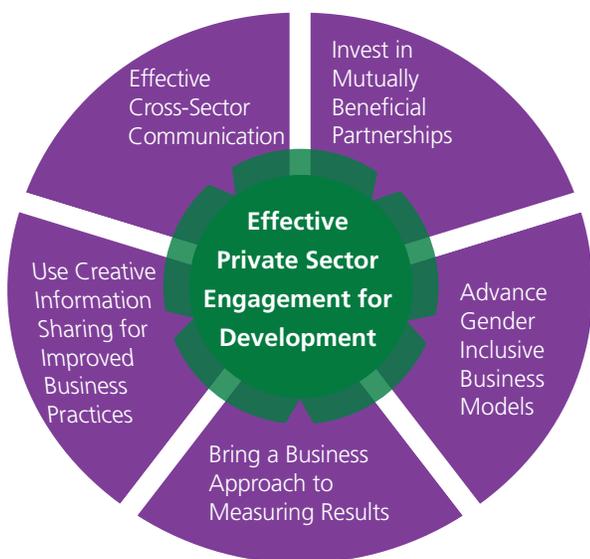


Adapted from DFID, *The Private Sector and Prosperity for Poor People*

¹ Let business do business: the role of the corporate sector in international development. ODI, 2012

How *Techno-Links* Engages with the Private Sector

While there are many factors that affect the extent to which wealth created by businesses can support poverty reduction, our experience points to several key principles relevant to development practitioners on how to engage with the private sector to achieve positive development outcomes. MEDA's *Techno-Links* project, jointly funded by CIDA and the IDB², has offered valuable opportunities for learning in this area. The project is leveraging private sector actors to increase access to both financial services and agricultural technologies, and MEDA works directly with a variety of local partners to accomplish this: a mobile financial services company in Zambia (Zoono), a microfinance institution in Nicaragua (MiCrédito), and 20 private agriculture technology enterprises in Peru and Nicaragua. Based on this and other relevant program experience, MEDA has documented the following "Five Key Elements of Effective Engagement with the Private Sector for Development".



Five Key Elements of Effective Engagement with the Private Sector for Development

1. *Effective Cross-Sector Communication:*

Be prepared to adapt 'development-speak' to business terminology in order to promote effective communication and buy-in with private sector partners. *Techno-Links* supports a variety of private sector companies to improve their services to poor households. As such, it was critical to adapt the 'project' language to the 'business' language of our partners. For example, if *Techno-Links* required 'project implementation plans', it was important to link these to the partners' existing documents such as business plans and strategic plans, rather than force them to adapt to our needs.

2. *Invest in Mutually Beneficial Partnerships:*

Building trust and mutual understanding with private sector partners takes time. Be patient, be flexible, and be dependable. While social missions for businesses do exist, the private sector is driven mainly by profit, and to be effective, business partnerships with NGOs or donors must provide a clear value-add to the businesses' bottom line. Trust must be established, which takes time, after which a business will be more likely to listen to recommendations of development partners. If NGOs can show flexibility in the face of changing market conditions, this can help to build trust and credibility with private sector partners.

Why Flexibility is Important in Private Sector

Partnerships: During the *Techno-Links* design phase MEDA and MiCrédito assumed that the project would focus on a mobile money solution to microfinance delivery. However, following a market assessment, we realized that mobile money was underdeveloped in Nicaragua, but debit cards and ATMs were more accepted. We adapted the project activities to leverage this new opportunity, while still meeting the original objectives of wider outreach and diversified financial products using technology.

3. Advance Gender-Inclusive Business Models.

The private sector needs support in understanding gender equality issues and making them relevant to their businesses. A

business' understanding of the needs and preferences of their target customers is critical in order to offer them appropriate products and services. This includes distinguishing between the needs of male and female customers, which often vary greatly. *Techno-Links* carried out gender assessments on private sector partners, and the results revealed a weak understanding of the different needs of male and female customers, as well as of the business model implications of gender in order to effectively serve both groups. This inadequate design of products and delivery methods to reach both groups was limiting the businesses' capacity to generate higher revenues.

Renewable Energy Company Discovers Women as a Market Segment.

Techno-Links partner Tecnosol in Nicaragua sells small scale biodigestors to small farmers. The project gender assessment revealed that women are a large potential market, because the biodigestor's green energy reduces the impact of smoke related respiratory diseases, which largely affect women. The company's marketing campaign does not currently focus on these health- and gender-related benefits, but they now plan to reorient marketing strategies to more effectively target women and increase sales.

4. Bring a Business Approach to Measuring Results.

Non-profits and donors should adapt monitoring and evaluation frameworks to match standard business performance indicators, and strive to make project performance measurement relevant to business objectives. Businesses normally have

their own set of key performance indicators ("KPIs") that measure the most important indicators of the company's financial and operational performance. NGOs working with the private sector need to ensure that the project's own M&E frameworks link closely to indicators that the business can easily collect and which are relevant to business performance. Donor

projects can also bring a valuable qualitative analysis perspective, which can assess impact, in a way that is new for most businesses.

Business Intelligence Serves Dual Needs of NGO,

Business: In Zambia, *Techno-Links* partner Zoon had an excellent database to track financial transactions on their system, but the system did not allow for transactions to be tagged as rural or urban, or as male/female customers, two indicators which were critical for reporting the project's social performance to the donor. The project supported Zoon to invest in business intelligence software which added new fields to transaction data to track this information, allowing both ease of donor reporting and improved business knowledge of where customers are transacting and male / female usage rates of the service, which can be used to improve products.

5. Use Creative Information Sharing for Improved Business Practices.

Opportunities exist to leverage the experiences of private sector actors across sectors, and across programs, to improve business efficiencies and development impacts. Known as 'Knowledge Management' in the development sector, this area of project support offers valuable opportunities to allow private sector partners to engage more effectively with the project and with each other. Both external and internal (non-public) knowledge management tools and platforms can serve the needs of business partners, while respecting confidentiality of business information.

An Online Platform for Business Innovation.

Techno-Links has established an online platform called Intercambio ('Exchange') to allow agriculture technology suppliers in Peru and Nicaragua to share information about innovative approaches to reaching small farmers. Actively engaging the private sector in the development of such a site was critical in ensuring it meets their needs. The project is also establishing public sites that are used to share technical learnings with the wider business and development communities.

About MEDA

Mennonite Economic Development Associates (MEDA) has a sixty-year history of designing and implementing innovative and successful market-driven economic development programs that reach marginalized communities around the world. We base our achievements on **facilitating sustainable private sector development** that integrates disadvantaged populations into viable industries and markets.

Founded by a small group of service-oriented business people, MEDA believes our work is not done until it is proven to be sustainable, replicable, scalable and measurable. MEDA has established itself as a leader in the areas of **financial services, market linkages, and impact investing**, while specializing in several areas of focus within these broad economic areas, such as women's economic development, rural finance, agriculture linkages, youth, and post-conflict populations.

An international not-for-profit organization headquartered in Waterloo, Canada, **in 2012 MEDA worked through 227 partners in 56 countries**, including regions affected by conflict, to implement sustainable, market-driven solutions to poverty. This work has in turn helped over 18 million families realize healthier, more economically sustainable lives; through MEDA program support and by impact investments made through our related companies. MEDA remains at the forefront of innovative partnership models and new approaches for local capacity building.

About *Techno-Links*

Techno-Links is a three-project begun in 2011 and designed to help rural men and women – especially small farmers and enterprises – to **increase their incomes through**

improved access to agricultural products and financial services. Techno-Links builds on MEDA's previous microfinance and enterprise development experience in Nicaragua, Peru and Zambia to support private sector partners such as MiCredito, a microfinance institution in Nicaragua, Zoono, an electronic payments provider in Zambia, and 20 local agribusiness suppliers in Peru and Nicaragua to sustainably grow their businesses to serve these underserved groups.

In Zambia and Nicaragua, Techno-Links promotes the use of **branchless banking networks and mobile phones** to improve delivery of innovative financial services, such as credit and savings, to rural areas. With better access to financial services, households and businesses can improve their livelihoods and better plan for future expenses or unexpected events.

In Peru and Nicaragua, the project uses a **competitive matching grant facility** to incentivize agricultural technology suppliers to widen their distribution channels to reach more small farmers. These technologies in turn can improve farmer productivity and environmental conservation, helping to increase food security, decrease environmental degradation, and stimulate economic growth in rural areas.

Funded by generous donations from the Canadian International Development Agency, the Inter-American Development Bank, and MEDA supporters, **by 2014 Techno-Links will reach over 235,000 poor households and small farmers** with improved access to financial services and agricultural technologies to improve their productivity and sustainably increase their incomes.

For more information on *Techno-Links* visit: www.meda.org/about-techno-links and www.branchlessbanking.ca



Authors:

Katie Turner
Nicole Pasricha

Graphic Design:

Dalilah Jesus

February 2013